
County of Berks, Pennsylvania

Annual Financial Report

for the Year Ending December 31,
2012

Commissioners:

Christian Y. Leinbach, Chair

Kevin S. Barnhardt, Vice Chair

Mark C. Scott, Esq.

Prepared by the

Office of the Controller

Annual Financial Report

Year ended December 31, 2012

County of Berks

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INDEPENDENT AUDITOR'S REPORT

The following pages are the report of the County's independent certified public accounting firm on the audit of its financial statements performed for the year ended December 31, 2011.



Independent Auditor's Report

Board of County Commissioners and
County Controller
County of Berks, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Berks (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic 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 these 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, except for the discretely presented component unit, the Berks County Solid Waste Authority, 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.

We did not audit the financial statements of the Reading Regional Airport Authority and the Reading Area Community College as of September 30, 2012 and June 30, 2012, respectively, which represent 91%, 99% and 93%, respectively, of the assets, net position and revenues of the discretely presented component units. Those financial statements have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component units, is based on the report of other auditors.

Auditor's Responsibility (continued)

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 made 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 reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Berks as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information identified in the table of contents on pages RSI 1 - 8 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 (GASB) 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 responses 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The Management's Discussion and Analysis, although not a part of the basic financial statements, is required by the GASB, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Matters (continued)

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Berks' basic financial statements. The accompanying financial information listed as Other Supplementary Information in the table of contents as OSI 2 - 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013 on our consideration of the County of Berks' 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 County of Berks' internal control over financial reporting and compliance.



June 28, 2013
Wyomissing, Pennsylvania



BASIC FINANCIAL STATEMENTS

This section, along with the Notes to Financial Statements, constitutes the core of the Annual Financial Report's financial presentation. It provides both government-wide financial statements as well as fund financial statements, and should be read in conjunction with the Notes to Financial Statements.



	Primary Government			Component Units
	Governmental	Business-type	Total	
Current assets:				
Cash and cash equivalents	\$ 44,297,499	\$ 3,443,051	\$ 47,740,550	\$ 16,305,814
Cash and cash equivalents, restricted	57,121,086	3,223	57,124,309	3,729,443
Investments	54,504,675	-	54,504,675	7,866,564
Investments, restricted	3,543,564	287,623	3,831,187	-
Taxes receivable, net	9,739,320	-	9,739,320	-
Accounts receivable, net	10,582,197	8,469,775	19,051,972	11,181,108
Notes receivable	190,000	-	190,000	-
Due from other governments	15,084,560	185,528	15,270,088	7,413,208
Due from other funds	23,828,909	(23,828,909)	-	-
Inventories	198,699	98,122	296,821	24,122
Prepaid expenses	309,356	1,673,902	1,983,258	545,504
Deposits	92,939	-	92,939	-
Total current assets	<u>219,492,804</u>	<u>(9,667,685)</u>	<u>209,825,119</u>	<u>47,065,763</u>
Noncurrent assets:				
Investments	12,319,443	-	12,319,443	-
Loans receivable	8,970,000	-	8,970,000	-
Restricted assets:				
Employee pay advance	100,004	82,667	182,671	-
Interest receivable	923,933	-	923,933	-
Liens receivable	8,853,854	-	8,853,854	-
Investments	5,008,088	-	5,008,088	1,330,844
Deferred charges	-	-	-	905,565
Net pension asset	49,282,799	15,067,061	64,349,860	-
Capital assets:				
Land and improvements, net	13,766,520	-	13,766,520	8,299,017
Agland easements	73,173,727	-	73,173,727	103,002
Infrastructure, net	2,413,797	-	2,413,797	17,674,171
Buildings and improvements, net	91,920,033	30,845,149	122,765,182	47,250,533
Furniture, fixtures, equipment and vehicles, net	4,020,939	3,732,677	7,753,616	2,938,708
Leasehold improvements	-	-	-	1,190,962
Historical treasures	2,166,153	-	2,166,153	909,433
Software in progress	380,782	-	380,782	-
Construction in progress	24,110,337	7,297,989	31,408,326	9,748,118
Total noncurrent assets	<u>297,410,409</u>	<u>57,025,543</u>	<u>354,435,952</u>	<u>90,350,353</u>
Deferred outflows of resources:				
Derivative swap agreement	\$ 529,289	\$ -	\$ 529,289	\$ -
Unamortized bond refunding loss	534,828	-	534,828	-
Loss on debt refinancing, net of accumulated amortization	-	-	-	325,968
Total deferred outflows of resources	<u>1,064,117</u>	<u>-</u>	<u>1,064,117</u>	<u>325,968</u>
Total assets and deferred outflows of resources	<u>\$ 517,967,330</u>	<u>\$ 47,357,858</u>	<u>\$ 565,325,188</u>	<u>\$ 137,742,084</u>

	Primary Government			Component Units
	Governmental	Business-type	Total	
Current liabilities:				
Accounts payable	\$ 12,652,425	\$ 2,482,443	\$ 15,134,868	\$ 2,289,746
Line of credit	-	-	-	32,121
Accrued liabilities	2,929,092	1,043,110	3,972,202	1,117,996
Due to other governments	854,435	-	854,435	-
Unearned revenue	-	6,574	6,574	4,627,140
Due to third parties	2,109,109	-	2,109,109	-
Accrued interest payable	1,671,000	165,355	1,836,355	21,375
Compensated absences	814,570	366,322	1,180,892	404,448
Deposits	-	-	-	49,024
Accrued claims health insurance	8,643,243	455,024	9,098,267	-
Accrued claims liability	202,583	191,297	393,880	-
Capital lease payable	-	-	-	37,971
Bonds and notes payable	18,724,352	1,480,648	20,205,000	9,090,897
Payable from restricted assets	-	13,073	13,073	-
Total current liabilities	<u>48,600,809</u>	<u>6,203,846</u>	<u>54,804,655</u>	<u>17,670,718</u>
Noncurrent liabilities:				
Compensated absences	3,087,033	778,685	3,865,718	458,757
Accrued claims liability	2,099,496	1,982,536	4,082,032	600,000
Postretirement benefit liability	-	-	-	162,616
Capital lease payable	-	-	-	14,466
Bonds and notes payable	254,178,922	30,903,986	285,082,908	23,808,092
Unearned revenue	-	-	-	3,931,516
Payable from restricted assets	9,160,082	-	9,160,082	-
Total noncurrent liabilities	<u>268,525,533</u>	<u>33,665,207</u>	<u>302,190,740</u>	<u>28,975,447</u>
Total liabilities	<u>\$ 317,126,342</u>	<u>\$ 39,869,053</u>	<u>\$ 356,995,395</u>	<u>\$ 46,646,165</u>
Deferred inflows of resources:				
Deferred grant revenue	\$ 6,012,465	\$ 25,382	\$ 6,037,847	\$ -
Unamortized bond refunding gain	-	3,000,403	3,000,403	-
Program grants - advance funds	-	-	-	991,488
Total deferred inflows of resources	<u>\$ 6,012,465</u>	<u>\$ 3,025,785</u>	<u>\$ 9,038,250</u>	<u>\$ 991,488</u>
Net Position:				
Net investment in capital assets	\$ 17,083,783	\$ 13,829,836	\$ 30,913,619	\$ 64,888,864
Restricted:				
Gift fund	750	-	750	-
Farmland preservation	309,043	-	309,043	-
Hazmat response	1,345,653	-	1,345,653	-
Graffiti abatement	16,842	-	16,842	-
Act 198 - Courts	44,773	-	44,773	-
Debt service	582,000	-	582,000	1,264,526
Program purposes - Special revenue funds	9,958,532	-	9,958,532	-
Capital improvements, net of related debt	-	-	-	2,088,293
Foundation for Reading Area Community College	-	-	-	7,362,817
Unrestricted (deficit)	165,487,146	(9,366,816)	156,120,330	14,499,931
Total net position	<u>\$ 194,828,522</u>	<u>\$ 4,463,020</u>	<u>\$ 199,291,542</u>	<u>\$ 90,104,431</u>

See accompanying notes to the financial statements.

	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:					
Primary government:					
Governmental activities:					
General government	\$ 33,996,951	\$ (16,381,013)	\$ 7,700,054	\$ 63,306	\$ -
Judicial	40,751,291	7,562,276	10,056,699	1,864,986	58,754
Public safety	54,749,010	3,151,864	5,619,927	9,577,835	-
Human services	178,142,453	2,862,963	2,016,753	171,097,946	-
Culture and recreation	7,654,172	307,461	124,492	1,387,006	377,136
Community and economic development	4,998,777	448,558	1,053,516	3,793,636	239,739
Public works	931,025	66,238	-	1,556,198	-
Community support	5,280,061	28,022	106,425	-	-
Debt service administrative expenses	12,441,213	1,659	1,827,673	-	-
Solid waste	1,268,897	11,149	2,775,018	39,526	-
Total governmental activities	<u>340,213,850</u>	<u>(1,940,823)</u>	<u>31,280,557</u>	<u>189,380,439</u>	<u>675,629</u>
Business-type activities					
Department of Emergency Services	8,318,129	295,913	7,687,064	3,600	-
Youth Center	4,010,360	406,427	567,352	1,149,106	-
Berks County Residential Center	5,687,776	359,340	6,523,375	53,795	-
Berks Heim	37,791,400	972,308	40,567,133	46,355	-
Total business-type activities	<u>55,807,665</u>	<u>2,033,988</u>	<u>55,344,924</u>	<u>1,252,856</u>	<u>-</u>
Total primary government	<u>\$ 396,021,515</u>	<u>\$ 93,165</u>	<u>\$ 86,625,481</u>	<u>\$ 190,633,295</u>	<u>\$ 675,629</u>
Component units:					
Total component units	<u>\$ 53,715,811</u>	<u>\$ -</u>	<u>\$ 19,005,931</u>	<u>\$ 26,672,461</u>	<u>\$ 6,035,872</u>

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

	Governmental Activities	Business-type Activities	Total	Component Units
Functions/Programs:				
Primary government:				
Governmental activities:				
General government	\$ (9,852,578)	\$ -	\$ (9,852,578)	
Judicial	(36,333,128)	-	(36,333,128)	
Public safety	(42,703,112)	-	(42,703,112)	
Human services	(7,890,717)	-	(7,890,717)	
Culture and recreation	(6,072,999)	-	(6,072,999)	
Community and economic development	(360,444)	-	(360,444)	
Public works	558,935	-	558,935	
Community support	(5,201,658)	-	(5,201,658)	
Debt Service administrative expenses	(10,615,199)	-	(10,615,199)	
Solid waste	1,534,498	-	1,534,498	
Total governmental activities	<u>(116,936,402)</u>	<u>-</u>	<u>(116,936,402)</u>	
Business-type activities				
Department Emergency Services	-	(923,378)	(923,378)	
Youth Center	-	(2,700,329)	(2,700,329)	
Berks County Residential Center	-	530,054	530,054	
Berks Heim	-	1,849,780	1,849,780	
Total business-type activities	<u>-</u>	<u>(1,243,873)</u>	<u>(1,243,873)</u>	
Total primary government	<u>(116,936,402)</u>	<u>(1,243,873)</u>	<u>(118,180,275)</u>	
Component units:				
Total component units				\$ (2,001,547)
General Revenues				
Taxes:				
Property taxes, levied for general purposes	127,067,035	-	127,067,035	-
Hotel tax	1,647,698	-	1,647,698	-
Payments in lieu of taxes	316,221	-	316,221	-
Payments from County of Berks	-	-	-	4,309,550
Payments from other governments	-	-	-	170,568
Investment earnings	833,259	5,248	838,507	178,313
Miscellaneous	-	-	-	1,567,534
Gain on sale of assets	46,931	-	46,931	-
Rental of space	202,812	22,464	225,276	-
Transfers	(4,816,823)	4,816,823	-	-
Total general revenue and transfers	<u>125,297,133</u>	<u>4,844,535</u>	<u>130,141,668</u>	<u>6,225,965</u>
Change in net position	8,360,731	3,600,662	11,961,393	4,224,418
Net position - beginning	186,467,791	862,358	187,330,149	85,880,013
Net position - ending	<u>\$ 194,828,522</u>	<u>\$ 4,463,020</u>	<u>\$ 199,291,542</u>	<u>\$ 90,104,431</u>

See accompanying notes to the financial statements.

	General	Children and Youth Services	Community Development
Assets:			
Cash and cash equivalents	\$ 30,543,854	\$ 1,300	\$ 23,587
Cash and cash equivalents, restricted	2,435,220	5,175	-
Investments	53,936,978	-	-
Investments, restricted	1,904,377	-	-
Taxes receivable	9,640,737	-	-
Accounts receivable	8,835,443	9,876	23,057
Accrued interest receivable	178,478	-	679,447
Due from other governments	5,580,931	5,704,816	43,682
Due from other funds	27,618,200	-	109,988
Inventories	198,699	-	-
Prepaid expenses	309,356	-	-
Deposits	92,939	-	-
Liens receivable	-	-	9,043,854
Investments, non-current	9,163,221	-	-
Investments, non-current, restricted	-	-	-
Total assets	<u>\$ 150,438,433</u>	<u>\$ 5,721,167</u>	<u>\$ 9,923,615</u>
Liabilities:			
Accounts payable	\$ 3,490,228	\$ 3,635,211	\$ 188,404
Accrued liabilities	2,182,986	332,241	7,654
Due to other funds	-	756,401	-
Due to other governments	854,435	-	-
Advance revenue	16,140,410	865,009	9,723,301
Due to third parties	2,108,081	-	-
Accrued claims health insurance	1,179,264	122,900	4,256
Bonds and notes payable	-	-	-
Accrued claims other	-	-	-
Accrued claims liability	-	-	-
Payable from restricted assets	-	-	-
Total liabilities	<u>25,955,404</u>	<u>5,711,762</u>	<u>9,923,615</u>
Fund balances:			
Nonspendable:			
Conversion pay	84,876	8,655	-
Inventories and prepaid expenses	508,051	-	-
Restricted:			
Gift fund	-	750	-
Farmland preservation	309,043	-	-
Hazmat response	1,345,653	-	-
Graffiti Abatement	16,842	-	-
Act 198 - Courts	44,773	-	-
Workers' compensation	353,292	-	-
Special revenue funds	-	-	-
CDBG radio revenue	230,000	-	-
Capital project funds	-	-	-
Assigned:			
2013 Adopted Budget Deficit	726,784	-	-
222 Corridor	5,000,000	-	-
Berks Heim	4,319,965	-	-
Capital purchases	648,386	-	-
Debt service guarantees	582,000	-	-
911 Radio project	3,696,772	-	-
Environmental litigation	271,417	-	-
Encumbrances	300,000	-	-
Health care self insurance	4,000,000	-	-
Unassigned (deficit)	102,045,175	-	-
Total fund balances	<u>124,483,029</u>	<u>9,405</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 150,438,433</u>	<u>\$ 5,721,167</u>	<u>\$ 9,923,615</u>

See accompanying notes to the financial statements.

	Health Choices	Capital Projects	Nonmajor	Total Governmental
Assets:				
Cash and cash equivalents	\$ 10,681,908	-	\$ 3,046,850	\$ 44,297,499
Cash and cash equivalents, restricted	3,542,330	47,752,080	3,386,281	57,121,086
Investments	-	-	567,697	54,504,675
Investments, restricted	1,639,187	-	-	3,543,564
Taxes receivable	-	-	98,583	9,739,320
Accounts receivable	-	-	215,870	9,084,246
Accrued interest receivable	3,180	-	-	861,105
Due from other governments	-	129,195	3,625,935	15,084,559
Due from other funds	104,031	-	903,583	28,735,802
Inventories	-	-	-	198,699
Prepaid expenses	-	-	-	309,356
Deposits	-	-	-	92,939
Liens receivable	-	-	-	9,043,854
Investments, non-current	-	-	3,156,222	12,319,443
Investments, non-current, restricted	5,008,088	-	-	5,008,088
Total assets	<u>\$ 20,978,724</u>	<u>\$ 47,881,275</u>	<u>\$ 15,001,021</u>	<u>\$ 249,944,235</u>
Liabilities:				
Accounts payable	\$ 1,448,684	\$ 1,497,633	\$ 2,389,398	\$ 12,649,558
Accrued liabilities	8,160	-	408,863	2,939,904
Due to other funds	-	855,111	3,296,940	4,908,452
Due to other governments	-	-	-	854,435
Advance revenue	2,104,340	-	679,778	29,512,838
Due to third parties	-	-	-	2,108,081
Accrued claims health insurance	6,563,557	-	-	7,869,977
Bonds and notes payable	-	-	-	-
Accrued claims other	-	-	-	-
Accrued claims liability	-	-	-	-
Payable from restricted assets	9,160,587	-	-	9,160,587
Total liabilities	<u>19,285,328</u>	<u>2,352,744</u>	<u>6,774,979</u>	<u>70,003,832</u>
Fund balances:				
Nonspendable:				
Conversion pay	-	-	6,473	100,004
Inventories and prepaid expenses	-	-	-	508,051
Restricted for:				
Gift fund	-	-	-	750
Farmland preservation	-	-	-	309,043
Hazmat response	-	-	-	1,345,653
Graffiti Abatement	-	-	-	16,842
Act 198 - Courts	-	-	-	44,773
Workers' compensation	-	-	-	353,292
Special Revenue funds	1,693,396	-	8,265,136	9,958,532
CDBG radio revenue	-	-	-	230,000
Capital project funds	-	45,528,531	-	45,528,531
Assigned:				
2013 Adopted Budget Deficit	-	-	-	726,784
222 Corridor	-	-	-	5,000,000
Berks Heim	-	-	-	4,319,965
Capital purchases	-	-	-	648,386
Debt service guarantees	-	-	-	582,000
911 Radio project	-	-	-	3,696,772
Environmental litigation	-	-	-	271,417
Encumbrances	-	-	-	300,000
Health care self insurance	-	-	-	4,000,000
Unassigned (deficit)	-	-	(45,567)	101,999,608
Total fund balances	<u>1,693,396</u>	<u>45,528,531</u>	<u>8,226,042</u>	<u>179,940,403</u>
Total liabilities and fund balances	<u>\$ 20,978,724</u>	<u>\$ 47,881,275</u>	<u>\$ 15,001,021</u>	<u>\$ 249,944,235</u>

See accompanying notes to the financial statements.

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2012

County of Berks
2012 Annual Financial Report

Total fund balances for governmental funds	\$	179,940,403
Total net assets reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land and improvements, net	13,766,520	
Agland easements	73,173,727	
Infrastructure, net	2,413,797	
Building and improvements, net	91,920,033	
Furniture, fixtures, equipment and vehicles, net	4,020,939	
Historical treasures	2,166,153	
Software in Progress	380,783	
Construction in progress	24,110,337	
Total capital asset	<u>211,952,289</u>	211,952,289
The pension assets resulting from contributions in excess of the annual required contribution are not financial resources and therefore not reported in the funds.		49,282,799
Revenue that was not available soon enough to pay for the current period's expenditures and, therefore reported as advance revenue in the funds.		
Property taxes	3,547,396	
Delinquent property taxes	3,799,772	
Clerk of Courts departmental charges and reimbursements	5,410,003	
Community Development liens receivable	9,533,301	
District Justices departmental charges and reimbursements	1,208,561	
	<u>23,499,033</u>	23,499,033
Other assets not available to pay for current period's expenditures and therefore not reported in the funds.		
Deferred charges	1,594,462	
Amount due from Greater Berks Development Fund for outstanding bonds payable	8,970,000	
Accrued interest receivable from Greater Berks Development Fund	65,828	
	<u>10,630,290</u>	10,630,290
Long-term liabilities related to the County's governmental activities, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. Both current and long-term liabilities are reported in the statement of net assets. Amounts borrowed are recognized when received in the governmental funds and increase fund balance. Amounts disbursed to paying agents are paid from governmental funds and reduce fund balance.		
Balances at December 31, 2012 are:		
Swap agreement	529,289	
Accrued interest on bonds and notes	(1,671,000)	
Compensated absences	(3,901,603)	
Accrued claims health/other insurance	(632,233)	
Accrued claims liabilities	(2,432,299)	
Bonds and notes payable	(272,368,446)	
	<u>(280,476,292)</u>	(280,476,292)
Total net position of governmental activities	\$	<u>194,828,522</u>

See accompanying notes to the financial statements.



Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Governmental Funds
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	General Fund	Children and Youth Services	Community Development
Revenues			
Taxes:			
Property	\$ 127,003,623	\$ -	\$ -
Hotel	-	-	-
Court costs, fines and forfeitures	3,533,648	-	-
Intergovernmental revenue	14,593,542	32,341,833	3,448,927
Departmental charges and reimbursements	50,801,378	886,542	644,222
Payments in lieu of taxes	135,367	-	-
Rentals	200,312	-	-
Sales of property, supplies and equipment	46,931	-	-
Investment earnings	715,350	20	775
Miscellaneous	1,108,934	2,649	35,414
Total revenues	198,139,085	33,231,044	4,129,338
Expenditures			
Current:			
General government, administrative	46,193,134	-	-
General government, judicial	65,225,477	-	-
Public safety	72,374,351	-	-
Human services	-	42,439,308	-
Culture and recreation	9,268,854	-	-
Community and economic development	3,935,049	-	3,245,645
Public works	228,610	-	-
Community support	5,307,490	-	-
Intergovernmental expenditures - Solid waste	1,000,219	-	-
Debt service:			
Principal	14,811,812	-	-
Interest and fiscal charges	9,227,288	-	-
Administrative expenses	15,518	-	-
Bond Issuance Costs	-	-	-
Bond Discounts	-	-	-
Capital outlay	-	-	-
Total expenditures	227,587,802	42,439,308	3,245,645
Excess (deficiency) of revenues over (under) expenditures	(29,448,717)	(9,208,264)	883,693
Other financing sources (uses)			
Transfers in	2,877,333	9,204,603	349,550
Transfers out	(25,003,869)	-	(996,377)
Issuance of refunding bonds	-	-	-
Issuance of long term debt	23,536,237	-	-
Total other financing sources (uses)	1,409,701	9,204,603	(646,827)
Net changes in fund balances	(28,039,016)	(3,661)	236,866
Fund balances (deficits), beginning	152,522,045	13,066	(236,866)
Fund balances, ending	\$ 124,483,029	\$ 9,405	\$ -

See accompanying notes to the financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Governmental Funds
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Health Choices	Capital Projects	Nonmajor	Total Governmental
Revenues				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ 127,003,623
Hotel	-	-	1,647,698	1,647,698
Court costs, fines and forfeitures	-	-	-	3,533,648
Intergovernmental revenue	79,661,311	-	61,221,477	191,267,090
Departmental charges and reimbursement	-	-	2,062,793	54,394,935
Payments in lieu of taxes	-	-	-	135,367
Rentals	-	-	2,500	202,812
Sales of property, supplies and equipment	-	-	-	46,931
Investment earnings	53,975	11,466	51,675	833,261
Miscellaneous	-	-	297,133	1,444,130
Total revenues	<u>79,715,286</u>	<u>11,466</u>	<u>65,283,276</u>	<u>380,509,495</u>
Expenditures				
Current:				
General government, administrative	-	-	1,766,295	47,959,429
General government, judicial	-	-	348,013	65,573,490
Public safety	-	-	-	72,374,351
Human services	79,807,632	-	69,500,924	191,747,864
Culture and recreation	-	-	-	9,268,854
Community and economic development	-	-	-	7,180,694
Public works	-	-	1,640,334	1,868,944
Community support	-	-	-	5,307,490
Intergovernmental expenditures - Solid waste	-	-	-	1,000,219
Debt Service:				
Principal	-	4,670,120	-	19,481,932
Interest and fiscal charges	-	119,401	-	9,346,689
Administrative expenses	-	-	-	15,518
Bond Issuance Costs	-	339,696	-	339,696
Bond Discounts	-	90,977	-	90,977
Capital outlay	-	20,906,488	-	20,906,488
Total expenditures	<u>79,807,632</u>	<u>26,126,682</u>	<u>73,255,566</u>	<u>452,462,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(92,346)</u>	<u>(26,115,216)</u>	<u>(7,972,290)</u>	<u>(71,953,140)</u>
Other financing sources (uses)				
Transfers in	147,843	-	8,912,514	21,491,843
Transfer out	-	-	(1,676,201)	(27,676,447)
Issuance of refunding bonds	-	9,870,000	-	9,870,000
Issuance of long term debt	-	6,404,704	-	29,940,941
Total other financing sources (uses)	<u>147,843</u>	<u>16,274,704</u>	<u>7,236,313</u>	<u>33,626,337</u>
Net changes in fund balances	<u>55,497</u>	<u>(9,840,512)</u>	<u>(735,977)</u>	<u>(38,326,803)</u>
Fund balances, beginning	<u>1,637,899</u>	<u>55,369,043</u>	<u>8,962,019</u>	<u>218,267,206</u>
Fund balances, ending	<u>\$ 1,693,396</u>	<u>\$ 45,528,531</u>	<u>\$ 8,226,042</u>	<u>\$ 179,940,403</u>

See accompanying notes to the financial statements.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year ended December 31, 2012

County of Berks
2012 Annual Financial Report

Net change in fund balances - total governmental funds \$ (38,326,803)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:

Expenditures for capital assets / agricultural easements	33,616,091	
Depreciation expense	<u>(8,113,495)</u>	
Net adjustment		25,502,596

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effects of these differences in the current period are:

Change in swap liability	897,660	
Bond principal repayments	29,940,941	
Bond principal borrowings	(51,138,188)	
Bond premium/discounts/refunding gains	<u>(7,869)</u>	
Net adjustment		(20,307,456)

Interest is expensed when paid in the governmental funds. However, in the government-wide statements interest is matched to the period in which it was incurred. In the current period the net effect of matching interest expense to the proper period is: (5,532,655)

Revenues in the statement of activities that are not available to provide current financial resources are not reported as revenues in the funds. At the government-wide level revenue recognition is not limited by availability. The effects of these adjustments in the current year are:

Taxes	(63,412)	
Services	(348,605)	
Mortgages	<u>(332,327)</u>	
Combined adjustment		(744,344)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences and accrued claims	(187,804)	
Net pension obligation	<u>47,957,197</u>	
Combined adjustment		<u>47,769,393</u>

Change in net assets of governmental activities \$ 8,360,731

See accompanying notes to the financial statements.

Statement of Net Position (Deficit)
Proprietary Funds - Enterprise Funds
December 31, 2012

County of Berks
2012 Annual Financial Report

	Department of Emergency Services	Youth Center	Berks County Residential Center	Berks Heim	Totals
Assets:					
Current assets:					
Cash and cash equivalents	\$ 3,207,771	\$ -	\$ 1,000	\$ 234,280	\$ 3,443,051
Cash and cash equivalents, restricted	-	-	-	3,223	3,223
Investments, restricted	-	-	-	287,623	287,623
Accounts receivable, net	198,900	-	2,061,737	6,209,138	8,469,775
Due from other governments	171,770	-	13,758	-	185,528
Inventories	-	-	2,658	95,464	98,122
Prepaid expenses	1,619,356	-	-	54,546	1,673,902
Total current assets	<u>5,197,797</u>	<u>-</u>	<u>2,079,153</u>	<u>6,884,274</u>	<u>14,161,224</u>
Noncurrent assets:					
Employee pay advance	704	-	-	81,963	82,667
Pension asset, net	2,652,315	-	1,909,236	10,505,510	15,067,061
Capital Assets:					
Buildings and improvements, net	365,134	-	292,108	30,187,907	30,845,149
Furniture, fixtures, equipment and vehicles, net	2,816,654	-	66,794	849,229	3,732,677
Construction in progress	6,885,539	-	412,450	-	7,297,989
Total noncurrent assets	<u>12,720,346</u>	<u>-</u>	<u>2,680,588</u>	<u>41,624,609</u>	<u>57,025,543</u>
Total assets	<u>\$ 17,918,143</u>	<u>\$ -</u>	<u>\$ 4,759,741</u>	<u>\$ 48,508,883</u>	<u>\$ 71,186,767</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 654,617	\$ -	\$ 541,701	\$ 1,286,125	\$ 2,482,443
Accrued liabilities	180,278	-	116,279	746,553	1,043,110
Advance revenue	-	-	-	6,574	6,574
Due to other funds	7,403,054	-	2,106,530	14,319,325	23,828,909
Accrued interest payable	4,837	-	3,236	157,282	165,355
Compensated absences	24,434	-	36,116	305,772	366,322
Accrued claims health insurance	80,100	-	57,659	317,265	455,024
Accrued claims liability	11,176	-	8,045	172,076	191,297
Bonds payable, net	41,682	-	27,884	1,411,082	1,480,648
Payable from restricted assets	13,073	-	-	-	13,073
Total current liabilities	<u>8,413,251</u>	<u>-</u>	<u>2,897,450</u>	<u>18,722,054</u>	<u>30,032,755</u>
Noncurrent liabilities:					
Compensated absences	104,285	-	122,171	552,229	778,685
Accrued claims liability	115,824	-	83,375	1,783,337	1,982,536
Bonds payable, net	1,292,131	-	864,412	28,747,443	30,903,986
Total noncurrent liabilities	<u>1,512,240</u>	<u>-</u>	<u>1,069,958</u>	<u>31,083,009</u>	<u>33,665,207</u>
Total liabilities	<u>\$ 9,925,491</u>	<u>\$ -</u>	<u>\$ 3,967,408</u>	<u>\$ 49,805,063</u>	<u>\$ 63,697,962</u>
Deferred inflows of resources:					
Deferred grant revenue	\$ -	\$ -	\$ 2,000	\$ 23,382	\$ 25,382
Unamortized bond refunding gain	-	-	-	3,000,403	3,000,403
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 3,023,785</u>	<u>\$ 3,025,785</u>
Net Position (Deficit):					
Net investment in capital assets	\$ 10,067,327	\$ -	\$ 771,352	\$ 2,991,157	\$ 13,829,836
Unrestricted position (deficit)	(2,074,675)	-	18,981	(7,311,122)	(9,366,816)
Total net position (deficit)	<u>\$ 7,992,652</u>	<u>\$ -</u>	<u>\$ 790,333</u>	<u>\$ (4,319,965)</u>	<u>\$ 4,463,020</u>

See accompanying notes to the financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit)
 Proprietary Funds - Enterprise Funds
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Department of Emergency Services	Youth Center	Berks County Residential Center	Berks Heim	Totals
Operating revenues					
Charges of services	\$ 7,690,664	\$ 564,768	\$ 5,614,802	\$ 38,203,247	\$ 52,073,481
Other operating revenue	-	2,584	908,573	2,363,886	3,275,043
Total operating revenues	<u>7,690,664</u>	<u>567,352</u>	<u>6,523,375</u>	<u>40,567,133</u>	<u>55,348,524</u>
Operating expenses					
Program services	6,222,316	4,246,918	5,977,222	32,242,456	48,688,912
Administrative expenses	2,002,336	-	-	4,369,089	6,371,425
Depreciation and amortization	376,280	-	61,123	1,315,136	1,752,539
Total operating expenses	<u>8,600,932</u>	<u>4,246,918</u>	<u>6,038,345</u>	<u>37,926,681</u>	<u>56,812,876</u>
Operating income (loss)	<u>(910,268)</u>	<u>(3,679,566)</u>	<u>485,030</u>	<u>2,640,452</u>	<u>(1,464,352)</u>
Nonoperating revenues (expenses)					
Grants	-	1,149,106	53,795	46,355	1,249,256
Investment earnings	4,274	270	-	704	5,248
Interest expense	(4,837)	(163,571)	(3,236)	(793,128)	(964,772)
Bond issuance costs	(8,273)	(6,298)	(5,535)	(43,899)	(64,005)
Rental of space	22,464	-	-	-	22,464
Total nonoperating revenues (expenses)	<u>13,628</u>	<u>979,507</u>	<u>45,024</u>	<u>(789,968)</u>	<u>248,191</u>
Income (loss) before transfers	<u>(896,640)</u>	<u>(2,700,059)</u>	<u>530,054</u>	<u>1,850,484</u>	<u>(1,216,161)</u>
Transfers in	4,029,741	7,147,700	20,832	-	11,198,273
Transfers out	-	(5,827,268)	(554,182)	-	(6,381,450)
Change in net position	<u>3,133,101</u>	<u>(1,379,627)</u>	<u>(3,296)</u>	<u>1,850,484</u>	<u>3,600,662</u>
Total net position (deficit), beginning	4,859,551	1,379,627	793,629	(6,170,449)	862,358
Total net position (deficit), ending	<u>\$ 7,992,652</u>	<u>\$ -</u>	<u>\$ 790,333</u>	<u>\$ (4,319,965)</u>	<u>\$ 4,463,020</u>

See accompanying notes to the financial statements.

Statement of Cash Flows
Proprietary Funds - Enterprise Funds
Year ended December 31, 2012

County of Berks
2012 Annual Financial Report

	Department of Emergency Services	Youth Center	Berks County Residential Center	Berks Heim	Totals
Cash flows from operating activities					
Receipts from customers	\$ 7,702,920	\$ 1,003,239	\$ 5,458,466	\$ 39,393,440	\$ 53,558,065
Payments to suppliers	(3,169,226)	(675,976)	(1,053,122)	(10,141,449)	(15,039,773)
Payments to employees	(8,871,842)	(4,006,943)	(6,411,151)	(37,268,736)	(56,558,672)
Net cash provided (used) by operating activities	<u>(4,338,148)</u>	<u>(3,679,680)</u>	<u>(2,005,807)</u>	<u>(8,016,745)</u>	<u>(18,040,380)</u>
Cash flows from noncapital financing activities					
Receipts from other governments	2,429	1,598,572	46,382	46,355	1,693,738
Proceeds from pension obligation bonds	1,333,813	-	892,296	4,745,705	6,971,814
Receipts from rental of space	22,464	-	-	-	22,464
Interest expense	4,837	-	-	-	4,837
Transfers from (to) other funds	-	2,935,394	(547,602)	-	2,387,792
Amounts due to other funds	4,682,082	-	2,106,530	5,512,691	12,301,303
Net cash provided (used) by noncapital financing activities	<u>6,045,625</u>	<u>4,533,966</u>	<u>2,497,606</u>	<u>10,304,751</u>	<u>23,381,948</u>
Cash flows from capital and related financing activities					
Principal paid on bonds	-	(741,347)	-	(1,213,511)	(1,954,858)
Bond issuance costs	(8,273)	(36,509)	(5,535)	(238,847)	(289,164)
Interest expense	-	(187,934)	-	(779,144)	(967,078)
Transfers from other funds for capital acquisition	4,029,741	-	-	-	4,029,741
Construction in progress	(4,766,485)	-	(412,450)	12,620	(5,166,315)
Purchase of capital assets	(3,546)	-	(73,314)	(216,676)	(293,536)
Net cash used by capital and related financing activities	<u>(748,563)</u>	<u>(965,790)</u>	<u>(491,299)</u>	<u>(2,435,558)</u>	<u>(4,641,210)</u>
Cash flows from investing activities					
Decrease (increase) in investments	20,000	109,724	-	145,258	274,982
Investment earnings received	4,274	270	-	704	5,248
Net cash provided (used) by investing activities	<u>24,274</u>	<u>109,994</u>	<u>-</u>	<u>145,962</u>	<u>280,230</u>
Net increase (decrease) in cash and cash equivalents	983,188	(1,510)	500	(1,590)	980,588
Cash and cash equivalents, beginning	2,224,583	1,510	500	239,093	2,465,686
Cash and cash equivalents, ending	<u>\$ 3,207,771</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 237,503</u>	<u>\$ 3,446,274</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (910,268)	\$ (3,679,566)	\$ 485,030	\$ 2,640,426	\$ (1,464,378)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	376,280	-	61,123	1,315,136	1,752,539
Change in assets and liabilities:					
Accounts receivable, net	12,256	437,886	(1,064,909)	(1,146,085)	(1,760,852)
Employee pay advance	-	2,832	528	10,139	13,499
Inventories	-	9,006	6,347	(10,294)	5,059
Prepaid expenses	(1,498,120)	36,509	-	205,543	(1,256,068)
Pension asset	(2,652,315)	-	(1,909,236)	(10,505,510)	(15,067,061)
Accounts payable and accrued liabilities	345,121	(255,494)	447,246	(573,306)	(36,433)
Advance revenue	-	(2,000)	2,000	(27,608)	(27,608)
Compensated absences	17,332	(98,690)	26,185	43,919	(11,254)
Accrued claims health insurance	26,170	(41,034)	17,725	84,818	87,679
Accrued claims liability	9,988	(89,129)	(77,846)	(53,923)	(210,910)
Due to other governments	(64,590)	-	-	-	(64,590)
Net cash provided (used) by operating activities	<u>\$ (4,338,146)</u>	<u>\$ (3,679,680)</u>	<u>\$ (2,005,807)</u>	<u>\$ (8,016,745)</u>	<u>\$ (18,040,378)</u>
Noncash Capital and Related Financing Activities:					
Transfer of fixed assets to other funds	\$ -	\$ 5,415,153	\$ -	\$ -	\$ 5,415,153
Transfer of remaining assets/liabilities to other funds	-	(390,164)	-	-	(390,164)
Transfer of bonds to general fund	-	(3,800,192)	-	-	(3,800,192)
Transfer of contributed capital to general fund	-	(1,224,797)	-	-	(1,224,797)
Total noncash capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Statement of Fiduciary Net Position
 Fiduciary Funds
 December 31, 2012

County of Berks
 2012 Annual Financial Report

	Berks County Employees' Retirement	Agency
Assets		
Cash and cash equivalents	\$ 130,464	\$ 7,743,494
Investments, at fair value:		
Mutual funds	359,819,572	-
Accounts receivable	434,961	-
Interest and dividends receivable	232,741	-
Due from other funds	1,559	-
Total assets	<u>\$ 360,619,297</u>	<u>\$ 7,743,494</u>
Liabilities		
Accounts payable	\$ 548,405	\$ -
Due to third parties	15,319	7,743,494
Total liabilities	<u>\$ 563,724</u>	<u>\$ 7,743,494</u>
Net plan position		
Held in trust for pension benefits	<u>\$ 360,055,573</u>	

See accompanying notes to the financial statements.

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

**Berks County
 Employees'
 Retirement**

Additions

Contributions:

Employee	\$ 5,898,473
Employer	72,940,290
Total contributions	<u>78,838,763</u>

Investment income:

Net increase in fair value of investments	28,775,170
Interest and dividends	6,250,557
Miscellaneous	3,447
Total investment earnings	<u>35,029,174</u>
Less investment expenses	<u>1,229,648</u>
Net income from investing activities	<u>33,799,526</u>
Total additions	<u>112,638,289</u>

Deductions

Benefit payments	13,777,744
Administrative expenses	65,439
Total deductions	<u>13,843,183</u>
Change in net position	98,795,106
Net plan position held in trust for pension benefits, beginning	261,260,467
Net plan position held in trust for pension benefits, ending	<u>\$ 360,055,573</u>

See accompanying notes to the financial statements.

	Berks County Solid Waste Authority	Redevelopment Authority of the County of Berks	Reading Regional Airport Authority **	Reading Area Community College *	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 529,126	\$ 30,999	\$ 874,895	\$ 14,870,794	\$ 16,305,814
Cash and cash equivalents, restricted	-	1,307,433	2,413,684	8,326	3,729,443
Investments	-	-	-	7,866,564	7,866,564
Accounts receivable, net	72,758	-	213,810	10,894,540	11,181,108
Note and loan receivable	-	-	-	-	-
Due from other governments	-	7,252,228	160,980	-	7,413,208
Inventories	-	-	-	24,122	24,122
Prepaid expenses	7,372	10,621	64,961	462,550	545,504
Total current assets	<u>609,256</u>	<u>8,601,281</u>	<u>3,728,330</u>	<u>34,126,896</u>	<u>47,065,763</u>
Noncurrent assets:					
Restricted assets:					
Investments	1,330,844	-	-	-	1,330,844
Note and loan receivable	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-
Land held for development	-	-	-	-	-
Deferred charges	-	-	211,891	693,674	905,565
Capital Assets:					
Land and improvements, net	78,568	-	7,138,893	1,081,556	8,299,017
Easements	-	-	103,002	-	103,002
Infrastructure, net	-	-	17,674,171	-	17,674,171
Buildings and improvements, net	-	-	8,341,986	38,908,547	47,250,533
Furniture, fixtures, equipment and vehicles, net	164,793	-	641,659	2,132,256	2,938,708
Leasehold improvements	-	-	1,190,962	-	1,190,962
Historical treasures	-	-	-	909,433	909,433
Construction in progress	-	-	9,524,652	223,466	9,748,118
Total noncurrent assets	<u>1,574,205</u>	<u>-</u>	<u>44,827,216</u>	<u>43,948,932</u>	<u>90,350,353</u>
Deferred Outflow of Resources:					
Loss on debt refinancing, net of accumulated amortization	325,968	-	-	-	325,968
Total assets	<u>\$ 2,509,429</u>	<u>\$ 8,601,281</u>	<u>\$ 48,555,546</u>	<u>\$ 78,075,828</u>	<u>\$ 137,742,084</u>
Liabilities					
Line of credit	\$ -	\$ 32,121	\$ -	\$ -	\$ 32,121
Accounts payable	11,739	229,860	142,603	1,905,544	2,289,746
Accrued liabilities	3,619	64,597	18,055	1,031,725	1,117,996
Unearned revenue	-	-	83,341	4,543,799	4,627,140
Accrued interest payable	21,375	-	-	-	21,375
Compensated absences	-	-	-	404,448	404,448
Deposits	-	8,675	40,349	-	49,024
Capital lease payable	-	-	-	37,971	37,971
Bonds and notes payable	920,000	6,502,856	-	1,668,041	9,090,897
Total current liabilities	<u>956,733</u>	<u>6,838,109</u>	<u>284,348</u>	<u>9,591,528</u>	<u>17,670,718</u>
Noncurrent liabilities:					
Compensated absences	-	-	-	458,757	458,757
Accrued claims liability	-	-	-	600,000	600,000
Postretirement benefit liability	-	-	-	162,616	162,616
Capital lease payable	-	-	-	14,466	14,466
Bonds and notes payable	2,887,532	-	6,340,000	14,580,560	23,808,092
Unearned revenue	-	-	3,931,516	-	3,931,516
Total noncurrent liabilities	<u>2,887,532</u>	<u>-</u>	<u>10,271,516</u>	<u>15,816,399</u>	<u>28,975,447</u>
Total liabilities	<u>\$ 3,844,265</u>	<u>\$ 6,838,109</u>	<u>\$ 10,555,864</u>	<u>\$ 25,407,927</u>	<u>\$ 46,646,165</u>
Deferred Inflow of Resources					
Program grants - advanced funds	\$ -	\$ 991,488	\$ -	\$ -	\$ 991,488
Net Assets					
Invested in capital assets, net of related debt	\$ 243,361	\$ -	\$ 38,600,716	\$ 26,044,787	\$ 64,888,864
Restricted for:					
Debt service	1,256,200	-	-	8,326	1,264,526
Capital improvements, net of related debt	-	-	2,088,293	-	2,088,293
Foundation for Reading Area Community College	-	-	-	7,362,817	7,362,817
Unrestricted net position (deficits)	(2,834,397)	771,684	-	-	(2,062,713)
Unrestricted net assets (deficits)	<u>-</u>	<u>-</u>	<u>(2,689,327)</u>	<u>19,251,971</u>	<u>16,562,644</u>
Total net assets (deficits)/net position (deficits)	<u>\$ (1,334,836)</u>	<u>\$ 771,684</u>	<u>\$ 37,999,682</u>	<u>\$ 52,667,901</u>	<u>\$ 90,104,431</u>

* Presented as of June 30, 2012

** Presented as of September 30, 2012

Statement of Activities/Revenues, Expenses, and Changes in Net Position (Deficits)
Component Units
Year ended December 31, 2012

County of Berks
2012 Annual Financial Report

	Council on Chemical Abuse, Inc.*	Service Access and Management Inc.*	Berks County Solid Waste Authority	Berks County Industrial Development Authority
Expenses	\$ -	\$ -	\$ 719,090	\$ -
Program revenues:				
Charges for services	-	-	362,450	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total program revenues	<u>-</u>	<u>-</u>	<u>362,450</u>	<u>-</u>
Net (Expense) Revenue	<u>-</u>	<u>-</u>	<u>(356,640)</u>	<u>-</u>
General revenues:				
Payments from County of Berks	-	-	1,209,550	-
Payments from other governments	-	-	-	-
Investment earnings	-	-	3,953	-
Miscellaneous	-	-	3,166	-
Total general revenues	<u>-</u>	<u>-</u>	<u>1,216,669</u>	<u>-</u>
Change in net assets	-	-	860,029	-
Net assets (deficits)/net position (deficits) - beginning	1,845,090	5,866,708	(2,194,865)	7,301,689
Adjustment to net assets (deficits)/net position (deficits)***	<u>(1,845,090)</u>	<u>(5,866,708)</u>	<u>-</u>	<u>(7,301,689)</u>
Net assets (deficits)/net position (deficits) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,334,836)</u>	<u>\$ -</u>

* Presented for the year ended June 30, 2012

** Presented for the year ended September 30, 2012

*** After 2012 evaluation in accordance with GASB 61, this entity does not meet the criteria to be discretely presented as a component unit, so the beginning fund balance is eliminated from this financial statement

See accompanying notes to the financial statements.

Statement of Activities/Revenues, Expenses, and Changes in Net Position (Deficits)
Component Units
Year ended December 31, 2012

County of Berks
2012 Annual Financial Report

	Redevelopment Authority of the County of Berks	Reading Regional Airport Authority **	Reading Area Community College *	Total
Expenses	\$ 2,201,691	\$ 3,522,499	\$ 47,272,531	\$ 53,715,811
Program revenues:				
Charges for services	-	2,095,906	16,547,575	19,005,931
Operating grants and contributions	2,105,641	-	24,566,820	26,672,461
Capital grants and contributions	-	3,655,575	2,380,297	6,035,872
Total program revenues	<u>2,105,641</u>	<u>5,751,481</u>	<u>43,494,692</u>	<u>51,714,264</u>
Net (Expense) Revenue	<u>(96,050)</u>	<u>2,228,982</u>	<u>(3,777,839)</u>	<u>(2,001,547)</u>
General revenues:				
Payments from County of Berks	-	-	3,100,000	4,309,550
Payments from other governments	170,568	-	-	170,568
Investment earnings	270	14,701	159,389	178,313
Miscellaneous	-	99,101	1,465,267	1,567,534
Total general revenues	<u>170,838</u>	<u>113,802</u>	<u>4,724,656</u>	<u>6,225,965</u>
Change in net assets	74,788	2,342,784	946,817	4,224,418
Net assets (deficits)/net position (deficits) - beginning	696,896	35,656,898	51,721,084	100,893,500
Adjustment to net assets (deficits)/net position (deficits)***	-	-	-	(15,013,487)
Net assets (deficits)/net position (deficits) - ending	<u>\$ 771,684</u>	<u>\$ 37,999,682</u>	<u>\$ 52,667,901</u>	<u>\$ 90,104,431</u>

* Presented for the year ended June 30, 2012

** Presented for the year ended September 30, 2012

*** After 2012 evaluation in accordance with GASB 61, this entity does not meet the criteria to be discretely presented as a component unit, so the beginning fund balance is eliminated from this financial statement

See accompanying notes to the financial statements.





NOTES TO FINANCIAL STATEMENTS

The Notes to Financial Statements complete the core of the Annual Financial Report's financial section. They are intended to provide a more complete disclosure of relevant information than can be presented in the numeric format of the financial statements.

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Berks (the County), formed in 1752, operates under the direction of an elected Board of Commissioners, and provides the following services: general administrative services, tax assessment and collection, judicial, public improvements, public safety, conservation and development, and human services programs. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), consistently applied, applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (“GASB”).

A summary of the County's significant accounting policies is as follows:

A. Reporting entity

Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management’s professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity’s financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity’s financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria.

Since four of the County’s component units report on a June 30 and September 30 fiscal year end and are included in the County’s December 31 financial statement, amounts due to/from component units/primary government may not net to zero. The County has elected to include the following component units in the financial reporting entity:

- Berks County Solid Waste Authority was created to develop and implement a municipal waste management system for the County consistent with the Berks County Municipal Waste Management Plan. The members of the governing board of the Solid Waste Authority are appointed by the Board of County Commissioners. The County allocates a portion of the landfill host fees to pay the debt service of the Authority, and the County guarantees the debt of the Solid Waste Authority. The Authority operates on a fiscal year ending December 31.
- Redevelopment Authority of the County of Berks was created for the purpose of assisting in the rehabilitation and aiding in the construction and preservation of housing within the County. The members of the governing board of the Redevelopment Authority of the County of Berks are appointed by the Board of County Commissioners. The County provides financial support through appropriations, and the administrative staff people are County employees. The County guarantees the Series of 2007 debt of the Redevelopment Authority of the County of Berks. The Authority operates on a fiscal year ending December 31.

- The Reading Regional Airport Authority is a public authority responsible for the operations of the Reading Regional Airport. All of the members of the governing board of the Reading Regional Airport Authority are appointed by the Board of County Commissioners, and the County guarantees a portion of the debt of the Reading Regional Airport Authority. The Authority operates on a fiscal year ending September 30.
- Reading Area Community College is a publicly-supported comprehensive community college, serving primarily Berks County. The members of the governing board of Reading Area Community College are appointed by the Board of County Commissioners. The Reading Area Community College operates on a fiscal year ending June 30.

Complete and detailed financial statements for the individual component units can be obtained from their administrative offices:

Berks County Solid Waste Authority
 Berks County Services Center – 14th Floor
 633 Court Street
 Reading, PA 19601

Redevelopment Authority of the County of Berks
 Berks County Services Center - 14th Floor
 633 Court Street
 Reading, PA 19601

Reading Regional Airport Authority
 2501 Bernville Road
 Reading, PA 19605

Reading Area Community College
 10 South Second Street
 Reading, PA 19603

2. Related organizations

The Board of County Commissioners is also responsible for appointing the members of the governing boards of other organizations, but the County's accountability for these organizations generally does not extend beyond making the appointments. These organizations include:

- Berks Area Regional Transportation Authority
- Berks County Conservation District
- Berks County Housing Authority
- Berks County Industrial Development Authority
- Berks County Municipal Authority
- Berks County Convention Center Authority
- Council on Chemical Abuse, Inc.

B. Measurement focus and basis of accounting

The basic financial statements of the County are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

1. Government-wide financial statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government, as well as its discretely presented component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry, if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the yearly contributions made to the component units from the County's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned. The County chooses to allocate indirect costs in a separate column in the government-wide financial statements.

2. Fund financial statements

The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as

appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The financial statements for governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. The fiduciary statements include financial information for the agency fund and the retirement fund. The agency fund primarily represents assets held by the County in a custodial capacity for other individuals or governments, and do not involve the measurement of results of operations. Agency funds do not have a measurement focus, but assets and liabilities are reported using the accrual basis of accounting. The Berks County Employee's Retirement Fund accounts for the additions and deductions to the County's defined benefit plan in a manner similar to a proprietary fund.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

- **Governmental funds**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues, except property taxes, to be available if they are collected within 180 days of the end of the current fiscal period. Property taxes are deemed available if collected within 60 days of the end of the current fiscal period. Licenses, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the County. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

- **Proprietary funds**

The County's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues and expenses, such as charges for services, program services and administrative expenses, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as operating grants, subsidies, investment earnings, interest expense and bond issuance costs, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenses. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as revenue. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

C. Basis of presentation

The determination of major funds is based on minimum criteria as set forth in GASB Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*". The non-major funds are combined in a column in the fund financial statements. The following are the County's major funds for 2012:

1. Governmental fund types

- **General**

The General Fund accounts for all financial resources except those accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, state and federal grants, and fees for services. Many of the basic activities of the County are accounted for in this fund, including operation of general County government, the judicial system, public safety, culture and recreation, and some community and economic development and human services.

- **Children and Youth Services**

The Children and Youth Services Fund accounts for the proceeds of specific revenue sources related to the provision of services to children and youth that are restricted to expenditures for these specified purposes.

- **Community Development**

The Community Development Fund accounts for the proceeds of specific revenue sources related to programs that provide housing, a suitable living environment and economic opportunities primarily for persons of low and moderate income.

- **Health Choices**
The Health Choices Fund accounts for the proceeds of specific revenue sources relating to the provision of a behavioral health managed care program for medical assistance recipients.
- **Capital Projects**
The Capital Projects Fund accounts for the proceeds of debt used to finance various capital expenditures of the County, as well as to pay the cost and expenses related to the issuance of the bonds.

2. Proprietary fund types

- **Enterprise: Department of Emergency Services**
The Department of Emergency Services Fund accounts for operations of the County's emergency communication system, financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.
- **Enterprise: Youth Center**
The Youth Center Fund accounted for the operations of the County's facility for the shelter and detention of youth, financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans. Operations ceased on June 5, 2012.
- **Enterprise: Berks County Residential Center**
The Berks County Residential Center Fund accounts for the operations of the County's family shelter for immigrants placed by the Federal Government, financed and operated in a manner similar to private business enterprise – where the intent of the governing body is that cost of providing service to the Federal Government on a continuing basis be financed or recovered primarily through cost reimbursement plans.
- **Enterprise: Berks County Home - Berks Heim**
The Berks County Home – Berks Heim Fund accounts for operations of the long-term care facility financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

3. Other fund types

- **Retirement Trust**
The Berks County Employee's Retirement Trust Fund accounts for the revenue (i.e., member contributions, County appropriations, and net investment income) and the expenditures (i.e., allowance contributions refunded, retirement allowances, and death benefits paid) of the County's defined benefit retirement plan.

- Agency
Agency funds consist of restricted assets of the various row offices and other fiduciary accounts of the County. Row office funds for bail posted, sheriff's sales, realty transfer taxes held and owed to other governmental entities, and other funds reserved for disposition of legal actions, by Berks Heim for residents and by the prison for inmates, are mainly escrow funds.

D. Investments

Investments of all funds are stated at fair value based on quoted market values.

E. Cash and cash equivalents

The County considers all unrestricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Receivables

All property taxes receivable, accounts receivable, interest and liens receivable are shown net of an allowance for uncollectible amounts. The allowance for property taxes is equal to .09 percent of the 2012 property tax levy outstanding at December 31, 2012. The allowance for court fines, fees and costs is equal to 90 percent of the outstanding accounts receivable at December 31, 2012. The allowance for district justices' fines and court costs is equal to 50 percent of the outstanding accounts receivable at December 31, 2012. The allowance for liens for the closing cost assistance program is equal to 100 percent of the outstanding balance at December 31, 2012. The allowance for liens and interest for property rehabilitation and certain mortgage programs is equal to 20 percent of the outstanding balance at December 31, 2012.

G. Interfund transactions

As a result of its operations, the County affects a variety of transactions between funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received, appropriate interfund receivables or payables have been established.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

H. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in excess of \$25,000 for governmental funds are recorded as expenditures when consumed rather than when purchased. Office supplies such as paper and copier supplies are not considered inventory, and are recorded as expenditures/expenses when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items in both government-wide and fund financial statements.

I. Restricted assets

Restricted assets represent revenues set aside for liquidation of specific obligations, as detailed in Note 3.

J. Capital assets

Capital assets, which include property, plant, equipment and infrastructure (bridges acquired, reconstructed or significantly improved in years ending after December 31, 1980), are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual or system (multiple items that rely on each other to function) cost of \$5,000 (\$75,000 for infrastructure assets) and an estimated useful life exceeding one year. Such assets are recorded at historical costs. Donated capital assets are recorded at the estimated fair market value at the time of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Agricultural easements: In order to preserve farmland and open space, the County purchases agricultural easements. An agricultural easement restricts the use of land from commercial development in perpetuity and encourages the continued agricultural use of land. An easement is thus considered an intangible asset of the County, and recorded in the government-wide financial statements.

The capital assets of the County are depreciated/amortized using the straight-line method over the following estimated useful lives:

Land improvements	20 years
Buildings and improvements	40 years
Machinery and equipment	6 - 10 years
Motor vehicles	3 - 5 years
Computer equipment	3 - 5 years
Infrastructure	40 years

Details of the County's capital assets are included in Note 6.

K. Deferred outflows/inflows

A deferred outflow of resources represents a consumption of net position that applies to a future period not recognized as an outflow of resources until that future period. A deferred inflow of resources represents an acquisition of net position that applies to a future period not recognized as an inflow of resources until that future period.

L. Fund balances

GASB Statement No. 54 (GASB 54), "*Fund Balance Reporting and Governmental Fund Type Definitions*," establishes accounting and financial standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions as follows:

Nonspendable – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact. The County is obligated to restore operating deficits or receive prior amounts paid for this classification.

Restricted – This classification consists of amounts that are restricted to specific purposes 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. The restriction is binding unless removed with the consent of the resource provider.

Committed - This classification consists of amounts used for specific purposes imposed by formal action of the County’s highest level of decision-making authority (Board of Commissioners). The commitment is binding unless removed in the same manner imposed. Formal action must occur prior to year-end; however, the amount may be determined subsequent to year end.

Assigned – This classification consists of amounts constrained by the County’s intent to be used for specific purposes that are neither restricted nor committed.

Unassigned – This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance.

M. Net Position

GASB Statement No. 63 requires the classification of net position into the three components shown below, which are defined as follows:

Net Investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This category represents net assets of the County, which are not restricted for any project or other purpose.

N. Indirect costs, maintenance in lieu of rent, allocated costs

Indirect costs, maintenance in lieu of rent, and allocated costs are charged to various state and federal programs based on a formal plan developed annually by the County. These costs are reflected in the fund financial statements as expenditures/expenses in those funds benefiting from the services provided and as a reduction of expenditures in the general fund, which provides the services. These costs are recorded on a full absorption basis in order to reflect the total cost of operations of the various funds.

The government-wide financial statements contain a separate column for the allocation of these costs to various functions.

O. Compensated absences

The County follows the provisions of GASB Statement No. 16, “*Accounting for Compensated Absences.*” Calculation of the liability amount is determined by the appropriate vacation and sick payments which would be available to employees if they would leave or retire from the County.

The County accrues accumulated unpaid vacation and sick leave when earned by the employee in the government-wide financial statements.

All accumulated vacation and vested sick leave pay is recorded as an expense and a liability in the proprietary fund types at the time the liability is accrued. Governmental fund types record accumulated vacation and vested sick leave pay as an expenditure in the current year to the extent it is paid during the year.

P. Self insurance

The County is self-insured for the risk of loss related to workers compensation and healthcare insurance claims. Self-insurance for workers compensation began in 2002, and healthcare insurance began in 2006. Details of the County’s self- insurance activities are included in Note 9 on Risk Management.

Q. Estimates

The preparation of the financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from the estimates.

R. Long-term obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed when incurred. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred. Derivatives, or swaps, may be entered into at the discretion of the County, to take advantage of favorable prevailing interest rates with respect to its general obligation bonds. In cases where it is more advantageous to terminate an existing swap, termination fees are expensed in the period that the termination is executed and reported as a Special Item.

In accordance with GASB Statement No. 23, “*Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities,*” the County has adopted the following policy for current refundings and advance refundings resulting in the defeasance of debt reported in proprietary funds.

The difference between the reacquisition price and the net carrying amount of the old debt, will be deferred and amortized in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the balance sheet, the deferred amount is reported as a deduction from or an addition to the new debt liability.

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

S. Intergovernmental revenues

Intergovernmental revenues represent revenues received from the Commonwealth of Pennsylvania and federal agencies generally to fund specific programs. Awards made on the basis of entitlement periods are recorded as intergovernmental revenues when entitlement occurs. Reimbursement type grants are recorded as revenues when the related expenditures are incurred. In the governmental funds financial statements, grants are recorded when revenues are also measurable and available.

T. Allowable Expenses under Grants

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. County management believes disallowances, if any, will be immaterial.

U. Deficit fund balance

The Office of Aging Special Revenue Fund has a deficit fund balance of \$45,567 as of December 31, 2012. The fund incurred the deficit because of a delay in state funding in 2012. The Fund plans to eliminate this deficit by recognizing revenue or an operating transfer in 2013.

V. Restatement of Entity-Wide Financial Statements

The County’s beginning entity-wide fund balances had been restated to properly reflect the effect of prior and current period adjustments as follows:

Beginning fund balance, as previously reported	\$ 189,680,856
Prior period adjustment	<u>(2,350,705)</u>
Fund balances, beginning, as restated	<u>\$ 187,330,151</u>

In addition to the reasons noted for the Fund Financial Statements, these adjustments include an adjustment to expense bond issuance costs recorded as an asset in prior periods.

W. Restatement of Government Funds Financial Statements

The County’s beginning fund balances had been restated to properly reflect the effect of prior and current period adjustments as follows:

General Fund:

Beginning fund balance, as previously reported	\$ 153,561,009
Prior period adjustment	<u>(1,038,964)</u>
Fund balances, beginning, as restated	<u><u>\$ 152,522,045</u></u>

Prior period adjustment in general fund is due to restatement of prior year real estate tax revenue.

Liquid Fuels Special Revenue Fund:

Beginning fund balance, as previously reported	\$ 5,131,745
Prior period adjustment	<u>25,656</u>
Fund balances, beginning, as restated	<u><u>\$ 5,157,401</u></u>

Prior period adjustment in general fund is due to restatement of prior year's revenue.

Youth Center Enterprise Fund:

Beginning fund balance, as previously reported	\$ 1,409,838
Prior period adjustment	<u>(30,211)</u>
Fund balances, beginning, as restated	<u><u>\$ 1,379,627</u></u>

Berks Heim Enterprise Fund:

Beginning fund deficit, as previously reported	\$ (5,975,475)
Prior period adjustment	<u>(194,974)</u>
Fund deficit, beginning, as restated	<u><u>\$ (6,170,449)</u></u>

Prior period adjustments in enterprise funds are due to expensing bond issuance costs in accordance with GASB 65.

X. Restatement of Component Units

1. Berks County Solid Waste Authority

Effective January 1, 2012, the Authority adopted the provisions of GASB No. 65. This statement requires debt issuance costs to be expensed in the year incurred. Previous guidance required debt issuance costs to be amortized over the life of the related debt. The December 31, 2011 financial statements have been restated to reflect these changes. The effect on the December 31, 2011 financial statements was to decrease other assets by \$92,613, decrease bond issuance costs amortization by \$14,582, and decrease unrestricted net position by \$78,031. These changes are reflected in the beginning net deficit on page FS 19 of the County's financial statements.

2. Redevelopment Authority of the County of Berks

Effective January 1, 2012, the Authority adopted the provisions of GASB No. 65. This statement requires debt issuance costs to be expensed in the year incurred. Previous guidance required debt issuance costs to be amortized over the life of the related debt. The December 31, 2011 financial statements have been restated to reflect these changes. The effect on the December 31, 2011 financial statements was to increase grants receivables/Exeter project by \$121,197, decrease other assets by \$21,698, decrease amortization expense by \$2,265, increase net position, unrestricted by \$97,904. These changes are reflected on page FS 20 of the County's financial statements.

Y. Recently Adopted Accounting Pronouncements

In December 2009, the GASB issued Statement No. 57, "*OPEB Measurement by Agent Employers and Agent Multiple-Employers Plans.*" The adoption of this statement had no effect on the financial reporting information of the County.

In December 2011, the GASB issued Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements.*" The adoption of this statement had no effect on the financial reporting information of the County.

In November 2010, the GASB issued Statement No. 61, "*The Financial Reporting Entity: Omnibus.*" The adoption of this statement resulted in a decrease in the number of component units in the 2012 financial statements compared to the 2011 financial statements.

In December 2011, the GASB issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*" The adoption of this statement had no effect on the financial reporting information of the County.

In June 2012, the GASB issued Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" The adoption of this statement resulted in new terminology for the Government Wide Statement of Net Position and other accrual basis accounting financial statements.

In June 2012, the GASB issued Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.*" The adoption of this statement had no effect on the financial reporting information of the County.

In March 2012, the GASB issued Statement No. 65, "*Items Previously Reported as Assets and Liabilities.*" The adoption of this statement resulted in new terminology for the Government Wide Statement of Net Position and other accrual basis accounting financial statements, in new classes of assets and liabilities for the Government Wide Statement of Net Position, and expensing of prior bond issuance costs in all applicable financial statements.

Z. Pending Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, "*Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*" The County is required to adopt Statement No. 68 for its calendar year 2015 financial statements.

In January 2013, the GASB issued Statement No. 69, “*Government Combinations and Disposals of Government Operations*”. The County is required to adopt Statement No. 69 for its calendar year 2014 financial statements.

In April 2013, the GASB issued Statement No. 70, “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”. The County is required to adopt Statement No. 70 for its calendar year 2014 financial statements.

NOTE 2: CASH AND INVESTMENTS

A. Primary government

Interest rate risk: The County of Berks does not have a formal investment policy for its funds that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, with the exception of the Retirement Fund which has an official investment policy. The County follows Section 1706 of the County Code of the Commonwealth of Pennsylvania.

Under Section 1706 of the County Code of the Commonwealth of Pennsylvania, the County is authorized to invest its funds in the following:

- United States Treasury Bills.
- Short-term obligations of the United States government or its agencies or instrumentalities.
- Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (“FDIC”) or other like insurance.
- Obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States, the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or of any political subdivision of the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.
- Certificates of deposit purchased from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania that are insured by the FDIC or other like insurance. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the General Assembly. Certificates of deposit may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets net of its liabilities.
- Commercial paper and prime commercial paper meeting certain requirements.
- Repurchase agreements that are fully collateralized by obligations of the United States of America.

In addition, the County Code provides that the Retirement Trust Fund may make any investment authorized by 20 PA.A. Ch. 7302b (relating to fiduciaries' investments).

The carrying amounts of the cash and investments at December 31, 2012 consist of the following:

Cash and cash equivalents	\$ 112,721,661
Petty cash	17,156
Investments	<u>435,482,965</u>
	<u><u>\$ 548,221,782</u></u>

Classification per financial statement:

Statement of net position:

Current assets, cash and cash equivalents	\$ 47,740,550
Current assets, cash and cash equivalents, restricted	57,124,309
Current assets, investments	54,504,675
Current assets, investments, restricted	3,831,187
Noncurrent assets, investments	12,319,443
Noncurrent assets, investments, restricted	5,008,088

Statement of fiduciary net assets:

Retirement fund, cash and cash equivalents	130,464
Retirement fund, investments	359,819,572
Agency fund, cash and cash equivalents	<u>7,743,494</u>
	<u><u>\$ 548,221,782</u></u>

Cash and cash equivalents

The County's available cash and cash equivalents are invested in demand deposit accounts, repurchase agreements, certificates of deposit, money market funds, mutual funds, and securities backed by the full faith and credit of the United States government.

The County has custodial credit risk on cash deposits. This is the risk that in the event of a financial institution failure, the County's deposits may not be returned. The County has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

At December 31, 2012, the carrying amounts of the County's bank deposits were \$112,721,661 and the bank balances were \$119,748,193 of which \$1,468,151 was covered by Federal Depository Insurance, \$67,289,126 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined by the Act, to cover all public funds deposited in excess of federal depository insurance limits, \$47,752,080 was invested in an external investment pool, described in more detail below, and the remaining balance of \$3,238,836 was invested in repurchase agreements.

The County invests in PLGIT, an external investment pool, to ensure safety and maximize efficiency, liquidity, and yield for County funds. PLGIT issues separately audited financial statements which are available to the public. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pool. At December 31, 2012, PLGIT carried an AAA rating and had an average maturity of less than one year.

The County invests in various money market funds, in the amount of \$18,326,279 which have been classified as cash and cash equivalents in the statement of net assets. These money market funds are unrated and have an average maturity of less than one year.

The County invests in a U.S Treasury obligation mutual fund which has been classified as cash and cash equivalents in the statement of net assets. This mutual fund carries an AAA rating and has an average maturity of less than one year.

The County invests in repurchase agreements where the underlying securities are U.S. Government mortgage-backed securities. These securities are unrated and have an average maturity of less than one year. The County's investment in repurchase agreements is held by the counterparty, not in the County's name.

As of December 31, 2012, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Governmental Funds					
General Fund					
Negot. certif. of deposit	\$ 8,129,410	\$ 7,880,410	\$ 249,000	\$ -	\$ -
U.S. Govt agency securities	56,875,167	47,960,946	8,914,221	-	-
Health Choices Fund					
Negot. certif. of deposit	797,973	797,973	-	-	-
U.S. Govt agency securities	5,849,302	841,214	5,008,088	-	-
Other Governmental Funds					
U.S. Govt agency securities	<u>3,723,918</u>	<u>567,697</u>	<u>3,156,221</u>	<u>-</u>	<u>-</u>
Total Governmental Funds	<u>75,375,770</u>	<u>58,048,240</u>	<u>17,327,530</u>	<u>-</u>	<u>-</u>
Enterprise Funds					
Berks Heim					
Negot. certif. of deposit	<u>287,623</u>	<u>287,623</u>	<u>-</u>	<u>-</u>	<u>-</u>

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Fiduciary - Retirement Funds					
Mutual Funds					
SEI Daily Prime Obligation	\$ 315	\$ 315	\$ -	\$ -	\$ -
SEI Core Trust Property Collective Trust	27,765,553	27,765,553	-	-	-
SEI Emerging Mkts Debt	9,600,834	9,600,834	-	-	-
SEI High Yield Bond	12,588,630	12,588,630	-	-	-
SEI Lg Cap Disc Equity	117,195,661	117,195,661	-	-	-
SEI Sm/Mid Cap Equity	20,795,392	20,795,392	-	-	-
SEI World Equity Ex US	24,485,783	24,485,783	-	-	-
SEI Special Situations	25,312,483	25,312,483	-	-	-
SEI Core Fixed Income	58,927,414	58,927,414	-	-	-
SEI Ultra Short Duration Bond	63,147,507	63,147,507	-	-	-
Total Fiduciary Funds	<u>359,819,572</u>	<u>359,819,572</u>	-	-	-
Total Investments	<u>\$435,482,965</u>	<u>\$418,155,435</u>	<u>\$ 17,327,530</u>	<u>\$ -</u>	<u>\$ -</u>

The County's funds are invested in various types of financial instruments. This diversification of the investment portfolio serves to assist in mitigating the various types of risks associated with different types of financial instruments. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments could occur in the near term and that such a change could materially affect the amount reported on the statement of plan net assets.

Credit risk: State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The County has no investment policy that would further limit its investment choices. The County invested in certificates of deposit in 2012. Total investments were \$9,215,005. Of this total, \$8,417,032 was covered by Federal Depository Insurance, and \$797,973 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined by the Act, to cover all public funds deposited in excess of federal depository insurance limits.

The County had the following level of exposure to credit risk as of December 31, 2012:

	<u>Fair Value</u>	<u>Rating</u>
U.S. Government agency obligations	\$ 66,448,388	Aaa
Negotiable certificates of deposit	9,215,005	Unrated
Mutual funds - Money Market	314	Aaa
Mutual funds - Core fixed income	58,927,414	Aa2
Mutual funds - High Yield Bonds	12,588,630	B1
Mutual funds - Emerging Mkts Debt	9,600,834	Baa3

Concentration in credit risk: The County places no limit on the amount the County may invest in any one issuer, with the exception of its Pension Funds. The County Pension Fund Investment policy limits the amount of any managers' portfolio at cost to be invested in any single issue or issuer to no more than five percent of the portfolio except obligations guaranteed by the full faith and credit of the U.S. government or issued by U.S. government agencies. The Pension Investment policy also limits the investing into "Yankee" bonds with a minimum investment grade rating at purchase to no more than ten percent of the portfolio. At December 31, 2012, there were no investments in a single issuer that represented more than 5% of the County's total investment portfolio.

Custodial credit risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the County's investment policy does not specifically address the issue of custodial credit risk, it is the practice of the County to hold all investments in the counterparties' name, with the exception of the retirement fund, which is held in the County's name. As of December 31, 2012, \$435,482,965 of the County's investments is held by the investment counterparties, not in the name of the County.

Foreign currency risk: The County does not have a formal policy to limit foreign currency risk with the exception of its Pension Funds. The County Pension Fund Investment policy prohibits the buying and selling of foreign securities not registered through an SEC filing or not denominated in US dollars, except for managers hired specifically for international investments. Risk of loss arises from changes in currency exchange rates. The County had no exposure to foreign currency risk as of December 31, 2012.

B. Component units

1. Berks County Solid Waste Authority

The Authority's available cash is invested in demand deposit accounts and money market accounts. The carrying amounts of the cash deposits and investments at December 31, 2012 consist of the following:

Demand deposits	529,126
Cash	60,740
Money market funds	<u>1,270,104</u>
Total	<u>\$ 1,859,970</u>

Custodial risk - deposits: Custodial risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance. At December 31, 2012, the carrying amount of the Authority's cash deposits was \$529,126 and the bank balance was \$529,262, of which \$10,641 was uninsured and uncollateralized.

At December 31, 2012, the Authority had the following investments, held by the Trustee:

	<u>Fair Value</u>	Maturity - Less than <u>One Year</u>
Cash	\$ 60,740	\$ 60,740
First America U.S. Treasury Money Market Fund	<u>1,270,104</u>	<u>1,270,104</u>
	<u>\$ 1,330,844</u>	<u>\$ 1,330,844</u>

Investment credit risk: The Authority limits the type of investments permitted as defined in the Pennsylvania Municipal Authorities Act. When making investments, the Authority can combine monies from more than one fund under the Authority’s control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

Investment interest rate risk: The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk investments: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2012, \$1,330,844 was held by the investments counterparty, not in the name of the Authority.

2. Redevelopment Authority of the County of Berks

The Authority’s available cash is invested in demand deposit accounts. The carrying amount of the Authority’s cash at December 31, 2012 consists of the following:

Cash, operating accounts	\$ 30,999
Cash, restricted	<u>1,307,433</u>
	<u>\$ 1,338,432</u>

Custodial credit risk – deposits: Custodial credit risk is the risk that, in the event of a financial institution failure, the Authority’s deposits may not be returned to the Authority. At December 31, 2012, the carrying amount of the Authority’s bank deposits was \$1,338,432 and the bank balances were \$1,404,707, of which \$442,609 was directly covered by Federal Depository Insurance. The remaining \$962,098 was exposed to custodial risk because they were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Authority’s name.

3. Reading Regional Airport Authority

Cash at September 30, 2012 is as follows:

Petty cash	\$	250
Unrestricted cash		874,645
Settlement fund cash		506,148
Capital improvements accounts		<u>1,907,536</u>
	\$	<u><u>3,288,579</u></u>

Custodial credit 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 does not have a policy for custodial credit risk. At September 30, 2012, \$3,130,856 of the Authority's bank balance of \$3,380,856 was exposed to custodial credit risk because it was uninsured and the collateral held by the depositing agent was not in the Authority's name.

Interest rate risk: The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Authority has no investment policy that would limit its investment choices to certain credit ratings.

4. Reading Area Community College

The College invests its funds in accordance with the Board's Investment Policy, which authorizes the College to invest in repurchase agreements. Cash and cash equivalents at June 30, 2012 consist of the following:

Cash on hand	\$	1,150
Cash	\$	14,869,644
Restricted Cash		<u>8,326</u>
	\$	<u><u>14,879,120</u></u>

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. The College has adopted a policy for custodial credit risk, which includes monthly monitoring of the assets and annual verification. At June 30, 2012, the carrying amount of the College's deposits was \$14,346,057 and the bank balance was \$17,959,641. Of the bank balance, \$258,326 was covered by federal depository insurance and \$17,701,315 was exposed to custodial credit risk, because it was uninsured and the collateral held by the depository's agent was not in the College's name. At June 30, 2012, the cash and cash equivalents for the College Foundation were \$531,913. Investments of \$7,866,564 are comprised of mutual funds carried at market value in the Common Fund – Equity Fund of \$5,535,667, the Common Fund - Bond Fund of \$2,317,982, and the Common Fund – Realty Fund of \$12,915.

NOTE 3: RESTRICTED ASSETS

Cash and investments whose use is limited to a specific purpose have been classified as “restricted” in the Statement of Net Assets/Balance Sheet. Restricted assets are composed of the following:

	Cash and cash equivalents	Investments
Governmental funds		
General funds		
Antietam Lake	\$ 1,390,986	\$ 249,000
Children and Youth Gift Funds	5,175	-
Environmental Litigation	207,508	200,000
Hazmat Response Fund	358,377	1,106,000
Inmate Pay	3,502	-
Parks Trust Accounts	470,932	-
Worker's Compensation Trust	3,915	349,377
Special Legislation Funds		
Adult Probation Supervision Fund	2,236,051	-
Coroner Record Improvement Fund	51,066	-
Courts Automation Fund	188,476	-
Hotel Tax Account	152,693	-
Prothonotary Automation Fund	138,125	-
Register of Wills Records Improvement Fund	78,381	-
Recorder of Deeds Record Improvement Fund	209,711	-
Treasurer Record Improvement Fund	331,778	-
Health Choices special revenue		
Reinvestment account	1,958,202	2,648,839
Risk & Contingency account	1,584,128	3,200,463
Appendix V - Jumbo Auto Renew CD	-	797,973
Capital Projects Funds		
Unspent bond proceeds Series B of 2009	1,844,028	-
Unspent bond proceeds Series A of 2010	1,330,972	-
Unspent bond proceeds Series B of 2010	2,889,518	-
Unspent bond proceeds Series C of 2010	25,443,183	-
Unspent bond proceeds Series D of 2010	5,507,308	-
Unspent bond proceeds 2012 Tax Exempt	4,376,310	-
Unspent bond proceeds Series A of 2012	6,360,761	-
Total governmental funds	<u>\$ 57,121,086</u>	<u>\$ 8,551,652</u>
Business-Type Activities		
Berks Heim		
Worker's Compensation Trust	\$ 3,223	\$ 287,623
Total business-type activities	<u>\$ 3,223</u>	<u>\$ 287,623</u>

NOTE 4: REAL ESTATE TAXES

Real estate taxes attach an enforceable lien on property on January 1. Taxes are billed on or about March 1, payable under the following terms: 2% discount, March 1 through April 30; face amount, May 1 through June 30, and 10% penalty between July 1 and January 15 of the subsequent year. After January 15 of the subsequent year, the levy is sent to the Berks County Tax Claim Bureau for collection. The County bills these taxes that are collected by elected local tax collectors. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities. The rate of taxation in 2012 remained 6.935 mills.

NOTE 5: INTERFUND BALANCES AND ACTIVITY

The County uses a pooled operating fund to enhance investment return, therefore interfund receivables and payables are recorded to recognize amounts held by the general fund in the pooled account on behalf of other funds. In addition, the general fund paid expenses on behalf of other funds, therefore a corresponding interfund receivable and payable has been recorded.

Interfund receivable and payable balances of each individual fund as of December 31, 2012 are as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Governmental funds:		
General fund	\$ 27,618,200	\$ -
Children and Youth Services	-	756,401
Community Development	109,988	-
Health Choices	104,031	-
Capital Projects	-	855,111
Other governmental funds	<u>903,583</u>	<u>3,296,940</u>
	<u>28,735,802</u>	<u>4,908,452</u>
Proprietary funds:		
Dept. of Emergency Services	-	7,403,054
Berks County Residential Center	-	2,106,530
Berks Heim	<u>-</u>	<u>14,319,325</u>
	<u>-</u>	<u>23,828,909</u>
Fiduciary funds:		
Berks County Employees' Retirement	<u>1,559</u>	<u>-</u>
Total	<u>\$ 28,737,361</u>	<u>\$ 28,737,361</u>

Transfers represent the settlement of interfund transactions between the general fund and other types of funds. Transfers may cover temporary cash shortfalls or be a permanent allocation of local tax resources.

Transfers of each individual fund in 2012 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 2,877,333	\$ 25,003,869
Children and Youth Services	9,204,603	-
Community Development	349,550	996,377
Health Choices	147,843	-
Other governmental funds	<u>8,912,515</u>	<u>1,676,201</u>
	<u>21,491,844</u>	<u>27,676,447</u>
Proprietary funds:		
Dept. of Emergency Services	4,029,741	-
Youth Center	7,147,700	5,827,268
Berks County Residential Center	<u>20,832</u>	<u>554,182</u>
	<u>11,198,273</u>	<u>6,381,450</u>
Total	<u>\$ 32,690,117</u>	<u>\$ 34,057,897</u>

Operating transfers net to a transfer out of \$1,367,780 because of the transfer of assets from the Youth Center (an enterprise fund) to the Prison (a government fund). Bonds were removed from the Youth Center in the primary ledger through operating transfers in the General Fund (a government fund). The remaining deficit in the Youth Center before closing was transferred to the General Fund.

Transfers of \$4,029,741 were made from the General Fund to the Department of Emergency Services Fund for the 911 Countywide Safety Network Radio Project.

Transfers to cover deficits in various funds from the General Fund of \$16,627,364 were made during 2012.

NOTE 6: CAPITAL ASSETS

A. Primary government

1. Capital assets

Capital asset activity for the year ended December 31, 2012 was as follows:

• **Governmental activities:**

	Beginning balance	Additions/ Transfers in	Retirements/ Transfers out	Ending balance
Capital assets, not being depreciated:				
Land	\$ 9,425,928	\$ 201,127	\$ -	\$ 9,627,055
Historical treasures	1,915,631	250,522	-	2,166,153
Agricultural easements	71,453,155	1,720,572	-	73,173,727
Software-in-progress	216,226	164,556	-	380,782
Construction-in-progress	12,147,989	17,224,602	(5,262,254)	24,110,337
Total capital assets, not being depreciated	<u>95,158,929</u>	<u>19,561,379</u>	<u>(5,262,254)</u>	<u>109,458,054</u>
Capital assets, being depreciated/amortized:				
Land improvements	1,793,511	3,389,354	(22,518)	5,160,347
Buildings and improvements	182,417,490	16,088,192	(501,913)	198,003,769
Furniture, fixtures, equipment, vehicles	21,813,511	2,790,786	(5,409,420)	19,194,877
Infrastructure	4,116,857	15,295	-	4,132,152
Total capital assets, being depreciated	<u>210,141,369</u>	<u>22,283,627</u>	<u>(5,933,851)</u>	<u>226,491,145</u>
Total capital assets, historical cost	<u>305,300,298</u>	<u>41,845,006</u>	<u>(11,196,105)</u>	<u>335,949,199</u>
Less accumulated depreciation/amortization for:				
Land improvements	730,215	291,793	(1,126)	1,020,882
Building and improvements	96,694,090	9,414,742	(25,096)	106,083,736
Furniture, fixtures, equipment, vehicles	17,962,107	2,124,340	(4,912,509)	15,173,938
Infrastructure	1,615,051	103,304	-	1,718,355
Total accumulated depreciation	<u>117,001,463</u>	<u>11,934,179</u>	<u>(4,938,731)</u>	<u>123,996,911</u>
Total capital assets, net of accumulated depreciation/amortization	<u>\$ 188,298,835</u>	<u>\$ 29,910,827</u>	<u>\$ (6,257,374)</u>	<u>\$ 211,952,288</u>

- **Business-type activities:**

	Beginning balance	Additions/ Transfers in	Retirements/ Transfers out	Ending balance
Capital assets, not being depreciated:				
Construction-in-progress	\$ 2,131,673	\$ 5,178,936	\$ (12,620)	\$ 7,297,989
Total capital assets, not being depreciated	<u>2,131,673</u>	<u>5,178,936</u>	<u>(12,620)</u>	<u>7,297,989</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	47,806,345	130,575	(9,212,233)	38,724,687
Furniture, fixtures, equipment, vehicles	14,652,270	326,962	(977,348)	14,001,884
Total capital assets, being depreciated	<u>62,458,615</u>	<u>457,537</u>	<u>(10,189,581)</u>	<u>52,726,571</u>
Total capital assets, historical cost	<u>64,590,288</u>	<u>5,636,473</u>	<u>(10,202,201)</u>	<u>60,024,560</u>
Less accumulated depreciation for:				
Building and improvements	10,703,222	995,874	(3,819,558)	7,879,538
Furniture, fixtures, equipment, vehicles	10,312,129	797,722	(840,644)	10,269,207
Total accumulated depreciation	<u>21,015,351</u>	<u>1,793,596</u>	<u>(4,660,202)</u>	<u>18,148,745</u>
Total capital assets, net of accumulated depreciation	<u>\$ 43,574,937</u>	<u>\$ 3,842,877</u>	<u>\$ (5,541,999)</u>	<u>\$ 41,875,815</u>

2. Depreciation / amortization expense

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

- **Governmental activities:**

Judicial	\$ 333,413
Public safety	1,573,329
Public works	305,100
Human services	61,730
General government	5,233,001
Community and economic Development	1,731
Culture and recreation	<u>605,191</u>
Total	<u>\$ 8,113,495</u>

- **Business-type activities:**

Department of Emergency Services	\$	376,280
Berks Heim		1,315,136
Berks County Residential Center		<u>61,123</u>
Total	\$	<u><u>1,752,539</u></u>

3. Capital projects commitments

The Berks County Residential Center Renovation Project is in the development phase with 2012 expenditures totaling \$609,793. Management anticipates this project to be completed by March 15, 2013 with a projected final cost of \$1.1 million.

The Anthony's Mill Bridge project is in the development phase with expenditures to date totaling \$84,269. Management anticipates this project to be completed by December 31, 2014 with a projected final cost of approximately \$700 thousand.

The Berne Station Bridge project is in the development phase with expenditures to date totaling \$410,052. Management anticipates this project to be completed by August 31, 2014 with a projected final cost of approximately \$2.8 million.

The Services Center Envelope Project is in the development phase with expenditures to date totaling \$278,967. Management anticipates this project to be completed by January 31, 2014 with a projected final cost of approximately \$4.3 million.

The 911 Countywide Safety Network Radio Project is in the development phase with expenditures to date totaling \$27,055,197. Management anticipates this project to be completed by January 31, 2014 with a projected final cost of approximately \$55 million.

The Christman Road Bridge project is in the development phase with expenditures to date totaling \$371,142. Management anticipates this project to be completed by December 31, 2013 with a projected final cost of approximately \$1.5 to \$2 million.

The Buttonwood Street Bridge project is an ongoing construction in progress with expenditures to date totaling \$294,701. Management anticipates this project to be completed by December 31, 2014 with a projected final cost of approximately \$2 to \$3 million.

The Prison Security Package Upgrade project is in the developmental phase with expenditures to date totaling \$159,357. Management anticipates this project to be completed by November 30, 2014 with a projected final cost of approximately \$3.5 million.

The Prison Infrastructure project is in the developmental phase with expenditures to date totaling \$358,993. Management anticipates this project to be completed by November 30, 2014 with a projected final cost of approximately \$6 million.

B. Component units

1. Berks County Solid Waste Authority

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Capital assets:				
Site improvements	\$ 107,544	\$ 2,310	\$ -	\$ 109,854
Furniture and office equipment	9,021	-	-	9,021
Recycling equipment	<u>193,098</u>	<u>13,116</u>	<u>-</u>	<u>206,214</u>
Total capital assets	<u>309,663</u>	<u>15,426</u>	<u>-</u>	<u>325,089</u>
Less accumulated depreciation for:				
Site improvements	15,793	15,493	-	31,286
Furniture and office equipment	9,021	-	-	9,021
Recycling equipment	<u>19,893</u>	<u>21,528</u>	<u>-</u>	<u>41,421</u>
Total accumulated depreciation	<u>44,707</u>	<u>37,021</u>	<u>-</u>	<u>81,728</u>
Total capital assets, net	<u>\$ 264,956</u>	<u>\$ (21,595)</u>	<u>\$ -</u>	<u>\$ 243,361</u>

2. Redevelopment Authority of the County of Berks

Capital projects commitments

The Authority has redevelopment projects in the Borough of Birdsboro and Union Township and the Boroughs of Fleetwood, Hamburg and Colebrookdale Township, all in Berks County, Pennsylvania. In connection with these projects, the Board of Commissioners of Berks County has committed \$2,285,000 of Community Development Block Grant funds for these projects.

At December 31, 2012, these commitments are outstanding as follows:

Birdsboro/Union Township Project	\$ 717,268
Fleetwood Project	531,140
Colebrookdale Project	<u>9,736</u>
	<u>\$ 1,258,144</u>

3. Reading Regional Airport Authority

Capital asset activity

Capital asset activity for the year ended September 30, 2012 was as follows:

	Balance October 1, 2011	Additions	Transfers/ Deletions	Balance September 30, 2012
Capital assets, not being depreciated:				
Land	\$ 4,636,399	\$ -	\$ -	\$ 4,636,399
Air easement rights	103,002			103,002
Construction in progress	<u>11,758,672</u>	<u>3,606,148</u>	<u>(5,840,168)</u>	<u>9,524,652</u>
Total capital assets, not being depreciated	<u>16,498,073</u>	<u>3,606,148</u>	<u>(5,840,168)</u>	<u>14,264,053</u>
Capital assets, being depreciated:				
Land improvements	8,517,543	-	-	8,517,543
Infrastructure	24,884,761	5,859,546	-	30,744,307
Buildings and improvements	17,335,310	105,500	-	17,440,810
Furniture and equipment	3,289,283	15,608	-	3,304,891
Leasehold improvements	<u>2,198,700</u>	<u>-</u>	<u>-</u>	<u>2,198,700</u>
Total capital assets being depreciated	<u>56,225,597</u>	<u>5,980,654</u>	<u>-</u>	<u>62,206,251</u>
Total capital assets, historical cost	<u>72,723,670</u>	<u>9,586,802</u>	<u>(5,840,168)</u>	<u>76,470,304</u>
Less accumulated depreciation for:				
Land improvements	5,706,508	308,541	-	6,015,049
Infrastructure	12,140,302	929,834	-	13,070,136
Buildings and improvements	8,607,359	491,465	-	9,098,824
Furniture and equipment	2,565,997	97,235	-	2,663,232
Leasehold improvements	<u>916,126</u>	<u>91,612</u>	<u>-</u>	<u>1,007,738</u>
Total accumulated depreciation	<u>29,936,292</u>	<u>1,918,687</u>	<u>-</u>	<u>31,854,979</u>
Total capital assets, net	<u>\$ 42,787,378</u>	<u>\$ 7,668,115</u>	<u>\$ (5,840,168)</u>	<u>\$ 44,615,325</u>

4. Reading Area Community College

Capital asset activity:

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

	Balance July 1, 2011	Additions	Transfers/ Deletions	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 1,081,556	\$ -	\$ -	\$ 1,081,556
Construction in progress	<u>-</u>	<u>223,466</u>	<u>-</u>	<u>223,466</u>
Total capital assets, not being depreciated	<u>1,081,556</u>	<u>223,466</u>	<u>-</u>	<u>1,305,022</u>
Capital assets, being depreciated:				
Buildings and improvements	60,571,406	4,577	(15,425)	60,560,558
Equipment, furnishings, and library books	<u>8,735,556</u>	<u>289,525</u>	<u>(1,146,838)</u>	<u>7,878,243</u>
Total capital assets being depreciated	<u>69,306,962</u>	<u>294,102</u>	<u>(1,162,263)</u>	<u>68,438,801</u>
Total capital assets, historical cost	<u>70,388,518</u>	<u>517,568</u>	<u>(1,162,263)</u>	<u>69,743,823</u>
Less accumulated depreciation for:				
Buildings and improvements	20,152,178	1,515,257	(15,424)	21,652,011
Equipment, furnishings, and library books	<u>6,331,486</u>	<u>548,427</u>	<u>(1,133,926)</u>	<u>5,745,987</u>
Total accumulated depreciation	<u>26,483,664</u>	<u>2,063,684</u>	<u>(1,149,350)</u>	<u>27,397,998</u>
Total capital assets, net	<u>\$ 43,904,854</u>	<u>\$ (1,546,116)</u>	<u>\$ (12,913)</u>	<u>\$ 42,345,825</u>

Depreciation expense for the College for the year ended June 30, 2012 was \$2,063,684.

NOTE 7: EMPLOYEE RETIREMENT TRUST PLAN

A. Primary government

1. Plan description

The County provides a single-employer defined benefit pension plan that is administered by the Berks County Employees' Retirement Fund Board. All employees expected to work over 1,000 hours per year are required to enter the plan, and County elected officials have the option of enrolling in the plan. The plan is included in the financial statements of the County as a retirement trust fund and does not issue a separate financial statement. The plan provides retirement, disability and death benefits to plan members and their beneficiaries pursuant to Act 96 of 1971 of the Commonwealth of Pennsylvania (County Pension Law), which may be amended by the General Assembly of the Commonwealth of Pennsylvania. Cost-of-living adjustments are provided at the discretion of the Berks County Employee's Retirement Fund Board.

2. Basis of accounting

The financial statements of the retirement trust fund are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

3. Valuation of investments

All investments of the retirement trust fund are reported at fair value based on quoted market values. Investments that do not have an established market value are reported at estimated fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

4. Membership

Membership of the plan consisted of the following at December 31, 2012:

Retirees and beneficiaries receiving benefits	998
Terminated plan members entitled to but not yet receiving benefits	205
Active plan members	<u>2,036</u>
Total members	<u><u>3,239</u></u>

5. Contributions

Plan members are required to contribute 5% of their salaries and may contribute up to 15%. The County contributions are determined as part of an annual actuarial valuation. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County may be amended by the General Assembly of the Commonwealth of Pennsylvania.

Administrative costs of the plan, in accordance with a 1991 amendment to section 5 of the Act, may be paid from Plan assets unless it is determined by the actuary that such payment will impair the actuarial soundness of the Plan. During 2012, all administrative costs were paid from Plan assets.

6. Changes Since Prior Valuation

The valuation method changed to Act 44 method.

7. Annual pension cost and net pension asset

The County's annual pension cost and net pension asset to the Plan for 2012 was determined as part of the January 1, 2013 actuarial valuation as follows:

Annual required contribution	\$ 9,796,229
Interest on net pension asset	(95,389)
Adjustment to annual required contribution	<u>161,440</u>
Annual pension cost	9,862,280
Contributions made	<u>(72,940,290)</u>
Increase in net pension asset	(63,078,010)
Net pension asset beginning of year	<u>(1,271,850)</u>
Net pension asset end of year	<u><u>\$ (64,349,860)</u></u>

Annual pension cost - three-year trend information:

Year ended	Annual pension cost	Annual pension cost contributed	Net pension asset
December 31, 2010	\$ 11,673,584	99%	\$ (1,341,459)
December 31, 2011	\$ 8,072,208	99%	\$ (1,271,850)
December 31, 2012	\$ 9,862,280	740%	\$ (64,349,860)

8. Funded status and funding progress

The funded status of the County's Plan as of December 31, 2012, the most recent actuarial valuation date, and December 31, 2011 and 2010, respectively, is as follows:

Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded (Overfunded) AAL (UAAL)/ (OAAL)	Funded Ratio	Covered Payroll	UAAL/ (OAAL) as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/2010	\$ 259,296,265	\$ 307,794,954	\$ 48,498,689	84.2%	\$ 96,728,405	50.1%
12/31/2011	\$ 265,385,348	\$ 328,529,409	\$ 63,144,061	80.8%	\$ 98,644,764	64.0%
12/31/2012	\$ 360,055,573	\$ 347,298,162	\$ (12,757,411)	103.7%	\$ 99,233,198	-12.9%

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The aggregate actuarial cost method is used to determine the annual required contribution for the County. Because this method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the Plan. Effective for the January 1, 2013 valuation, the entry age funding method was used to determine the annual required contribution.

Additional information as of the January 1, 2013 actuarial valuation follows:

Valuation Date	December 31, 2012
Actuarial cost method:	Entry Age
Asset valuation method:	Greater of Market Value and Actuarial Value as described in schedule G
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	3.5% (including 3% inflation)

B. Component units

1. Reading Regional Airport Authority

The Authority contributes to the Central Pennsylvania Teamsters Pension Fund, (CPTPF) a Multi-Employer Defined Contribution Pension Plan on behalf of the employees covered by the collective bargaining unit.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible for participation in the plan after they have been employed by the Authority for thirteen weeks. The collective bargaining agreement requires the Authority to contribute a fixed amount per employee each month; the monthly contribution amount was \$436 at September 30, 2012. The Authority's contributions for each employee are fully vested when made. The pension contribution for the year ended September 30, 2012 was \$31,245.

Employees not covered by the CPTPF receive an amount not in excess of five percent of their base salary, which is contributed to the respective 403(b) account. The Authority's contribution for the year ended September 30, 2012 was \$4,798.

2. Reading Area Community College

Employees of the College are currently enrolled in one of three retirement plans. The Pennsylvania State Employees' Retirement System ("SERS") and the Public School Employees' Retirement System ("PSERS") each administer a cost-sharing, multiple-employer defined benefit plan. The Teachers Insurance and Annuity Association/College Retirement and Equity Fund ("TIAA/CREF") administers a multiple employer defined contribution plan. Employees who were previously a member of SERS and have not withdrawn their funds in full are automatically enrolled in SERS upon employment with the College; otherwise, only the PSERS and TIAA/CREF are available to employees.

The contribution to SERS for the year ended June 30, 2012 was \$40,745, which consisted of \$21,511 from the College and \$19,234 from employees. The contribution to PSERS for the year ended June 30, 2012 was \$321,576, which consisted of \$118,978 from the College and \$202,100 from employees. The contribution to TIAA-CREF for the year ended June 30, 2012 was \$1,533,953 which consisted of \$764,085 from the College and \$769,868 from employees.

The College's total payroll for the year ended June 30, 2012 was \$17,397,303; total covered employees' salaries in SERS, PSERS and TIAA-CREF were \$309,097, \$2,750,866 and \$12,716,841, respectively. Covered employees do not include students and certain part-time employees. Neither SERS nor PSERS make separate measurements of assets and pension benefit obligations for individual employers. Ten year historical trend information is available in separate financial reports issued by SERS and PSERS.

NOTE 8: FUTURE LEASE RENTALS RECEIVABLE AND RELATED DEBT

A. Component units

1. Redevelopment Authority of the County of Berks

The Authority is authorized to issue redevelopment revenue notes and bonds that offer tax-free treatment of interest on the obligation to the lender, which results in a lower cost of borrowing to the developer of the project (borrower). In these transactions, the Authority holds title to the assets of the project until the underlying obligation is satisfied. The Authority enters into a capital lease agreement with the developer of the project (borrower) where the Authority is the lessor of the project. The obligation of the lender is secured by the lease agreement and rental payments. These obligations do not constitute indebtedness of the Authority, nor is the Authority liable for the default of the developer of the project (borrower).

At December 31, 2012, \$12,071,229 of notes and bonds are outstanding under debt obligations that have been authorized by the Authority.

2. Reading Regional Airport Authority

The majority of rental agreements currently in effect for airport facilities are annual leases, subject to renewal. At September 30, 2012, future minimum lease payments receivable under significant non-cancelable long-term operating leases are as follows:

Year ending September 30:

2013	\$	961,834
2014		907,392
2015		844,156
2016		793,132
2017		636,008
Thereafter		<u>6,595,996</u>
		<u>\$ 10,738,518</u>

Included in deferred revenue is a \$75,000 deposit for a rental lease that was effective January 1, 2009. The deposit is being amortized over the initial term of the lease, which is 25 years. The deferred revenue relating to this lease at September 30, 2012 is \$63,750.

NOTE 9: RISK MANAGEMENT

A. Primary government

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past five years.

1. Self-insured workers' compensation

Since 2002, the County is exposed to risk of loss related to self-insurance activities for workers' compensation. The County has excess workers' compensation insurance with a self-insured retention per occurrence of \$500,000.

The County maintains workers' compensation reserves for claims incurred and claims incurred but not reported in the funds to which, per the County's estimate, they apply. Liabilities are reported on the government-wide and proprietary fund statements. Based on history of claims paid and the County's Aa1 Moody's rating, the required balance in the Workers Compensation Trust Fund maintained by the County has been increased from \$638,829 in 2011 to \$764,000 for 2012.

The accrued liability for workers' compensation is determined by an actuary in accordance with actuarial principles; such claims are not discounted. There have been no changes in insurance coverage, retention limits or excess loss policies from the prior year. The amounts of settlements for the past three fiscal years did not exceed excess loss insurance coverage.

All undiscounted accrued workers' compensation self-insurance liabilities at December 31, 2012, are summarized as follows:

Business-type activities	Governmental activities	Total
\$2,302,079	\$2,173,833	\$4,475,912

The following summary provides aggregate information on workers' compensation self-insurance liabilities; incurred claims and payments during the years ended December 31, 2010, 2011 and 2012.

Year	January 1 liability	Incurred claims	Payments	December 31 liability
2010	\$ 4,492,614	\$ 2,196,701	\$ 1,868,388	\$ 4,820,927
2011	\$ 4,820,927	\$ 1,621,571	\$ 1,943,546	\$ 4,498,952
2012	\$ 4,498,952	\$ 1,539,360	\$ 1,562,400	\$ 4,475,912

2. Self-insured healthcare

In addition to those risks noted above, the County is exposed further to risk of loss related to claims activities for employees' healthcare. The County elected to self-insure for employee healthcare insurance beginning in 2006, and maintains healthcare reserves for claims incurred, and claims incurred but not reported, in the funds to which, per the County's estimate, they apply. Liabilities are reported on the government-wide and proprietary fund statements.

The accrued healthcare claims liability is based on the requirements of GASB Statement 10, as amended by GASB Statement 30, which requires that a liability for claims, reported and unreported, be recorded, if information prior to the issuance of financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably determined. This determination has been made by the County, to be conservative in its provisions for healthcare reserves, along with the assistance of its healthcare insurance advisor.

The County has contracted with a third party administrator to process claims which are paid from the General Fund on a monthly basis. During 2012, the County has incurred and processed healthcare claims of \$24.4 million.

All accrued incurred but not recorded (IBNR) healthcare claims liabilities at December 31, 2012, are summarized as follows:

Business-type activities	Governmental activities	Total
\$ 455,023	\$ 2,084,152	\$ 2,539,175

The following summary provides aggregate information on healthcare self-insurance liabilities, incurred claims and payments during the years ended December 31, 2010, 2011 and 2012.

Year	January 1 liability	Incurred claims	Payments	December 31 liability
2010	\$ 2,008,000	\$ 21,242,674	\$ 21,456,990	\$ 1,793,684
2011	\$ 1,793,684	\$ 21,347,406	\$ 21,772,271	\$ 1,368,819
2012	\$ 1,368,819	\$ 25,081,354	\$ 23,910,998	\$ 2,539,175

3. Health Choices self-insured healthcare

During 1997, the Commonwealth of Pennsylvania's Department of Public Welfare (DPW) implemented a managed care program for the Medicaid population in Pennsylvania. This program, called the HealthChoices Program, was developed and implemented in stages with the County being part of the third implementation.

The County has contracted with a behavioral health managed care organization, Community Care Behavioral Health Organization (Community Care), which is responsible for most of the day to day functions including care management, establishment of the provider network, and claims payments to providers. Community Care accrues an estimate of its healthcare cost liability at the end of each accounting period. All monthly incurred claims estimates are calculated by Community Care's actuary. The actuary uses a multitude of items in the calculation of incurred claims. Such items include authorizations, paid claims, historical trends, completion factors, provider issues, etc. Incurred claims are accrued on a monthly basis in Community Care's general ledger. Community Care and the actuary continuously monitor prior

month's incurred amounts and regularly make contract year to date adjustments to Community Care's incurred balances.

Medical liability is composed of two parts: Received but Unpaid Claims (RBUCs) and IBNR. Community Care generates its estimate of RBUCs by using all claims that were actually entered into the claims processing system using a hierarchy of paid amount, allowed amount, or billed amount to calculate the RBUCs amount. IBNR is the difference between the total estimated medical liability and the RBUCs. These are reported on the DPW Financial Report 6, Claims Payable (RBUCs and IBNRs).

The actuary issued a Statement of Actuarial Opinion certifying the total June 30, 2012 RBUC and IBNR on October 19, 2012. The County contracts with an independent actuary to review the medical expense amounts reported by Community Care to ensure the amounts are actuarially sound.

The amount of accrued incurred but not recorded (IBNR) healthcare claims liabilities at December 31, 2012 is \$6,559,092, and is included in accrued claims other in the accompanying governmental funds balance sheet.

The following summary provides aggregate information on Health Choice's self-insured healthcare liabilities, incurred claims and payments during the years end December 31, 2010, 2011 and 2012.

Year	January 1 Liability	Incurred Claims	Payments	December 31 Liability
2010	\$ 5,219,019	\$ 65,235,132	\$ 66,499,459	\$ 6,483,346
2011	\$ 6,483,346	\$ 66,271,385	\$ 66,314,281	\$ 6,440,450
2012	\$ 6,440,450	\$ 67,234,584	\$ 67,115,942	\$ 6,559,092

B. Component units

1. Reading Area Community College

The College funds health insurance claims up to \$65,000 individually and \$4,142,004 in the aggregate for the year ended June 30, 2012. Stop gap insurance is in place for claims in excess of these thresholds. Included in the financial statement is a liability for \$600,000 for outstanding estimated claims at June 30, 2012. This liability is entirely funded.

Activity in the liability for outstanding claims and claim adjustment expenses is summarized as follows:

	<u>2012</u>
Balance at July 1	\$ 300,000
Claims incurred	3,813,610
Claims paid	<u>(3,513,610)</u>
Balance at June 30	<u>\$ 600,000</u>

NOTE 10: LONG-TERM DEBT

A. Primary government

1. General obligation bonds

• **Governmental activities**

During 2012, the County issued General Obligation Bond Series 2012 in the amount of \$9,870,000. The 2012 Series Bonds were issued at a discount of \$90,977. The proceeds of the bond issuance were utilized to refund the county's General Obligation Bonds, Second Series of 2002 in the amount of \$5,154,401. The remaining proceeds will be used to fund various capital projects of the county. The County paid \$109,746 of the issuance costs for these bonds. The proceeds related to the refunding of the Second Series 2002 Bonds were paid to an escrow agent. For these bonds and other governmental activities general obligation bonds, the debt service is payable by the general fund.

During 2012, the County issued General Obligation Bond Series 2012A in the amount of \$37,280,000. The County paid \$275,473 of issuance costs for these bonds. The proceeds of the bond issue (\$29,940,942 for Governmental Activities and \$7,339,058 for Business Type Activities) were utilized to fund a portion of the County's unfunded actuarial accrued pension liabilities of \$30,875,296. The remaining proceeds will be used to fund various capital projects of the County. For these bonds and other governmental activities general obligation bonds, the debt service is payable by the General Fund.

At December 31, 2012, general obligation bonds consisted of the following:

	Balance outstanding January 1, 2012	Additions/ Transfers	Accretion in capital appreciation bonds	Reductions	Balance outstanding December 31, 2012
1992 Second Series General Obligation Bonds, \$108,070,131, varying interest rates ranging from 2.70% to 6.25% through 2017, including current interest bonds and capital appreciation bonds, to advance refund the Series 1990 General Obligation Bonds and a portion of the 1992 First Series General Obligation Bonds.	\$ 45,012,181	\$ -	\$ 2,841,847	\$ -	\$ 47,854,028
1993 Second Series General Obligation Bonds, \$43,057,830, varying interest rates ranging from 2.50% to 5.00% through 2020, including current interest bonds and capital appreciation bonds to advance refund a portion of the 1992 Second Series General Obligation Bonds.	47,374,769	-	2,596,813	3,395,000	46,576,582
2002 Second Series General Obligation Bonds, \$5,125,000 (governmental activities \$4,753,571, business-type activities \$371,429), varying interest rates ranging from 1.35% to 4.75% through 2023, to refund a portion of the principal and interest on the 1992 First Series General Obligation Bonds.	4,670,094	-	-	4,670,094	-

2002 Series B General Obligation Bonds, \$56,805,000, varying interest rates ranging from 5.40% to 5.75% through 2012, to refund a portion of principal and interest on 1992 Second Series General Obligation Bonds.	10,935,000	-	-	10,935,000	-
2005 General Obligation Bonds, \$9,415,000, varying interest rates ranging from 5.10% to 5.90% through 2021, to refund a portion of principal and interest on the Series 1995 General Obligation Bonds.	9,045,000	-	-	75,000	8,970,000
2008 General Obligation Bonds, \$33,980,000, varying interest rates ranging from 2.15% to 5.00% through 2028, to refund the Series 1998 General Obligation Bonds and 2002 General Obligation Bonds	923,479	3,988,188	-	231,490	4,680,177
2009 General Obligation Bonds Series A, \$29,800,000, varying interest rates ranging from 3% to 4.7% through 2029, to refund the Series 1999 General Obligation Bonds	27,165,000	-	-	1,075,000	26,090,000
2009 General Obligation Bonds Series B Build America, \$15,050,000, varying interest rates ranging from 1.234% to 6.133% through 2029, to fund County Capital Projects.	14,690,000	-	-	185,000	14,505,000

2010 General Obligation Bonds Series A, \$30,000,000, varying interest rates ranging from 1% to 4.15% through 2029, to refund the Series 2006 General Obligation Note and to pay a swap termination fee.	29,495,000	-	-	505,000	28,990,000
2010 General Obligation Bonds Series B, Recovery Zone Economic Development Bonds, \$7,790,000, varying interest rates ranging from 4.27% to 5.485% through 2025, to fund County Capital Projects.	7,785,000	-	-	5,000	7,780,000
2010 General Obligation Bonds Series C, Build America Bonds, \$42,405,000, varying interest rates ranging from 2.35% to 5.8% through 2030, to fund County Capital Projects.	42,400,000	-	-	5,000	42,395,000
2010 General Obligation Bonds Series D, \$6,550,000, varying interest rates ranging from .87% to 4.16% through 2020, to fund County Capital Projects.	5,980,000	-	-	595,000	5,385,000
2012 General Obligation Bonds, \$9,870,000, Varying interest rates ranging from .29% to 3.125% through 2030, to refund the Second Series of 2002 General Obligation Bonds, and to fund County Capital Projects	-	9,870,000	-	125,000	9,745,000

2012 Federally Taxable General
 Obligation Bonds Series A,
 \$37,280,000 (governmental activities
 \$29,940,942, business type activities
 \$7,339,058) varying interest rates
 ranging from .382% to 3.328%
 through 2037 to fund County Pension
 Liabilities, and to fund County Capital
 Projects

	-	29,940,942	-	-	29,940,942
	<u>245,475,523</u>	<u>43,799,130</u>	<u>5,438,660</u>	<u>21,801,584</u>	<u>272,911,729</u>
Unamortized premium 2008	20,631	89,104	-	10,362	99,373
Unamortized premium 2009A	91,475	-	-	8,303	83,172
Unamortized discount 2002 Second Series	(48,418)	-	-	(48,418)	-
Unamortized discount 2010A	(109,919)	-	-	(6,105)	(103,814)
Unamortized discount 2012	-	(90,977)	-	(3,791)	(87,186)
	<u>-</u>	<u>(90,977)</u>	<u>-</u>	<u>(3,791)</u>	<u>(87,186)</u>
Total	<u>\$ 245,429,292</u>	<u>\$ 43,797,257</u>	<u>\$ 5,438,660</u>	<u>\$ 21,761,935</u>	<u>\$ 272,903,274</u>
Less: Current Maturities					<u>(18,724,352)</u>
					<u>\$ 254,178,922</u>

The 1992 Second Series and 1993 Second Series General Obligation Bonds contain capital appreciation bonds. Each year, a portion of the principal is accreted. The full amount of the maturity value on these funds is included in the principal column of the following table, which discloses debt service requirements:

Year ending	Principal	Interest	Total Debt Service
2013	\$ 18,724,352	\$ 7,767,195	\$ 26,491,547
2014	19,308,211	7,693,857	27,002,068
2015	19,735,163	7,554,566	27,289,729
2016	19,987,174	7,401,528	27,388,702
2017	20,167,608	7,218,663	27,386,271
2018-2022	80,392,084	32,664,220	113,056,304
2023-2027	69,426,190	21,838,186	91,264,376
2028-2032	42,377,984	5,616,517	47,994,501
2033-2037	<u>8,027,351</u>	<u>972,300</u>	<u>8,999,651</u>
	\$ 298,146,117	\$ <u>98,727,032</u>	\$ <u>396,873,149</u>
Unaccreted principal	(25,234,390)		
Unamortized premium	182,546		
Unamortized discount	<u>(190,999)</u>		
Bonds and notes payable at December 31, 2012	<u>\$ 272,903,274</u>		

- **Business-type activities**

	Balance outstanding January 1, 2012	Additions	Reductions	Balance outstanding December 31, 2012
2002 Second Series General Obligation Bonds, \$5,125,000 (governmental activities \$4,753,571, business-type activities \$371,429), varying interest rates ranging from 1.35% to 4.75% through to 2023, to refund a portion of the principal and interest on the 1992 First Series General Obligation Bonds.	\$ 364,906	\$ -	\$ 364,906	\$ -
2008 General Obligation Bonds, \$33,980,000, (governmental activities \$1,022,798, business - type activities \$32,957,202) varying interest rates ranging from 2.15% to 5.00% through 2028, to refund the principal and interest on the Series 1998 General Obligation Bonds and 2002 General Obligation Variable Rate Demand Bonds	29,726,520	-	5,201,698	\$ 24,524,822
2012 Federally Taxable General Obligation Bonds Series A, \$37,280,000 (governmental activities \$29,940,942, business type activities \$7,339,058) varying interest rates ranging from .382% to 3.328% through 2037 to fund County Pension Liabilities, and to fund County Capital Projects	-	7,339,058	-	7,339,058
	30,091,426	7,339,058	5,566,604	31,863,880
Unamortized premium 2008	664,227	-	143,473	520,754
Unamortized discount 2002 Second Series	(3,783)	-	(3,783)	-
Total	<u>\$ 30,751,870</u>	<u>\$ 7,339,058</u>	<u>\$ 5,706,294</u>	\$ 32,384,634
Less: Current Maturities				<u>(1,480,648)</u>
				<u>\$ 30,903,986</u>

Debt service requirements to maturity are as follows:

Year ending	Principal	Interest	Total Debt Service
2013	\$ 1,480,648	\$ 384,877	\$ 1,865,525
2014	1,016,789	380,700	1,397,489
2015	744,839	375,561	1,120,400
2016	662,828	371,183	1,034,011
2017	677,392	366,507	1,043,899
2018-2022	14,857,919	1,694,722	16,552,641
2023-2027	7,448,812	1,007,891	8,456,703
2028-2032	3,007,008	588,975	3,595,983
2033-2037	<u>1,967,645</u>	<u>238,329</u>	<u>2,205,974</u>
	\$ 31,863,880	\$ 5,408,745	\$ 37,272,625
Unaccrued premium	<u>520,754</u>		
Bonds and notes payable at December 31, 2012	<u>\$ 32,384,634</u>		

2. Derivatives

Interest rate basis swap – In May 2011, the County entered into an interest rate basis swap agreement with a financial institution in connection with the Series C of 2010 General Obligation Bonds. The agreement effective date is May 11, 2011 and terminates on November 15, 2030. The financial institution is a floating rate payor based on 67% of 30-day LIBOR. The County is a floating rate payor based upon the BMA Municipal Bond Index as published by Municipal Market Data.

The fair value liability as of December 31 is as follows:

Associated Bond Issue	Notional Amount	Balance January 1, 2012	Increase/ (Decrease)	Balance December 31, 2012
Series C of 2010 GOB	<u>\$ 42,405,000</u>	<u>\$ (368,371)</u>	<u>\$ 897,660</u>	<u>\$ 529,289</u>

The valuations shown are not actual market prices at which an offer would be made for unwinding any transactions, but rather calculated mathematical approximations of market values derived from proprietary models as of a given date. As these basis swaps are considered to be investment type derivative instruments per accounting standards, they are reported as a derivative asset and as a borrowing on the governmental activities column of the statement of net position. The change in fair market value during the year ended December 31, 2012, is accounted for as an increase in investment income on the governmental activities portion of the statement of activities.

Through the use of derivative instruments the County is exposed to a variety of risks, including credit risk, interest rate risk, termination risk, market-access risk, and basis risk.

The County has diversified this risk by using various financial institutions selected via a competitive bidding process.

Basis Risk / Interest Rate Risk – is the risk that interest rates move such that the percentage of the 1 Month LIBOR rate or 5 year ISDA rate plus fixed spread received by the County is lower than the variable rate paid by the County to the counterparty. If the percentage of the 1 Month LIBOR rate plus fixed spread received by the County is lower than the variable rate the County is paying to the counterparty under the terms of the swap, the County would be obligated to make a periodic net swap payment to the counterparty – based on market conditions, the net swap payments due by the County to the counterparty could be significant.

Tax Risk - is the risk that the tax laws change (such as adoption of a National Flat Tax or a reduction in the marginal income tax rates) would cause a reduction or elimination of the benefits of issuing tax-exempt debt and, in this event, the percentage of the taxable (1-Month LIBOR or 5 year ISDA) market would not correlate to the tax-exempt market (SIFMA Index) on the same historic basis and the estimated benefit to the County would be significantly reduced or eliminated.

Counterparty Risk – is the risk that the counterparty will default on their swap payments under the interest rate swap agreement to the County.

Termination Risk – is the risk that the County decides to terminate the Swap or a termination event occurs and the County is obligated to terminate the Swap and market conditions are such that the County is “out of the money.” In an “out of the money” scenario, the County would have to pay termination payment to the counterparty to terminate the Swap which could be significant.

Rollover Risk – is the risk that the County is obligated to terminate or amend the Swap if it decides to refinance its Federally Taxable General Obligation Bonds, Series C of 2010.

Credit (Default) Risk – is the risk that the County’s long-term credit rating is downgraded in the future, giving the counterparties an additional termination event if the County does not post the amount of collateral needed to secure its obligations under the terms of the Swap. In the event that the County cannot post an amount of collateral required, the counterparty will have the ability to obligate the County to terminate the Swap at the then current market rate.

3. Letter of Credit

The County has a standby letter of credit in the amount of \$390,000 at December 31, 2012. The letter of credit was issued to act as security for the County’s pre-self-insurance claims for worker’s compensation prior to 2002.

4. Prior year defeasance of debt

In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2012, \$34,600,000 of bonds outstanding is considered defeased.

5. Reimbursement agreement

In connection with the issuance of the 1995 General Obligation Bonds in the amount of \$9,840,000, the County entered into a reimbursement agreement with the Greater Berks Development Fund. Under the terms of the agreement, the County is reimbursed for the debt service requirements of the 1995 General Obligation Bonds. The 2005 General Obligation Bonds in accordance with the negotiated Option Agreement of September 2002 refunded the 1995 General Obligation bonds in November 2005. The reimbursement agreement with the Greater Berks Development Fund remains in place as of December 31, 2012.

6. Federal arbitrage regulations

The County is subject to federal arbitrage regulations on its non-taxable general obligation bonds and notes. There was no outstanding liability for federal arbitrage due and payable in the governmental funds or the accrual-based government wide financial statements at December 31, 2012.

7. Other changes in long term liabilities

The following represents changes in long-term liabilities, other than bond issues.

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Due within one year
Governmental activities:					
Agricultural easement installment purchases	\$ 256,323	\$ -	\$ 256,323	\$ -	\$ -
Workers compensation accrued liabilities	2,197,583	1,215,081	1,110,585	2,302,079	202,583
Compensated absences payable	<u>3,844,020</u>	<u>7,537,900</u>	<u>7,480,317</u>	<u>3,901,603</u>	<u>814,570</u>
Total governmental activities	<u>\$ 6,297,926</u>	<u>\$ 8,752,981</u>	<u>\$ 8,847,225</u>	<u>\$ 6,203,682</u>	<u>\$ 1,017,153</u>
Business-type activities:					
Workers compensation accrued liabilities	\$ 2,301,368	\$ 375,022	\$ 502,557	\$ 2,173,833	\$ 191,297
Compensated absences payable	<u>1,156,262</u>	<u>2,777,392</u>	<u>2,788,647</u>	<u>1,145,007</u>	<u>366,322</u>
Total business-type activities	<u>\$ 3,457,630</u>	<u>\$ 3,152,414</u>	<u>\$ 3,291,204</u>	<u>\$ 3,318,840</u>	<u>\$ 557,619</u>

For governmental activities, agricultural easement installment purchases are liquidated by the land preservation fund. The note payable is liquidated by the general fund. Worker's compensation accrued liabilities and compensated absences payable are liquidated by the general fund and special revenue funds.

8. Guaranteed debt of others

The following revenue bonds and notes are guaranteed by the County, with balances outstanding as of December 31, 2012 (except for Reading Area Community College with the outstanding balance as of June 30, 2012 and Reading Regional Airport Authority with the outstanding balance as of September 30, 2012).

Revenue Bonds/Notes

Series of 2009, Berks County Solid Waste Authority Bonds	\$ 3,790,000
Series of 2003, Reading Area Community College Bonds	\$ 1,945,000
Series of 2008, Reading Regional Airport Authority Notes	\$ 6,340,000
Series of 2007, Redevelopment Authority of the County of Berks Note	\$ 3,424,977

The County has not been called upon to make any payments related to this debt.

B. Component units

1. Revenue bonds payable

- **Berks County Solid Waste Authority**

At December 31, 2012, revenue bonds payable consisted of the following:

Bonds	December 31, 2011	Additions (payments)	December 31, 2012
County Guaranteed Revenue Bonds, Series of 2009, varying interest rates from 2.00% to 2.75% through 2017, initial issue \$6,290,000	\$ 4,695,000	\$ (905,000)	\$ 3,790,000
Less:			
Current maturities			(920,000)
Unamortized bond premium			<u>17,532</u>
			<u>\$ 2,887,532</u>

Aggregate sinking fund installments required on bonded debt at December 31, 2012 are as follows:

Year ending	Principal	Interest	Total Debt service
2013	\$ 920,000	\$ 76,300	\$ 996,300
2014	940,000	57,700	997,700
2015	955,000	37,556	992,556
2016	975,000	13,407	988,407
2017	-	-	-
	<u>\$ 3,790,000</u>	<u>\$ 184,963</u>	<u>\$ 3,974,963</u>

The County of Berks has unconditionally and irrevocably guaranteed the full and prompt payment of the debt service on the 2009 revenue bonds when they become due and payable, pursuant to the guaranty agreement dated September 15, 2009 between the County and the Authority. In addition, the bonds are collateralized by substantially all Authority assets.

- **Reading Area Community College**

Bonds payable on June 30, 2012 consisted of several outstanding tax-exempt revenue bond series issued by the State Public School Building Authority (SPSBA). In connection with the bond issuance, the College entered into a loan agreement with SPSBA under which the College has pledged its full faith and credit for the repayment of the bonds. The loan constitutes an unsecured general obligation of the College. The bonds were issued to provide funds to undertake various capital projects at the College or to advance refund certain previously issued bonds. Activity for the various bond series for the year ended June 30, 2012 was as follows:

	Balance outstanding July 1, 2011	Additions (payments)	Balance outstanding June 30, 2012
College Revenue Bonds, Series of 2002, original issue \$7,170,000, weighted average interest rate 3.73 %, final maturity April 2014.	\$ 1,560,000	\$ (500,000)	\$ 1,060,000
College Revenue Bonds, Series of 2003, original issue \$12,490,000, weighted average interest rate 4.90 %, final maturity April 2029.	11,355,000	(9,410,000)	1,945,000
College Revenue Bonds, Series of 2004, original issue \$2,500,000, weighted average interest rate 3.55 %, final maturity April 2020.	2,262,000	(157,000)	2,105,000
College Revenue Bonds, Series of 2005, original issue \$1,860,000, weighted average interest rate 3.90 %, final maturity April 2016.	993,000	(184,000)	809,000
College Revenue Bonds, Series of 2007, original issue \$2,713,000, weighted average interest rate 4.23 %, final maturity May 2014.	891,000	(390,000)	501,000
College Revenue Bonds, Series of 2012, original issue \$9,995,000, weighted average interest rate of 2.00%, final maturity April 2029	-	9,995,000	9,995,000
	<u>\$ 17,061,000</u>	<u>\$ (646,000)</u>	\$ 16,415,000
Other loans			657,396
Deferred loss on advanced refinancing			(823,795)
Less: Current maturities			<u>(1,668,041)</u>
			<u>\$ 14,580,560</u>

Principal and interest requirements to maturity are as follows:

Year ending June 30	Principal	Interest	Total Debt service
2013	\$ 1,274,000	\$ 541,122	\$ 1,815,122
2014	1,363,000	500,425	1,863,425
2015	847,000	446,572	1,293,572
2016	993,000	411,978	1,404,978
2017	996,000	373,156	1,369,156
2018-2022	4,757,000	1,366,257	6,123,257
2023-2027	4,280,000	733,005	5,013,005
2028-2029	<u>1,905,000</u>	<u>95,845</u>	<u>2,000,845</u>
	<u>\$ 16,415,000</u>	<u>\$ 4,468,360</u>	<u>\$ 20,883,360</u>

2. Long-Term Liabilities

Redevelopment Authority of the County of Berks

The Authority has a \$100,000 secured line of credit with a financial institution at the bank's prime interest rate. The amount outstanding on this line of credit at December 31, 2012 was \$32,121. The line of credit is secured by certain real estate.

At December 31, 2012, notes payable consisted of the following:

	Balance outstanding January 1, 2012	Additions (payments)	Balance outstanding December 31, 2012
County Guaranteed Revenue Note, Series of 2007, original amount \$6,359,000, payable to a bank at 4.15%, due in annual installments with varying principal amounts to November 2017, guaranteed by the County of Berks.	\$ 4,050,885	\$ (625,908)	\$ 3,424,977
Note payable to a bank, original amount \$1,300,000 at 4.65%, interest monthly through February 2027, fixed annual principal and interest payments of \$66,667 to November 2026, and a final principal and interest payment of \$66,667 due February 2027, to be repaid through real estate tax revenues from a tax increment district established for the project.	1,066,667	(66,667)	1,000,000
Note payable to the Commonwealth of Pennsylvania, Department of Transportation, original amount \$700,000, at 1.625% fixed annual principal and interest payments of \$76,407 starting September 2011 to September 2020, to be repaid through real estate tax revenues from a tax increment district established for the project	634,968	(66,089)	568,879
Note payable to the County of Berks, original amount \$400,000, at .25% per annum, to December 2015, principal and interest due December 2015. Proceeds to be used for the Second Street Redevelopment Area Project in the Borough of Hamburg, County of Berks, Pennsylvania.	400,000	(400,000)	-
Note payable to the County of Berks, maximum amount \$200,000, original amount \$190,000, at .50% per annum, principal and interest due September 2013.	-	190,000	190,000
Note payable to a bank, original amount \$1,319,000, proceeds used for the Hamburg Project, at the three month LIBOR plus .20%, interest only payable quarterly to May 2016, quarterly interest to August 2031; due in annual installments with varying principal amounts to August 2031, guaranteed by the U.S. Department of Housing and Urban Development - Section 108 Loan Program.	-	1,319,000	1,319,000
Total	\$ 6,152,520	\$ 350,336	\$ 6,502,856

Aggregate maturities required on note payable at December 31, 2012 are as follows:

Year ending	Principal	Interest	Total Debt service
2013	\$ 972,830	\$ 210,178	\$ 1,183,008
2014	807,921	181,491	989,412
2015	840,030	146,276	986,306
2016	930,158	113,088	1,043,246
2017	867,281	76,189	943,470
2018-2022	907,303	156,551	1,063,854
2023-2027	765,333	59,551	824,884
2028-2031	412,000	4,771	416,771
	<u>\$ 6,502,856</u>	<u>\$ 948,095</u>	<u>\$ 7,450,951</u>

- **Reading Regional Airport Authority**

September 30,
2012

Notes

Revenue Note, Series A of 2008 - On November 20, 2008, the Authority issued the Guaranteed Revenue Note, Series A of 2008 (AMT) in the amount \$3,705,000. The proceeds were used to refund the 2004A Bonds. The Note will mature on April 1, 2026. The Note bears interest at fixed rate of 4.45% through October 2015.

Thereafter, the interest rate shall be adjusted from time to time to equal the 1-Month London Interbank Offered Rate, plus 150 basis points. However, the maximum interest rate on the Note shall never exceed 8.00% per annum. Interest is paid semi-annually. \$ 2,490,000

Revenue Note, Series B of 2008 - On November 20, 2008, the Authority issued the Guaranteed Revenue Note, Series B of 2008 (non-AMT) in the amount \$3,850,000.

The proceeds were used to refund the 2004B Bonds. The Note will mature on October 1, 2033. The Note bears interest at fixed rate of 4.43% through October 2015.

Thereafter, the interest rate shall be adjusted from time to time to equal 67% of the 1-Month London Interbank Offered Rate, plus 215 basis points. However, the maximum interest rate on the Note shall never exceed 6.50% per annum. Interest is paid semi-annually. 3,850,000

Total \$ 6,340,000

Less: Amount due within one year and classified as current

-
\$ 6,340,000

The Revenue Notes, Series A, B and C of 2008 are guaranteed by the County of Berks. There is no principal payment due within one year due to the significant principal payments made during the year ended September 30, 2012.

The following schedule summarizes long-term debt activity for the year:

	Beginning Balance	Additions	Reductions/ Refunding	Ending Balance	Amount Due Within One Year
Revenue Note:					
Series A of 2008	\$ 2,490,000	\$ -	\$ -	\$ 2,490,000	\$ -
Series B of 2008	<u>3,850,000</u>	<u>-</u>	<u>-</u>	<u>3,850,000</u>	<u>-</u>
	<u>\$ 6,340,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,340,000</u>	<u>\$ -</u>

The following schedule summarizes debt service requirements to maturity:

Year ending Sept 30	Revenue Bonds, Series 2008		Total
	Principal	Interest	Debt service
2013	\$ -	\$ 281,360	\$ 281,360
2014	-	281,360	281,360
2015	-	281,360	281,360
2016	-	281,360	281,360
2017	-	281,360	281,360
2018-2022	965,000	1,337,930	2,302,930
2023-2027	2,120,000	966,861	3,086,861
2028-2032	2,425,000	488,408	2,913,408
2033-2034	<u>830,000</u>	<u>37,101</u>	<u>867,101</u>
	<u>\$ 6,340,000</u>	<u>\$ 4,237,100</u>	<u>\$ 10,577,100</u>

3. Guaranty Agreement

- **Redevelopment Authority of the County of Berks**

On October 10, 2007, the Authority and the County of Berks entered into a Guaranty Agreement whereby the County will guarantee the debt outstanding of the Authority's County Guaranteed Revenue Note Series of 2007.

4. Lines of Credit

- **Reading Area Community College**

As of June 30, 2012, the College has an unsecured bank line of credit of \$1,000,000. The line requires monthly interest payments at the rate of the bank's prime rate minus 0.50 % and expired on December 31, 2012. There is no outstanding balance on this line of credit at June 30, 2012.

5. Long-term liabilities

- **Reading Area Community College**

Bonds	Balance outstanding December 31, 2012
On March 5, 2010, the College entered into an agreement to borrow up to \$1,500,000 to finance the purchase and related costs of property in proximity to the College. The agreement requires semi-annual payments of \$160,520, including interest at 2.50% per annum. Final payment is due in March 2014. The College has pledged its full faith and credit for the repayment of the loan.	\$ 571,996
On March 15, 2012, the College entered into an agreement to borrow up to \$700,000 to finance the renovations to two buildings of the College. The agreement requires semi-annual payments of \$120,392, including interest at 2.00% per annum. Final payment is due in January 2015. The College has pledged its full faith and credit for the repayment of the loan.	\$ 85,400
Portion payable within one year and classified as current.	<u>(394,041)</u>
Total long term debt	<u><u>\$ 263,355</u></u>

The following schedule summarized the principal and interest maturities for the year ended June 30:

	Principal	Interest
2013	\$ 394,041	\$ 12,407
2014	<u>263,355</u>	<u>4,619</u>
	<u><u>\$ 657,396</u></u>	<u><u>\$ 17,026</u></u>

Accrued compensated absences for the year ending June 30, 2012 was \$863,205.

NOTE 11: FUND BALANCE POLICY

A. Primary government

Fund balances of the County’s governmental funds at December 31, 2012 consist of the following:

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total Fund Balance
General Fund	\$ 592,927	\$ 2,299,603	\$ -	\$ 19,545,324	\$ 102,045,175	\$ 124,483,029
Children and Youth Services Fund	8,655	750	-	-	-	9,405
Community Development Fund	-	-	-	-	-	-
Health Choices Fund	-	1,693,396	-	-	-	1,693,396
Capital Projects Fund	-	45,528,531	-	-	-	45,528,531
Other Governmental	6,473	8,265,136	-	-	(45,567)	8,226,042
	<u>\$ 608,055</u>	<u>\$ 57,787,416</u>	<u>\$ -</u>	<u>\$ 19,545,324</u>	<u>\$ 101,999,608</u>	<u>\$ 179,940,403</u>

The County has established and will maintain reservations of fund balance in accordance with GASB 54. This policy applies to the County’s General Fund and all governmental funds. Fund balance is composed on nonspendable, restricted, committed, assigned and unassigned amounts.

Fund balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing programs or enhance the financial position of the County in accordance with policies established by the Board of Commissioners.

Spending policy:

The County’s policy is to first use restricted fund balance when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.

The County’s policy is to use unrestricted fund balance in the following order, committed, assigned and unassigned, when an expenditure is incurred for purposes for which each of these fund balance classifications are available.

Minimum fund balance policy:

The County has not formally adopted a minimum fund balance policy.

Committed fund balance:

The Board of Commissioners is the County’s highest level of decision making authority. The County has not formally adopted a policy as to the formal action that is required to be taken to establish, modify or rescind a fund balance commitment.

Assigned fund balance:

The County has not formally adopted a policy regarding the body or official authorized to assign amounts to a specific purpose and the policy established by the governing body pursuant to which that authorization is given.

Disbursement of fund balance reserves:

No formal policy has been adopted by the County regarding disbursement of funds within the fund balance reserves; however, disbursement is approved by the Board of Commissioners by inclusion in the approved annual budget and amendments thereto.

Annual review and determination of fund balance reserve amounts:

Compliance with provisions of this policy is reviewed as a part of the annual budget adoption process, and the amounts of nonspendable, restricted, committed, assigned and the minimum level of assigned fund balance is determined during this process.

The County's Board of Commissioners hereby establishes the following nonspendable fund balance reserves in the fund noted in the descriptions:

Employee pay advance

This reservation represents long term receivable from employees resulting from a change in payroll records. This receivable is not available to meet current expenditures. \$ 100,004

Inventories and prepaid expenses

This reservation represents inventories and prepaid expenses. These items are not available to meet current expenditures. 508,051

The County's Board of Commissioners hereby establishes the following restricted fund balance reserves in the fund noted in the descriptions:

Gift fund

This restriction represents funds donated by individuals to be used to provide gifts or special services to children under the care of Children and Youth Services Fund. \$ 750

Farmland preservation

This restriction represents funds raised to purchase farmland as part of the agricultural preservation program in the General Fund. 309,043

Hazmat response

This restriction represents fees and other charges to be used to fund the clean up of hazardous materials incidents in the General Fund. 1,345,653

Graffiti Abatement

This restriction represents grant funds in the Court Administration area being used for the eradication and prevention of graffiti that defaces public buildings, bridges and walkways in the General Fund. 16,842

Act 198 - Courts

This restriction represents fines and costs collected by the Clerk of Courts from defendants in Drug & Alcohol court cases, and can only be spent on drug and alcohol prevention programs in the General Fund. 44,773

Workers compensation

This restriction represents funds restricted to pay future workers compensation claims in the General Fund. 353,292

Program purposes

This restriction represents amounts restricted to fund the operations of certain special revenue funds. 9,958,532

CDBG radio revenue

This restriction represents amounts restricted to fund the radio project. 230,000

Capital Projects

This restriction represents amounts restricted to fund the operations of certain special revenue funds in the Capital Projects Fund. 45,528,531

The County's Board of Commissioners' hereby establishes the following assigned fund balance reserves in the fund noted in the descriptions:

2013 Adopted Budget Deficit

This assignment represents the anticipated 2013 budget deficit in the 2013 Adopted Budget in the General Fund. \$ 726,784

222 Corridor

This assignment represents future expenditures in the 222 Corridor project in the General Fund. 5,000,000

Berks Heim

This assignment reflects the negative net assets in Berks Heim Enterprise fund, which potentially may become a liability of the General Fund 4,319,965

Capital Purchases

This assignment represents capital purchases in 2013 in the General Fund. 648,386

911 Radio Project

This assignment represents funds to purchase 911 radios. 3,696,772

Debt Service Guarantees

This assignment represents debt service guarantees made by the County of Berks in the General Fund. 582,000

Environmental Litigation

This assignment represents possible environmental litigation costs made by the County of Berks in the General Fund 271,417

Encumbrances

This assignment represents the outstanding contractual obligations for goods and services not yet received. 300,000

Health care self insurance

This assignment represents the estimated obligation for the Health care self insurance program due within the 2013 year 4,000,000

NOTE 12: OBLIGATIONS UNDER CAPITAL LEASES

A. Component units

1. Reading Area Community College

Following is a summary of property held under capital leases:

Computer equipment and copiers	\$ 119,071
Less: Accumulated depreciation	<u>(33,433)</u>
	<u>\$ 85,638</u>

Minimum future lease payments under these capital leases as of June 30 are as follows:

2013	\$ 40,254
2014	<u>15,172</u>
Total minimum lease payments	55,426
Less amount representing interest	<u>(2,989)</u>
Present value of lease payments	<u>\$ 52,437</u>

The interest rates on the capitalized leases range from 3.75% to 6.29% and are imputed based on the College's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

NOTE 13: COMMITMENTS AND CONTINGENCIES

A. Primary government

Approximately 65% of the County's employees are covered by collective bargaining agreements as of December 31, 2012. Four of the six contracts have expiration dates of December 31, 2015. The Fraternal Order of Police is currently in arbitration over their contract, which expired December 31, 2012. The AFSCME Union has three groups, one which has signed a 2-year extension to their contract for 2013 and 2014, and two which are currently in arbitration over their contracts which expired December 31, 2012.

The County leases building space for certain County and District Justice Offices. The County has also entered into an operating lease for equipment. These leases have expiration dates extending through 2018. Total expenses for all operating leases were \$1,483,730 for the year ended December 31, 2012.

The following is a schedule of future minimum lease payments under the above operating leases:

2013	\$ 843,425
2014	669,705
2015	586,046
2016	466,289
2017 - 2018	<u>702,604</u>
Total	<u>\$ 3,268,069</u>

B. Component units

1. Berks County Solid Waste Authority

The Authority has employment agreements with the Executive Director and the Recycling Center Operator, effective through March 31, 2013,, which provided for specific wage, benefits (defined therein), and amendment and termination provisions. The agreement may automatically be renewed for successive one-year terms thereafter absent notice of termination by either party.

2. Redevelopment Authority of the County of Berks

The Authority has entered into a management agreement with the County of Berks to provide administrative services to the Authority. The agreement calls for the reimbursement of wages, benefits and other direct costs associated with the administrative services provided to the Authority. Administrative fees charged to operations were \$35,856 for the year ended December 31, 2012.

The Authority has incurred expenditures related to the Exeter Project, which were funded by proceeds of the County Guaranteed Revenue Note, Series of 2007. The Authority will recover these funds through a grant from the Berks County Industrial Development Authority, who has obtained a state Infrastructure and Facilities Improvement Fund Grant of \$796,476 per year for ten years. Amounts that are due from this grant equal \$3,424,966 as of December 31, 2012. During the year ended December 31, 2012, the Berks County Industrial Development Authority paid debt principal of \$625,908 and interest expense of \$170,568 on behalf of the Authority related to the Exeter Project.

The Authority has entered into cooperative agreements with the Borough of West Reading, the Wyomissing School District and the County of Berks to create a tax increment district in the area of the Authority's West Reading Project. The Borough, School District and County will establish a real estate tax levy for the tax increment district, and the tax revenues will be deposited into a fund for use by the Authority in payment of the debt service related to the \$1,500,000 note payable related to the project. Tax receipts were received from the Borough of West Reading of \$10,535 and the Wyomissing School District of \$44,752, totaling \$55,287. The amount receivable under the agreement as of December 31, 2012 was \$1,083,909.

The Authority has entered into cooperative agreements with the Borough of Hamburg, the Hamburg Area School District and the County of Berks to create a tax increment district in the area of the Authority's Hamburg Project. The Borough, School District and County will establish a real estate tax levy for the tax increment district, and the tax revenues will be deposited into a fund for use by the Authority in payment of the debt service related to the \$700,000 note payable and the \$1,319,000 note payable related to the project through December 31, 2012. The amount receivable under the agreement as of December 31, 2012 was \$2,614,514.

The Authority entered into an agreement for professional services relating to a passenger tourist railroad implementation study at an amount not to exceed \$46,428. At December 31, 2012, the remaining cost under the terms of the agreement is approximately \$31,000.

In the normal course of business, the Authority is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the financial statements.

3. Reading Regional Airport Authority

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverage during the 2012 year. Settlement amounts have not exceeded insurance coverage for the current year.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. This amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

4. Reading Area Community College

Revenues reflected by the College from federal and state government organizations are subject to audit and verification by the applicable organization. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed or claims that may be disallowed cannot be determined by the College at this time, although the College expects such amount, if any, to be immaterial.

The College has entered into several lease agreements for the rental of classroom space, parking space and certain equipment. Minimum future rental payments under non-cancelable operating leases are as follows:

Year ending June 30:	
2013	\$ 909,142
2014	920,035
2015	911,266
2016	573,627
2017	589,059
2018	<u>97,858</u>
Total	<u>\$ 4,000,987</u>

Rent expense for the year ended June 30, 2012 approximated \$997,000.

Effective June 30, 2010, the College entered into an agreement to lease space to a commercial entity. Terms of the agreement were for one year through June 30, 2011 with an automatic one year extension until June 30, 2012, unless terminated by either party at least 60 days prior to June 30, 2012. As of October 2, 2012, the lease has not been renewed but is continuing under existing terms. Annual rental amount is \$45,560.

Effective November 1, 2010, the College entered into an agreement to lease space to a second commercial entity. Terms of the agreement are for one year through October 31, 2011 with an automatic one-year extension until October 31, 2012. The lease was terminated effective October 31, 2011. Annual rental amount is \$81,763, with \$27,254 received during the year ended June 30, 2012.

NOTE 14: CONTRACTUAL AGREEMENT REVENUE

Component unit

Berks County Solid Waste Authority

On April 20, 2000, the Authority entered into an agreement with Allied Waste Industries, Inc., Browning-Ferris, Inc., New Morgan Landfill Company, and all of their affiliated companies and representatives and agents (collectively "BFI".) The agreement states that in return for BFI's consideration of \$100,000 annually, the Authority shall not contest, challenge, reverse, terminate, affect or undo either the Eco Industrial Park or the reconfiguration of the boundaries of the Conestoga Landfill or the definition of the Facility Site in the Disposal Service Agreement as amended as the reconfiguration boundaries are described in the Authority's February 16, 1999 Resolution and in the amended Disposal Service Agreement of October 12, 1989. The annual payments will cease upon the permanent cessation of receipt of waste at the landfill.

On January 24, 2008, the Authority entered into an agreement with the County of Berks, in which the Authority will administer the county-wide drop-off recycling and rural recycling programs. As per the agreement, the County paid the Authority \$210,000 for the 2012 year. In the event that neither party terminates this agreement, the agreement shall automatically renew each year on January 1.

The Authority's ability to generate revenue from administrative fees or other surcharges related to "flow controlled" delivery of trash is severely limited. Sufficient revenue for Authority debt service and operating expenses may be available in the form of host fees payable to the County and specifically earmarked for payment of debt service under the terms of a Stipulation of Settlement entered into by the County, the Authority, and Browning-Ferris, Inc. The County has abided by its obligation to provide sufficient host fees for payment of the Authority's debt service. During 2012, the Authority received \$999,550 in host fees from the County.

Reading Area Community College

The College entered into a contract with Follett Higher Education Group, Inc. effective November 2007 for a period of five years to operate the College's bookstore. Terms of the contract require Follett to pay the College a one-time fee of \$200,000, which is being amortized over the term of the contract and provides for payments of the greater of \$250,000 or 11.25 percent of sales up to \$2,500,000, 12.25 percent of sales from \$2,500,000 to \$5,000,000 and 13.25 percent of sales over \$5,000,000. In addition, Follett will spend up to \$155,000 to renovate the facility and up to \$40,000 in new technology. Revenue from this agreement was \$423,598 for the year ended June 30, 2012.

NOTE 15: LEGAL COMPLIANCE

Primary government

Actual expenditures, excluding transfers, at the legal level of budgetary control exceeded budgeted appropriations in the General Fund by \$28,035,053. Revenues were under budget in 2012 and expenditures were over budget in 2012, resulting in expenditures exceeding revenues as a result of a prefunding of the pension plan during 2012.

Expenditures, excluding transfers, at the legal level of budgetary control exceeded budgeted appropriations in the Children and Youth Special Revenue Fund by \$4,251,762. Operating deficit transfers by the General Fund covered this deficit.

Expenditures, excluding transfers, at the legal level of budgetary control exceeded budgeted appropriations in the Domestic Relations Special Revenue Fund by \$2,157,935. Operating deficit transfers by the General Fund covered this deficit.

Expenditures, excluding transfers, at the legal level of budgetary control exceeded budgeted appropriations in the Office of Aging Special Revenue Fund by \$573,404. Prior fund balance covered majority of this deficit. Future operating deficit transfers by the General Fund will cover the remaining deficit in the future.

Expenditures, excluding transfers, at the legal level of budgetary control exceeded budgeted appropriations in the Special Legislation Special Revenue Fund by \$186,080. Prior fund balance covered this deficit.

Expenditures, excluding transfers, at the legal level of budgetary control exceeded budgeted appropriations in the Berks Heim Enterprise Fund by \$566,013. Although expenses exceeded budgeted expenses, total revenues still exceeded total expenditures.

NOTE 16: LITIGATION

Primary government

The County is involved in various lawsuits arising in the ordinary course of its municipal activities. The County solicitor and County management believe that the resolution of these actions is not expected to have an unfavorable outcome or materially adverse effect on the financial statements of the County. In addition, we have no knowledge of any unasserted claims and assessments (considered to be probable of assertion), that if asserted, would have a reasonable possibility of an unfavorable outcome.

NOTE 17: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

A. Component units

Reading Area Community College

Reading Area Community College administers a single-employer defined benefit plan (the Post Employment Benefit Plan). The Plan provides life insurance and medical, dental and prescription benefits for eligible retirees through the College's plan, which covers both active and retired members. Benefit provisions are established through negotiation with the College and the unions representing the College's employees. The Post Employment Benefits Plan does not issue a publicly available financial report and the College is implementing GASB Statement 45 prospectively.

Contribution requirements are negotiated between the College and union representatives. The required contribution is based on pay as you for financing. The College provides life insurance and medical, dental and prescription benefits to employees upon retirement depending upon various eligibility requirements. Retirees who reach 55 years of age with at least 5 years of service are provided life insurance at no cost to the retiree. In addition, retirees at 55 with at least 15 years of service are provided the option to purchase medical, dental and prescription coverage at 102% of the COBRA rate, or receive a lump sum payment of \$6,250 or receive cash payments of up to 50% of the College's COBRA rate for outside coverage. For those retirees who reach 59.5 years of age with 20 years of service, the lump sum payment increases to \$12,500 or cash payments for up to the full reimbursement of the College's COBRA rate for outside coverage. The plan is provided to retirees as part of the College's negotiated agreements with employees. For the fiscal year ended June 30, 2012, the College contributed \$60,219 to the plan related to retirees.

The College's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

	June 30, 2012
Annual required contribution	\$ 98,455
Interest on net OPEB obligation	3,806
Adjustment to annual required contribution	<u>(6,284)</u>
Annual OPEB cost	95,977
Contributions made	<u>(60,219)</u>
Increase in net OPEB obligation	35,758
Net OPEB obligation - beginning of year	<u>126,858</u>
Net OPEB obligation - end of year	<u>\$ 162,616</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 95,977	62.7%	\$ 162,616
6/30/2011	90,698	53.8%	126,858
6/30/2010	90,698	53.8%	84,940

As of July 1, 2011, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,095,027, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,095,027.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 3.0% discount rate and an annual cost trend rate of 10.0% initially, decreasing 1.0% per year to an ultimate rate of 5% in 2018 and later. The unfunded actuarial accrued liability is being amortized at the end of the year based on level dollar and a thirty year open amortization period.

NOTE 18: SUBSEQUENT EVENTS

A. Primary government

1. Bond issuance

The County of Berks issued \$17,785,000 in new bonds during 2013. The proceeds of the bond issuance will be used to finance various capital projects including but not limited to the 911 Radio System and improvements to the Services Center and Courthouse and pay the related costs and expenses associated with the issuance of the bonds. The maturity of the bonds is November 15, 2033.

2. Termination of Line of Credit Guarantee

The County of Berks previously guaranteed the Berks County Industrial Development Authority (“BCICA”) line of credit. In January 2013, BCIDA obtained a line of credit with a bank without the County’s guarantee being required.

B. Component units

1. Redevelopment Authority of the County of Berks

In January 2013, the Authority entered into an agreement to purchase real estate at 261 Buttonwood Street, Reading, Pennsylvania, for the Acquisition, Demolition, and Disposition (“ADD”) Program of the County of Berks for \$40,000.

In January 2013, the Authority entered into an agreement to purchase real estate at 263 Buttonwood Street, Reading, Pennsylvania, for the ADD Program of the County of Berks for \$37,000.

In February 2013, the Authority authorized borrowing of \$420,000 with a bank for the purpose of paying in full the balance of the Authority’s line of credit and to continue with renovations of the properties on East Lancaster Avenue.

In January 2013, the Authority entered into an agreement with the County of Berks to administer the ADD Program through December 31, 2018.

In April 2013, the Authority entered into an agreement with the County of Berks for the rehabilitation of single family homes occupied or to be occupied by low and moderate income persons for housing located in a redevelopment area, a Main Street area or an Elm Street area. The County will allocate to the Authority up to \$100,000 from the Affordable Housing Program for project expenses incurred between January 1, 2013 and December 31, 2014.

In March 2013, the Authority entered into a mortgage agreement with the County of Berks for \$500,000. The Authority will not be required to repay the County as long as the Authority owns and uses the property at East Lancaster Avenue for program purposes for the next 30 years.

In April 2013, the Authority entered an agreement with the County of Berks for the administration of the County’s Act 137 County housing rehabilitation program funds. Use of these funds will provide the needed funding for the HELP program.

In April 2013, the Authority entered into Amendment 1 with the County of Berks for property rehabilitation funds from the federal HOME Program. The Amendment increases the original funding allocation under the Agreement by \$173,560 for a total allocation of \$330,955 for the rehabilitation of single family homes occupied by low and moderate income persons.

In April 2013, the Authority awarded a bid for the demolition of five ADD Program properties to the lowest responsible bidder.

In May 2013, the Authority approved entering into an employment agreement for the Authority’s Executive Director Position. The effective date of the employment agreement is July 17, 2013.



REQUIRED SUPPLEMENTAL INFORMATION

The Required Supplemental Information represents prescribed financial information that addresses retirement fund data and budgetary comparisons for the general fund and major individual special revenue funds.

Schedule of Employer Contributions
Berks County Employee's Retirement Fund
Year ended December 31, 2012

County of Berks
2012 Annual Financial Report

The following information was determined as part of the actuarial valuations at
January 1 of the following year.

Year ended	Annual Required Contribution (ARC)	Percentage of ARC contributed
December 31, 2003	\$6,845,517	100
December 31, 2004	7,501,938	100
December 31, 2005	8,612,680	100
December 31, 2006	7,675,390	100
December 31, 2007	6,902,040	100
December 31, 2008	5,039,939	100
December 31, 2009	11,064,607	100
December 31, 2010	11,599,747	100
December 31, 2011	8,002,599	100
December 31, 2012	9,796,229	100

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 General Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Property taxes	\$ 128,162,015	\$ 128,162,015	\$ 127,003,623	\$ (1,158,392)
Court cost, fines and forfeitures	3,979,200	4,067,455	3,533,648	(533,807)
Investment earnings	1,495,302	1,495,302	715,350	(779,952)
Intergovernmental revenue	13,296,761	13,913,659	14,593,542	679,883
Departmental charges and reimbursements	50,036,507	50,546,386	50,801,378	254,992
Payments in lieu of taxes	100,300	100,300	135,367	35,067
Rentals	231,478	231,478	200,312	(31,166)
Sale of property, supplies and equipment	24,500	24,500	46,931	22,431
Miscellaneous	1,122,418	1,228,446	1,108,934	(119,512)
Total revenues	<u>198,448,481</u>	<u>199,769,541</u>	<u>198,139,085</u>	<u>(1,630,456)</u>
Expenditures				
General government, administrative:				
Commissioners	2,174,296	2,432,629	2,333,198	99,431
Solicitors	1,101,634	1,189,500	1,449,166	(259,666)
Facilities	19,865,147	12,343,406	11,366,299	977,107
Courthouse Security	1,187,024	1,264,739	1,261,089	3,650
Fleet Maintenance	171,570	10,496	12,870	(2,374)
Election Services	1,921,624	1,796,181	2,026,342	(230,161)
Real Estate Assessment	3,180,282	3,208,345	3,736,788	(528,443)
Treasurer	802,428	815,914	985,516	(169,602)
Tax Collectors	453,064	454,823	456,144	(1,321)
Tax Claim Bureau	784,504	796,497	898,346	(101,849)
Controller	2,497,949	2,491,002	3,044,321	(553,319)
Recorder of Deeds	1,440,990	1,441,392	1,765,302	(323,910)
Mailroom/Printing	458,059	401,288	497,485	(96,197)
Information Systems	6,280,870	6,754,269	7,275,601	(521,332)
Purchasing	607,871	612,413	768,035	(155,622)
Archives	-	727,099	635,270	91,829
Budget	1,186,759	1,221,249	1,676,814	(455,565)
Human Resources	2,657,183	2,638,436	3,120,952	(482,516)
Insurance	1,878,344	1,878,344	1,546,523	331,821
Telecommunications	329,811	357,706	324,218	33,488
Veterans Affairs	672,499	881,766	1,012,855	(131,089)
Total general government, administrative	<u>49,651,908</u>	<u>43,717,494</u>	<u>46,193,134</u>	<u>(2,475,640)</u>
General government, judicial:				
Register of Wills	1,050,486	1,052,011	1,291,786	(239,775)
Sheriff	8,550,516	8,812,821	12,321,052	(3,508,231)
Coroner	1,463,406	1,569,161	2,203,362	(634,201)
Prothonotary	2,711,850	2,712,370	2,918,830	(206,460)
Clerk of Courts	2,378,569	2,379,198	3,088,221	(709,023)
Public Defender	3,136,252	3,147,675	4,221,253	(1,073,578)
District Attorney	9,752,203	9,903,339	13,135,959	(3,232,620)
Law Library	632,249	632,556	610,471	22,085
Court Administration	8,608,484	8,875,784	10,672,262	(1,796,478)
District Justices	10,510,397	10,285,521	11,760,547	(1,475,026)
Court Reporters	2,084,745	2,085,162	3,001,734	(916,572)
Total general government, judicial	<u>50,879,157</u>	<u>51,455,598</u>	<u>65,225,477</u>	<u>(13,769,879)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 General Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Public Safety:				
Adult probation	7,324,534	7,285,576	9,361,393	(2,075,817)
Juvenile probation	14,159,252	15,503,282	17,304,058	(1,800,776)
Prison	30,535,143	30,631,395	41,688,018	(11,056,623)
Community corrections	2,163,797	2,202,084	2,334,473	(132,389)
Department of Emergency Services	5,340,806	5,178,978	1,686,409	3,492,569
Total public safety	<u>59,523,532</u>	<u>60,801,315</u>	<u>72,374,351</u>	<u>(11,573,036)</u>
Culture and recreation:				
Berks county public libraries	5,347,271	4,952,873	5,193,899	(241,026)
Parks	4,008,192	4,511,908	4,074,955	436,953
Total culture and recreation	<u>9,355,463</u>	<u>9,464,781</u>	<u>9,268,854</u>	<u>195,927</u>
Community and economic development:				
Planning	1,451,764	1,452,480	1,924,199	(471,719)
Industrial Development Authority	139,281	139,281	139,286	(5)
Agricultural extension service	519,541	519,541	599,866	(80,325)
Ag land preservation	1,099,000	1,224,210	1,271,698	(47,488)
Total community and economic development	<u>3,209,586</u>	<u>3,335,512</u>	<u>3,935,049</u>	<u>(599,537)</u>
Public Works:				
Recycling	230,753	230,081	228,610	1,471
Community Support:				
Contributions:				
Community Bail Program	596,037	596,037	590,827	5,210
Berks Area Regional Transportation Authority	428,161	428,163	428,163	-
Berks Economic Partnership	500,000	700,000	700,000	-
Contingency General	880,478	61,906	-	61,906
Miscellaneous Contributions	188,500	188,500	188,500	-
Tourism	50,000	50,000	50,000	-
Reading Area Community College	3,350,000	3,350,000	3,350,000	-
Total community support	<u>5,993,176</u>	<u>5,374,606</u>	<u>5,307,490</u>	<u>67,116</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 General Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Debt service:				
Principal	14,676,124	14,676,124	14,811,812	(135,688)
Interest and fiscal charges	9,476,036	9,476,036	9,227,288	248,748
Administrative expenses	16,980	20,980	15,518	5,462
Total debt service	<u>24,169,140</u>	<u>24,173,140</u>	<u>24,054,618</u>	<u>118,522</u>
Intergovernmental:				
Solid Waste debt service	<u>999,550</u>	<u>1,000,222</u>	<u>1,000,219</u>	<u>3</u>
Total expenditures for general fund	<u>204,012,265</u>	<u>199,552,749</u>	<u>227,587,802</u>	<u>(28,035,053)</u>
Excess (deficiency) of revenue over expenditures	<u>(5,563,784)</u>	<u>216,792</u>	<u>(29,448,717)</u>	<u>(29,665,509)</u>
Other financing sources (uses):				
Transfers in	2,361,685	2,391,936	2,877,333	485,397
Transfers out	(157,650)	(6,879,495)	(25,003,869)	(18,124,374)
Issuance of prefunding pension bonds	-	-	23,536,237	23,536,237
Total other financing sources (uses)	<u>2,204,035</u>	<u>(4,487,559)</u>	<u>1,409,701</u>	<u>5,897,260</u>
Net change in fund balances	(3,359,749)	(4,270,767)	(28,039,016)	(23,768,249)
Fund balance (deficits), beginning	153,485,847	153,296,943	152,522,045	(774,898)
Fund balance (deficits), ending	<u>\$ 150,126,098</u>	<u>\$ 149,026,176</u>	<u>\$ 124,483,029</u>	<u>\$ (24,543,147)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Children and Youth Special Revenue Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 29,042,354	\$ 31,859,614	\$ 32,341,833	\$ 482,219
Departmental charges and reimbursements	949,000	949,000	886,542	(62,458)
Investment Earnings	-	-	20	20
Miscellaneous	3,000	3,000	2,649	(351)
Total revenues	<u>29,994,354</u>	<u>32,811,614</u>	<u>33,231,044</u>	<u>419,430</u>
Expenditures				
Current:				
Human services	<u>35,061,804</u>	<u>38,187,546</u>	<u>42,439,308</u>	<u>(4,251,762)</u>
Total expenditures	<u>35,061,804</u>	<u>38,187,546</u>	<u>42,439,308</u>	<u>(4,251,762)</u>
Deficiency of revenues under expenditures	<u>(5,067,450)</u>	<u>(5,375,932)</u>	<u>(9,208,264)</u>	<u>(3,832,332)</u>
Other financing sources (uses):				
Transfers in	<u>71,000</u>	<u>71,000</u>	<u>9,204,603</u>	<u>9,133,603</u>
Total other financing sources	<u>71,000</u>	<u>71,000</u>	<u>9,204,603</u>	<u>9,133,603</u>
Net change in fund balances	(4,996,450)	(5,304,932)	(3,661)	5,301,271
Fund balances, beginning	<u>12,566</u>	<u>12,566</u>	<u>13,066</u>	<u>500</u>
Fund balances (deficits), ending	<u>\$ (4,983,884)</u>	<u>\$ (5,292,366)</u>	<u>\$ 9,405</u>	<u>\$ 5,301,771</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Community Development Special Revenue Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 4,796,772	\$ 4,359,879	\$ 3,448,927	\$ (910,952)
Departmental charges and reimbursements	595,000	595,000	644,222	49,222
Investment earnings	-	-	775	775
Miscellaneous	60,000	60,000	35,414	(24,586)
Total revenues	<u>5,451,772</u>	<u>5,014,879</u>	<u>4,129,338</u>	<u>(885,541)</u>
Expenditures				
Current:				
Community & economic development	4,082,454	4,019,133	3,245,645	773,488
Total expenditures	<u>4,082,454</u>	<u>4,019,133</u>	<u>3,245,645</u>	<u>773,488</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,369,318</u>	<u>995,746</u>	<u>883,693</u>	<u>(112,053)</u>
Other financing sources (uses):				
Transfers in	-	-	349,550	349,550
Transfers out	(1,369,318)	(996,377)	(996,377)	-
Total other financing sources (uses)	<u>(1,369,318)</u>	<u>(996,377)</u>	<u>(646,827)</u>	<u>349,550</u>
Net change in fund balances	-	(631)	236,866	237,497
Fund balances (deficits), beginning	76,387	-	(236,866)	(236,866)
Fund balances (deficits), ending	<u>\$ 76,387</u>	<u>\$ (631)</u>	<u>\$ -</u>	<u>\$ 631</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Health Choices Special Revenue Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 81,051,358	\$ 81,765,652	\$ 79,661,311	\$ (2,104,341)
Investment earnings	10,000	10,000	53,975	43,975
Total revenues	<u>81,061,358</u>	<u>81,775,652</u>	<u>79,715,286</u>	<u>(2,060,366)</u>
Expenditures				
Current:				
Human services	<u>81,061,358</u>	<u>81,775,652</u>	<u>79,807,632</u>	<u>1,968,020</u>
Total expenditures	<u>81,061,358</u>	<u>81,775,652</u>	<u>79,807,632</u>	<u>1,968,020</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>(92,346)</u>	<u>(92,346)</u>
Other Financing Sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>147,843</u>	<u>147,843</u>
Total other financial sources:	<u>-</u>	<u>-</u>	<u>147,843</u>	<u>147,843</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>55,497</u>	<u>55,497</u>
Fund balances (deficits), beginning	<u>12,225,843</u>	<u>12,118,203</u>	<u>1,637,899</u>	<u>(10,480,304)</u>
Fund balances (deficits), ending	<u>\$ 12,225,843</u>	<u>\$ 12,118,203</u>	<u>\$ 1,693,396</u>	<u>\$ (10,424,807)</u>

Note 1: Budgets and budgetary accounting

Annual budgets are adopted by the County on a basis consistent with accounting principles generally accepted in the United States of America for all governmental fund types.

On or before June 30, all County departments and agencies submit requests for appropriations for the following year to the Office of Budget and Finance, which compiles the requests and submits a comprehensive budget request document. The Board of Commissioners makes the proposed budget available for public inspection at least twenty days prior to the date of adoption. On or before December 31, the budget is adopted by the Board of Commissioners. Subsequent to the budget approval, the Board of Commissioners adopts the appropriation measures required to put the budget into effect and fixes the rate of taxation.

The County maintains budgetary control at the line item level of expenditures as authorized by resolution of the Board of Commissioners. The Director of Budget and Finance may make transfers between accounts under \$5,000, while transfers of \$5,000 or greater require the approval of the Board of Commissioners. Any supplemental appropriations to the Budget are approved by the Board of Commissioners.

Encumbrance accounting is employed in governmental fund types. Encumbrances, which represent commitments for goods and services not yet received, are reported as reservations of fund balances, and do not constitute expenditures or liabilities, because the commitments will be re-appropriated and honored during the subsequent year.



OTHER SUPPLEMENTAL INFORMATION

Other Supplemental Information provides combining financial statements for non-major governmental funds, plus budgetary comparisons for these non-major funds, other Enterprise funds (business-type activities) and Agency funds.



	Special Revenue		
	Liquid Fuels	Domestic Relations	Employment & Training
Assets			
Cash and cash equivalents	\$ 2,772,561	\$ 550	\$ 273,514
Cash and cash equivalents - restricted	-	-	-
Investments	567,697	-	-
Taxes receivable	-	-	-
Accounts receivable	-	37,213	64,951
Due from other governments	264,936	1,457,547	682,131
Due from other funds	-	-	-
Investments, non-current	3,156,222	-	-
Total assets	<u>\$ 6,761,416</u>	<u>\$ 1,495,310</u>	<u>\$ 1,020,596</u>
Liabilities and fund balances			
Accounts payable	429,251	5,580	190,242
Accrued liabilities	1,499	216,092	57,116
Advance revenue	327,210	-	-
Due to other funds	850,247	1,269,470	770,933
Total liabilities	<u>1,608,207</u>	<u>1,491,142</u>	<u>1,018,291</u>
Fund balances:			
Nonspendable:			
Conversion pay	-	4,168	2,305
Assigned:			
Special Revenue funds	5,153,209	-	-
Unassigned (deficit)	-	-	-
Total fund balances	<u>5,153,209</u>	<u>4,168</u>	<u>2,305</u>
Total liabilities and fund balances	<u>\$ 6,761,416</u>	<u>\$ 1,495,310</u>	<u>\$ 1,020,596</u>

(Continued on the next page)

	Special Revenue		
	Office of Aging	Special Legislation	Mental Health/ Developmental Disabilities
Assets			
Cash and cash equivalents	\$ 225	\$ -	\$ -
Cash and cash equivalents, restricted	-	3,386,281	-
Investments	-	-	-
Taxes receivable	-	98,583	-
Accounts receivable	101,593	2,848	9,265
Due from other governments	326,935	270,776	516,334
Due from other funds	88,776	-	748,859
Investments, non-current	-	-	-
Total assets	<u>517,529</u>	<u>3,758,488</u>	<u>1,274,458</u>
Liabilities and fund balances			
Accounts payable	449,887	293,463	903,571
Accrued liabilities	113,209	-	18,319
Advance revenue	-	-	352,568
Due to other funds	-	406,290	-
Total liabilities	<u>563,096</u>	<u>699,753</u>	<u>1,274,458</u>
Fund balances:			
Nonspendable:			
Conversion pay	-	-	-
Assigned:			
Special Revenue funds	-	3,058,735	-
Unassigned (deficit)	(45,567)	-	-
Total fund balances	<u>(45,567)</u>	<u>3,058,735</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 517,529</u>	<u>\$ 3,758,488</u>	<u>\$ 1,274,458</u>

(Continued on the next page)

	<u>Special Revenue</u>			Total Nonmajor Governmental
	Human Services	Drug & Alcohol	Child Care Info Services	
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 3,046,850
Cash and cash equivalents, restricted	-	-	-	3,386,281
Investments	-	-	-	567,697
Taxes receivable	-	-	-	98,583
Accounts receivable	-	-	-	215,870
Due from other governments	107,276	-	-	3,625,935
Due from other funds	65,948	-	-	903,583
Investments, non-current	-	-	-	3,156,222
Total assets	<u>173,224</u>	<u>-</u>	<u>-</u>	<u>15,001,021</u>
Liabilities and fund balances				
Accounts payable	117,404	-	-	2,389,398
Accrued liabilities	2,628	-	-	408,863
Advance revenue	-	-	-	679,778
Due to other funds	-	-	-	3,296,940
Total liabilities	<u>120,032</u>	<u>-</u>	<u>-</u>	<u>6,774,979</u>
Fund balances:				
Nonspendable:				
Conversion pay	-	-	-	6,473
Assigned:				
Special Revenue funds	53,192	-	-	8,265,136
Unassigned (deficit)	-	-	-	(45,567)
Total fund balances	<u>53,192</u>	<u>-</u>	<u>-</u>	<u>8,226,042</u>
Total liabilities and fund balances	<u>\$ 173,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,001,021</u>



	Special Revenue				
	Liquid Fuels	Domestic Relations	Employment & Training	Office of Aging	Special Legislation
Revenues					
Hotel tax	\$ -	\$ -	\$ -	\$ -	\$ 1,647,698
Intergovernmental revenue	1,556,198	4,399,025	4,478,630	9,237,469	574,076
Departmental charges and reimbursements	-	332,857	-	446,067	1,229,514
Investment earnings	27,824	-	147	15,809	4,992
Rental	2,500	-	-	-	-
Miscellaneous	-	-	275,500	200	-
Total revenues	<u>1,586,522</u>	<u>4,731,882</u>	<u>4,754,277</u>	<u>9,699,545</u>	<u>3,456,280</u>
Expenditures					
Current:					
General government, administrative	-	-	-	-	1,766,295
General government, judicial	-	-	-	-	348,013
Human services	-	8,653,249	5,371,935	11,795,777	-
Public works	1,640,334	-	-	-	-
Total expenditures	<u>1,640,334</u>	<u>8,653,249</u>	<u>5,371,935</u>	<u>11,795,777</u>	<u>2,114,308</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,812)</u>	<u>(3,921,367)</u>	<u>(617,658)</u>	<u>(2,096,232)</u>	<u>1,341,972</u>
Other financing sources (uses)					
Transfers in	49,620	3,921,367	617,658	1,570,014	-
Transfers out	-	-	-	(120,110)	(1,459,715)
Total other financing sources (uses)	<u>49,620</u>	<u>3,921,367</u>	<u>617,658</u>	<u>1,449,904</u>	<u>(1,459,715)</u>
Net changes in fund balances	<u>(4,192)</u>	<u>-</u>	<u>-</u>	<u>(646,328)</u>	<u>(117,743)</u>
Fund balances (deficits), beginning	5,157,401	4,168	2,305	600,761	3,176,478
Fund balances (deficits), ending	<u>\$ 5,153,209</u>	<u>\$ 4,168</u>	<u>\$ 2,305</u>	<u>\$ (45,567)</u>	<u>\$ 3,058,735</u>

	Special Revenue				Total
	MH/DD	Human Services	Drug and Alcohol	Child Care Info Services	
Revenues					
Hotel tax	\$ -	\$ -		\$ -	\$ 1,647,698
Intergovernmental revenue	16,776,933	3,085,957	4,385,864	16,727,325	61,221,477
Departmental charges and reimbursements	53,606	749	-	-	2,062,793
Investment earnings	2,534	369	-	-	51,675
Rentals	-	-	-	-	2,500
Miscellaneous	17,869	-	-	3,564	297,133
Total revenues	<u>16,850,942</u>	<u>3,087,075</u>	<u>4,385,864</u>	<u>16,730,889</u>	<u>65,283,276</u>
Expenditures					
Current:					
General government, administrative	-	-	-	-	1,766,295
General government, judicial	-	-	-	-	348,013
Human services	17,802,727	3,021,620	6,124,727	16,730,889	69,500,924
Public works	-	-	-	-	1,640,334
Total expenditures	<u>17,802,727</u>	<u>3,021,620</u>	<u>6,124,727</u>	<u>16,730,889</u>	<u>73,255,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(951,785)</u>	<u>65,455</u>	<u>(1,738,863)</u>	<u>-</u>	<u>(7,972,290)</u>
Other financing sources (uses)					
Transfers in	951,785	29,810	1,772,260	-	8,912,514
Transfers out	-	(96,376)	-	-	(1,676,201)
Total other financing sources (uses)	<u>951,785</u>	<u>(66,566)</u>	<u>1,772,260</u>	<u>-</u>	<u>7,236,313</u>
Net changes in fund balances	-	(1,111)	33,397	-	(735,977)
Fund balances (deficits), beginning	-	54,303	(33,397)	-	8,962,019
Fund balances (deficits), ending	<u>\$ -</u>	<u>\$ 53,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,226,042</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Liquid Fuels Special Revenue Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 6,589,001	\$ 6,589,001	\$ 1,556,198	\$ (5,032,803)
Investment Earnings	66,500	66,500	27,824	(38,676)
Rental	-	3,000	2,500	(500)
Miscellaneous	3,000	-	-	-
Total revenues	<u>6,658,501</u>	<u>6,658,501</u>	<u>1,586,522</u>	<u>(5,071,979)</u>
Expenditures				
Current:				
Public works	<u>7,922,300</u>	<u>8,098,428</u>	<u>1,640,334</u>	<u>6,458,094</u>
Total expenditures	<u>7,922,300</u>	<u>8,098,428</u>	<u>1,640,334</u>	<u>6,458,094</u>
Excess (deficiency) of revenue over (under) expenditures	(1,263,799)	(1,439,927)	(53,812)	1,386,115
Other financing sources (uses):				
Transfers In	<u>307,770</u>	<u>-</u>	<u>49,620</u>	<u>49,620</u>
Total other financing sources (uses)	<u>307,770</u>	<u>-</u>	<u>49,620</u>	<u>49,620</u>
Net change in fund balances	(956,029)	(1,439,927)	(4,192)	1,435,735
Fund balances, beginning	4,889,363	4,512,528	5,157,401	644,873
Fund balances, ending	<u>\$ 3,933,334</u>	<u>\$ 3,072,601</u>	<u>\$ 5,153,209</u>	<u>\$ 2,080,608</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Domestic Relations Special Revenue Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 4,134,407	\$ 4,134,407	\$ 4,399,025	\$ 264,618
Departmental charges and reimbursements	400,000	400,000	332,857	(67,143)
Investment Earnings	-	-	-	-
Total revenues	<u>4,534,407</u>	<u>4,534,407</u>	<u>4,731,882</u>	<u>197,475</u>
Expenditures				
Current:				
Human services	<u>6,487,747</u>	<u>6,495,314</u>	<u>8,653,249</u>	<u>(2,157,935)</u>
Total expenditures	<u>6,487,747</u>	<u>6,495,314</u>	<u>8,653,249</u>	<u>(2,157,935)</u>
Deficiency of revenues under expenditures	<u>(1,953,340)</u>	<u>(1,960,907)</u>	<u>(3,921,367)</u>	<u>(1,960,460)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>3,921,367</u>	<u>3,921,367</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,921,367</u>	<u>3,921,367</u>
Net change in fund balances	<u>(1,953,340)</u>	<u>(1,960,907)</u>	<u>-</u>	<u>1,960,907</u>
Fund balances (deficits), beginning	<u>5,004</u>	<u>5,004</u>	<u>4,168</u>	<u>(836)</u>
Fund balances (deficits), ending	<u>\$ (1,948,336)</u>	<u>\$ (1,955,903)</u>	<u>\$ 4,168</u>	<u>\$ 1,960,071</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Employment and Training Special Revenue Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 5,165,355	\$ 5,164,595	\$ 4,478,630	\$ (685,965)
Investment earnings	-	-	147	147
Miscellaneous	263,623	288,683	275,500	(13,183)
Total revenues	<u>5,428,978</u>	<u>5,453,278</u>	<u>4,754,277</u>	<u>(699,001)</u>
Expenditures				
Current:				
Human services	5,428,978	5,453,278	5,371,935	81,343
Total expenditures	<u>5,428,978</u>	<u>5,453,278</u>	<u>5,371,935</u>	<u>81,343</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>(617,658)</u>	<u>(617,658)</u>
Other financing sources (uses):				
Transfers in	-	-	617,658	617,658
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>617,658</u>	<u>617,658</u>
Net change in fund balances	-	-	-	-
Fund balances (deficits), beginning	889,172	888,192	2,305	(885,887)
Fund balances (deficits), ending	<u>\$ 889,172</u>	<u>\$ 888,192</u>	<u>\$ 2,305</u>	<u>\$ (885,887)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Office of Aging Special Revenue Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 10,147,873	\$ 10,147,873	\$ 9,237,469	\$ (910,404)
Departmental charges and reimbursements	550,000	550,000	446,067	(103,933)
Investment earnings	30,000	30,000	15,809	(14,191)
Miscellaneous	1,500	1,500	200	(1,300)
Total revenues	<u>10,729,373</u>	<u>10,729,373</u>	<u>9,699,545</u>	<u>(1,029,828)</u>
Expenditures				
Current:				
Human services	<u>11,222,373</u>	<u>11,222,373</u>	<u>11,795,777</u>	<u>(573,404)</u>
Total expenditures	<u>11,222,373</u>	<u>11,222,373</u>	<u>11,795,777</u>	<u>(573,404)</u>
Deficiency of revenues under expenditures	<u>(493,000)</u>	<u>(493,000)</u>	<u>(2,096,232)</u>	<u>(1,603,232)</u>
Other financing sources (uses):				
Transfers in	171,997	171,997	1,570,014	1,398,017
Transfers out	<u>(128,997)</u>	<u>(128,997)</u>	<u>(120,110)</u>	<u>8,887</u>
Total other financing sources (uses)	<u>43,000</u>	<u>43,000</u>	<u>1,449,904</u>	<u>1,406,904</u>
Net change in fund balances	<u>(450,000)</u>	<u>(450,000)</u>	<u>(646,328)</u>	<u>(196,328)</u>
Fund balances (deficits), beginning	<u>67,453</u>	<u>(843,042)</u>	<u>600,761</u>	<u>1,443,803</u>
Fund balances (deficits), ending	<u>\$ (382,547)</u>	<u>\$ (1,293,042)</u>	<u>\$ (45,567)</u>	<u>\$ 1,247,475</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Special Legislation Special Revenue Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Hotel tax	\$ 1,625,000	\$ 1,625,000	\$ 1,647,698	\$ 22,698
Intergovernmental revenue	765,798	765,798	574,076	(191,722)
Departmental charges and reimbursements	1,200,900	1,233,066	1,229,514	(3,552)
Investment earnings	2,851	2,851	4,992	2,141
Total revenues	<u>3,594,549</u>	<u>3,626,715</u>	<u>3,456,280</u>	<u>(170,435)</u>
Expenditures				
Current:				
General government, administrative	1,774,914	1,811,142	1,766,295	44,847
General government, judicial	7,000	117,086	348,013	(230,927)
Total expenditures	<u>1,781,914</u>	<u>1,928,228</u>	<u>2,114,308</u>	<u>(186,080)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,812,635</u>	<u>1,698,487</u>	<u>1,341,972</u>	<u>(356,515)</u>
Other financing sources (uses):				
Transfers out	(1,521,835)	(1,523,685)	(1,459,715)	63,970
Total other financing sources (uses)	<u>(1,521,835)</u>	<u>(1,523,685)</u>	<u>(1,459,715)</u>	<u>63,970</u>
Net change in fund balances	290,800	174,802	(117,743)	(292,545)
Fund balances (deficits), beginning	3,664,527	3,656,588	3,176,478	(480,110)
Fund balances (deficits), ending	<u>\$ 3,955,327</u>	<u>\$ 3,831,390</u>	<u>\$ 3,058,735</u>	<u>\$ (772,655)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Mental Health/Developmental Disabilities Special Revenue Fund - Budget and Actual
Year ended December 31, 2012

County of Berks
2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 18,515,517	\$ 18,515,517	\$ 16,776,933	\$ (1,738,584)
Departmental charges and reimbursements	50,914	50,914	53,606	2,692
Miscellaneous	16,971	16,971	17,869	898
Investment earnings	25,000	25,000	2,534	(22,466)
Total revenues	<u>18,608,402</u>	<u>18,608,402</u>	<u>16,850,942</u>	<u>(1,757,460)</u>
Expenditures				
Current:				
Human services	19,483,402	19,483,402	17,802,727	1,680,675
Total expenditures	<u>19,483,402</u>	<u>19,483,402</u>	<u>17,802,727</u>	<u>1,680,675</u>
Deficiency of revenues under expenditures	<u>(875,000)</u>	<u>(875,000)</u>	<u>(951,785)</u>	<u>(76,785)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	951,785	951,785
Total other financing sources (uses)	<u>-</u>	<u>-</u>	951,785	951,785
Net change in fund balances	(875,000)	(875,000)	-	875,000
Fund balances, beginning	-	-	-	-
Fund balances, ending	<u>\$ (875,000)</u>	<u>\$ (875,000)</u>	<u>\$ -</u>	<u>\$ 875,000</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Human Services Special Revenue Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 2,675,808	\$ 3,204,430	\$ 3,085,957	\$ (118,473)
Departmental charges and reimbursements	4,506	4,506	749	(3,757)
Investment earnings	250	250	369	119
Total revenues	<u>2,680,564</u>	<u>3,209,186</u>	<u>3,087,075</u>	<u>(122,111)</u>
Expenditures				
Current:				
Human services	<u>2,569,039</u>	<u>3,097,904</u>	<u>3,021,620</u>	<u>76,284</u>
Total expenditures	<u>2,569,039</u>	<u>3,097,904</u>	<u>3,021,620</u>	<u>76,284</u>
Excess (deficiency) of revenues over (under) expenditures	111,525	111,282	65,455	(45,827)
Other financing sources (uses):				
Transfers in	-	-	29,810	29,810
Transfers out	<u>(116,200)</u>	<u>(116,200)</u>	<u>(96,376)</u>	<u>19,824</u>
Total other financing sources (uses)	<u>(116,200)</u>	<u>(116,200)</u>	<u>(66,566)</u>	<u>49,634</u>
Net change in fund balances (deficits)	(4,675)	(4,918)	(1,111)	3,807
Fund balances (deficits), beginning	<u>56,893</u>	<u>56,893</u>	<u>54,303</u>	<u>(2,590)</u>
Fund balances, ending	<u>\$ 52,218</u>	<u>\$ 51,975</u>	<u>\$ 53,192</u>	<u>\$ 1,217</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Drug and Alcohol Special Revenue Fund - Budget and Actual
Year ended December 31, 2012

County of Berks
2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 4,502,833	\$ 4,504,833	\$ 4,385,864	\$ (118,969)
Total revenues	<u>4,502,833</u>	<u>4,504,833</u>	<u>4,385,864</u>	<u>(118,969)</u>
Expenditures				
Current:				
Human services	6,241,696	6,243,696	6,124,727	118,969
Total expenditures	<u>6,241,696</u>	<u>6,243,696</u>	<u>6,124,727</u>	<u>118,969</u>
Deficiency of revenues under expenditures	<u>(1,738,863)</u>	<u>(1,738,863)</u>	<u>(1,738,863)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	-	-	1,772,260	1,772,260
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,772,260</u>	<u>1,772,260</u>
Net change in fund balances	<u>(1,738,863)</u>	<u>(1,738,863)</u>	<u>33,397</u>	<u>1,772,260</u>
Fund balances (deficits), beginning	-	-	(33,397)	(33,397)
Fund balances (deficits), ending	<u>\$ (1,738,863)</u>	<u>\$ (1,738,863)</u>	<u>\$ -</u>	<u>\$ 1,738,863</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Child Care Information Services Special Revenue Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 18,509,790	\$ 18,509,790	\$ 16,727,325	\$ (1,782,465)
Miscellaneous	3,564	3,564	3,564	-
Total revenues	<u>18,513,354</u>	<u>18,513,354</u>	<u>16,730,889</u>	<u>(1,782,465)</u>
Expenditures				
Current:				
Human services	18,513,354	18,513,354	16,730,889	1,782,465
Total expenditures	<u>18,513,354</u>	<u>18,513,354</u>	<u>16,730,889</u>	<u>1,782,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues, Expenses and Changes in Net Position (Deficit)
 Dept. of Emergency Services Enterprise Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Operating revenues				
Charges for services				
Phone bill surcharge	\$ 1,815,191	\$ 1,815,191	\$ 1,824,107	\$ 8,916
County wide radio	2,041,485	2,044,461	2,064,453	19,992
Cellular fee	3,101,189	3,101,189	3,275,667	174,478
Voice Over IP (VoIP)	624,530	624,530	522,837	(101,693)
Other operating revenues:				
Donations	-	3,600	3,600	-
Total operating revenue	<u>7,582,395</u>	<u>7,588,971</u>	<u>7,690,664</u>	<u>101,693</u>
Operating expenses				
Communications center				
Wages, salaries and fringe benefits	1,285,889	1,306,297	2,585,837	(1,279,540)
Administrative expenses	1,536,570	8,538,199	995,328	7,542,871
Materials and supplies	71,063	79,514	58,316	21,198
Depreciation	-	-	80,421	(80,421)
911 System				
Wages, salaries and fringe benefits	1,450,686	1,450,686	1,276,492	174,194
Administrative expenses	839,771	834,597	350,591	484,006
Materials and supplies	386	8,469	193	8,276
Depreciation	-	-	295,859	(295,859)
Wireless 911				
Wages, salaries and fringe benefits	2,494,321	2,494,321	2,285,334	208,987
Administrative expenses	938,514	1,228,386	656,417	571,969
Materials and supplies	17,171	35,174	16,144	19,030
Total operating expenses	<u>8,634,371</u>	<u>15,975,643</u>	<u>8,600,932</u>	<u>7,374,711</u>
Operating income (loss)	<u>(1,051,976)</u>	<u>(8,386,672)</u>	<u>(910,268)</u>	<u>7,476,404</u>
Nonoperating revenues (expenses)				
Investment earnings	5,900	5,900	4,274	(1,626)
Interest expense	-	-	(4,837)	(4,837)
Bond issuance costs	-	-	(8,273)	(8,273)
Rental of space	19,434	19,434	22,464	3,030
Total nonoperating revenues (expenses)	<u>25,334</u>	<u>25,334</u>	<u>13,628</u>	<u>(11,706)</u>
Income (loss) before transfers	<u>(1,026,642)</u>	<u>(8,361,338)</u>	<u>(896,640)</u>	<u>7,464,698</u>
Transfers in	-	6,695,312	4,029,741	(2,665,571)
Change in net position	<u>(1,026,642)</u>	<u>(1,666,026)</u>	<u>3,133,101</u>	<u>4,799,127</u>
Total net position, beginning	<u>4,545,535</u>	<u>4,270,019</u>	<u>4,859,551</u>	<u>589,532</u>
Total net position, ending	<u>\$ 3,518,893</u>	<u>\$ 2,603,993</u>	<u>\$ 7,992,652</u>	<u>\$ 5,388,659</u>

Schedule of Revenues, Expenses and Changes in Net Position (Deficit)
 Youth Center Enterprise Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Operating revenues				
Charges for services	\$ 2,104,949	\$ 2,170,120	\$ 564,768	\$ (1,605,352)
Other operating revenues	22,150	22,150	2,584	(19,566)
Total operating revenue	<u>2,127,099</u>	<u>2,192,270</u>	<u>567,352</u>	<u>(1,624,918)</u>
Operating expenses				
Youth detention center	6,020,440	4,750,950	4,246,918	504,033
Total operating expenses	<u>6,020,440</u>	<u>4,750,950</u>	<u>4,246,918</u>	<u>504,033</u>
Operating income (loss)	<u>(3,893,341)</u>	<u>(2,558,680)</u>	<u>(3,679,566)</u>	<u>(1,120,885)</u>
Nonoperating revenues (expenses)				
Grants	1,861,259	1,224,356	1,149,106	(75,250)
Investment earnings	500	500	270	(230)
Interest expense	(171,435)	(171,435)	(163,571)	7,864
Bond issuance costs	(2,255)	(2,255)	(6,298)	(4,043)
Total nonoperating revenues (expenses)	<u>1,688,069</u>	<u>1,051,166</u>	<u>979,507</u>	<u>(71,659)</u>
Income (loss) before transfers	<u>(2,205,272)</u>	<u>(1,507,514)</u>	<u>(2,700,059)</u>	<u>(1,192,544)</u>
Transfers in	381,548	316,377	7,147,700	6,831,323
Transfer out	-	-	(5,827,268)	(5,827,268)
Change in net position	<u>(1,823,724)</u>	<u>(1,191,137)</u>	<u>(1,379,627)</u>	<u>(188,490)</u>
Total net position, beginning	<u>(11,990,026)</u>	<u>(11,997,144)</u>	<u>1,379,627</u>	<u>13,376,771</u>
Total net position, ending	<u>\$ (13,813,750)</u>	<u>\$ (13,188,281)</u>	<u>\$ -</u>	<u>\$ 13,188,281</u>

Schedule of Revenues, Expenses and Changes in Net Position (Deficit)
 Berks County Residential Center Enterprise Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Operating revenues				
Charges for services	\$ 5,402,221	\$ 5,402,221	\$ 5,614,802	\$ 212,581
Other operating revenues	435,327	1,086,672	908,573	(178,099)
Total operating revenue	<u>5,837,548</u>	<u>6,488,893</u>	<u>6,523,375</u>	<u>34,482</u>
Operating expenses				
Shelter care - Immigration and naturalizations	5,697,934	5,763,043	5,977,222	(214,179)
Depreciation	-	-	61,123	(61,123)
Capital outlay	101,414	691,124	-	691,124
Total operating expenses	<u>5,799,348</u>	<u>6,454,167</u>	<u>6,038,345</u>	<u>415,822</u>
Operating income (loss)	<u>38,200</u>	<u>34,726</u>	<u>485,030</u>	<u>450,304</u>
Nonoperating revenues (expenses)				
Grants	32,403	32,403	53,795	21,392
Interest expense	-	-	(3,236)	(3,236)
Bond issuance costs	-	-	(5,535)	(5,535)
Total nonoperating revenues (expenses)	<u>32,403</u>	<u>32,403</u>	<u>45,024</u>	<u>12,621</u>
Income (loss) before transfers	<u>70,603</u>	<u>67,129</u>	<u>530,054</u>	<u>462,925</u>
Transfers in	-	-	20,832	20,832
Transfer out	-	-	(554,182)	(554,182)
Change in net position	<u>70,603</u>	<u>67,129</u>	<u>(3,296)</u>	<u>(70,425)</u>
Total net position, beginning	-	-	793,629	793,629
Total net position, ending	<u>\$ 70,603</u>	<u>\$ 67,129</u>	<u>\$ 790,333</u>	<u>\$ 723,204</u>

Schedule of Revenues, Expenses and Changes in Net Position (Deficit)
 Berks Heim Enterprise Fund - Budget and Actual
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Operating revenues				
Charges for services	\$ 37,399,021	\$ 37,960,316	\$ 38,203,247	\$ 242,931
Other operating revenues	1,821,861	2,386,620	2,363,886	(22,734)
Total operating revenues	<u>39,220,882</u>	<u>40,346,936</u>	<u>40,567,133</u>	<u>220,197</u>
Operating expenses				
Financial administration	2,102,822	2,649,298	2,384,707	264,591
Administrative expenses	2,021,750	2,055,848	1,984,382	71,466
Special services	152,698	149,098	143,844	5,254
Dietary	3,270,617	3,319,417	3,286,234	33,183
Laundry	692,412	664,812	694,312	(29,500)
Environmental services	1,790,087	1,789,487	1,715,023	74,464
Plant Operations	1,466,350	1,470,575	1,274,290	196,285
Nursing	18,536,717	18,734,315	18,565,318	168,997
Physician services	74,146	80,046	76,623	3,423
Pharmacy services	589,151	631,151	611,441	19,710
Medical services	491,089	491,342	399,868	91,474
Therapeutic activity	481,570	481,825	456,927	24,898
Social service	289,152	290,352	273,512	16,840
Physical therapy service	1,698,371	2,022,956	1,982,676	40,280
Staff development	396,003	396,955	465,769	(68,814)
Materials management	257,173	279,041	280,175	(1,134)
Personnel	120,277	121,198	122,959	(1,761)
Security	411,536	417,701	410,582	7,119
Volunteers	65,925	65,925	64,582	1,343
Nursing Administration	923,386	914,459	1,284,856	(370,397)
Admissions	158,994	147,394	133,465	13,929
Depreciation	229,401	233,167	1,315,136	(1,081,969)
Total operating expense	<u>36,219,627</u>	<u>37,406,362</u>	<u>37,926,681</u>	<u>(520,319)</u>
Operating income (loss)	<u>3,001,255</u>	<u>2,940,574</u>	<u>2,640,452</u>	<u>(300,122)</u>
Nonoperating revenues (expenses)				
Grants	-	46,356	46,355	(1)
Investment earnings	-	-	704	704
Interest expense	(779,147)	(779,147)	(793,128)	(13,981)
Bond issuance costs	(12,186)	(12,186)	(43,899)	(31,713)
Total nonoperating revenues (expenses)	<u>(791,333)</u>	<u>(744,977)</u>	<u>(789,968)</u>	<u>(44,991)</u>
Change in net position	2,209,922	2,195,597	1,850,484	(345,113)
Total net position, beginning	(8,408,042)	(8,567,781)	(6,170,449)	2,397,332
Total net position, ending	<u>\$ (6,198,120)</u>	<u>\$ (6,372,184)</u>	<u>\$ (4,319,965)</u>	<u>\$ 2,052,219</u>

Schedule of Changes in Net Position
 Agency Fund
 Year ended December 31, 2012

County of Berks
 2012 Annual Financial Report

	Balance January 1, 2012	Net Change Incr (Decr)	Balance December 31, 2012
Assets			
Cash and cash equivalents	\$ 7,587,317	\$ 156,177	\$ 7,743,494
Total assets	<u>\$ 7,587,317</u>	<u>\$ 156,177</u>	<u>\$ 7,743,494</u>
Liabilities			
Due to third parties by department:			
Prothonotary	\$ 617,530	\$ 13,568	\$ 631,098
Register of Wills	114,778	10,620	125,398
Berks Heim	535,672	(37,302)	498,370
District Attorney	1,031,986	(194,957)	837,029
Sheriff	1,522,546	246,904	1,769,450
Clerk of Courts	1,603,191	(12,654)	1,590,537
Juvenile Probation	15,729	(2,601)	13,128
Recorder of Deeds	1,359,821	(91,480)	1,268,341
Berks County Residential Center	9,597	(6,837)	2,760
Domestic Relations	90,828	7,055	97,883
Prison	79,045	(1,668)	77,377
Controller	42,612	(17,601)	25,011
Treasurer	562,608	242,796	805,404
Office of Aging	1,374	334	1,708
Total liabilities	<u>\$ 7,587,317</u>	<u>\$ 156,177</u>	<u>\$ 7,743,494</u>

