
County of Berks, Pennsylvania

Annual Financial Report

for the Year Ending December 31,
2010

Commissioners:

Mark C. Scott, Esq. Chair

Kevin S. Barnhardt, Vice Chair

Christian Y. Leinbach

Prepared by the

Office of the Controller

Annual Financial Report

Year ended December 31, 2010

County of Berks

Table of Contents:

Page(s)

Financial Information:

Independent Auditor's Report 1 – 2

Financial Statements

Statement of Net Assets FS 2 – 3

Statement of Activities FS 4 – 5

Balance Sheet – Governmental Funds FS 6 – 7

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets FS 8

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds FS 10 – 11

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities FS 12

Statement of Net Assets – Proprietary Funds – Enterprise Funds FS 13

Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits) Proprietary Funds – Enterprise Funds FS 14

Statement of Cash Flows – Proprietary Funds – Enterprise Funds FS 15

Statement of Fiduciary Net Assets – Fiduciary Funds FS 16

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds FS 17

Statement of Net Assets – Component Units FS 18 – 19

Statement of Activities – Component Units FS 20 – 21

Notes to Financial Statements

Note 1 – Nature of Entity and Summary of Significant Accounting Policies N 1

Note 2 – Cash and Investments N 13

Note 3 – Restricted Assets N 22

Note 4 – Real Estate Taxes N 23

Note 5 – Interfund Balances and Activity N 23

Annual Financial Report

Year ended December 31, 2010

County of Berks

Table of Contents (continued):

Page(s)

Financial Statements (continued)

Note 6 – Capital Assets	N 25
Note 7 – Employee Retirement Trust Plan	N 33
Note 8 – Future Lease Rentals Receivable and Related Debt	N 38
Note 9 – Risk Management	N 39
Note 10 – Long-Term Debt	N 42
Note 11 – Obligations Under Capital Leases	N 65
Note 12 – Commitments and Contingencies	N 66
Note 13 – Restricted Net Assets/Reserved Fund Balances	N 71
Note 14 – Purchased Program Services	N 72
Note 15 – Contractual Agreement Revenue	N 73
Note 16 – Legal Compliance	N73
Note 17 – Litigation	N 74
Note 18 – Post Employment Benefit Plans other than Pensions	N 74
Note 19 – Subsequent Events	N 76
Note 20 – Adoption of Governmental Accounting Standards Board Statements	N 78
Note 21 – New Accounting Pronouncements	N 79

Required Supplemental Information

Schedule of Employer Contributions Berks County Employee's Retirement Fund	RSI 1
---	-------

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund – Budget and Actual	RSI 2 – 4
--	-----------

Children and Youth Services

Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) – Children and Youth Services Special Revenue Fund – Budget and Actual	RSI 5
--	-------

Annual Financial Report

Year ended December 31, 2010

County of Berks

Table of Contents (continued):

Page(s)

Required Supplemental Information

Community Development

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Community Development Special Revenue Fund – Budget and Actual RSI 6

Health Choices

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Health Choices Special Revenue Fund – Budget and Actual RSI 7

Notes to Required Supplemental Information RSI 8

Other Supplemental Information

Non-major Governmental Funds

Combining Balance Sheet – Non-major Governmental Funds OSI 2 – 4

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances – Non-major Government Funds OSI 6 – 7

Liquid Fuels

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Liquid Fuels Special Revenue Fund – Budget and Actual OSI 8

Domestic Relations

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Domestic Relations Special Revenue Fund – Budget and Actual OSI 9

Employment and Training

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Employment and Training Special Revenue Fund – Budget and Actual OSI 10

Office of Aging

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Office of Aging Special Revenue Fund – Budget and Actual OSI 11

Special Legislation

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Special Legislation Revenue Fund – Budget and Actual OSI 12

Mental Health/Retardation

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Mental Health/Retardation Special Revenue Fund – Budget and Actual OSI 13

Annual Financial Report

Year ended December 31, 2010

County of Berks

Table of Contents (continued):

Page(s)

Other Supplemental Information (Continued)

Human Services

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Human Services Special Revenue Fund – Budget and Actual OSI 14

Drug and Alcohol

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Drug and Alcohol Special Revenue Fund – Budget and Actual OSI 15

Child Care Info Services

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Child Care Info Services Special Revenue Fund – Budget and Actual OSI 16

Department of Emergency Services Enterprise Fund

Schedule of Revenues, Expenses and Changes in Fund Net Assets
Department of Emergency Services Enterprise Fund – Budget and Actual OSI 17

Youth Center Enterprise Fund

Schedule of Revenues, Expenses and Changes in Fund Net Assets (Deficit) -
Youth Center Enterprise Fund – Budget and Actual OSI 18

Berks Heim Enterprise Fund

Schedule of Revenues, Expenses and Changes in Fund Net Assets (Deficit) -
Berks Heim Enterprise Fund – Budget and Actual OSI 19

Agency Fund

Schedule of Changes in Assets and Liabilities OSI 20



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, 2010.

Independent Auditor's Report

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

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, Pennsylvania, (County) as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Council on Chemical Abuse, Inc., Service Access and Management, Inc., Berks County Solid Waste Authority, Berks County Industrial Development Authority, Redevelopment Authority of the County of Berks, Reading Regional Airport Authority, and the Reading Area Community College, which represent 100% of the assets, net assets, revenues, and expenses of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Berks County Solid Waste Authority and the Redevelopment Authority of the County of Berks were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, 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 as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The County 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. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Employer Contributions and budgetary comparison information on pages RSI 1, and RSI 2 through RSI 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, 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 principally 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements taken as a whole. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Maher Duessel

Harrisburg, Pennsylvania
November 30, 2011



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	
Assets				
Cash and cash equivalents	\$ 64,225,637	\$ 1,454,943	\$ 65,680,580	\$ 29,088,848
Cash and cash equivalents, restricted	69,333,215	349,660	69,682,875	4,213,177
Investments	89,813,022	147,035	89,960,057	8,168,203
Investments, restricted	11,096,122	560,183	11,656,305	-
Taxes receivable, net	10,202,450	-	10,202,450	-
Accounts receivable, net	10,021,701	8,259,325	18,281,026	12,620,401
Due from component unit	4,292,780	-	4,292,780	-
Due from other governments	16,395,872	-	16,395,872	9,226,354
Inventories	100,435	119,127	219,562	25,773
Prepaid expenses	591,280	122,565	713,845	819,045
Total current assets	<u>276,072,514</u>	<u>11,012,838</u>	<u>287,085,352</u>	<u>64,161,801</u>
Noncurrent assets:				
Investments	1,532,561	-	1,532,561	-
Loans receivable	9,115,000	-	9,115,000	-
Restricted assets:				
Employee pay advance	108,027	104,822	212,849	-
Interest receivable	1,301,709	-	1,301,709	-
Liens receivable	8,768,376	-	8,768,376	4,944,111
Investments	1,046,084	-	1,046,084	4,751,707
Land held for development	-	-	-	14,293,596
Deferred charges	1,129,011	258,109	1,387,120	1,582,139
Net pension asset	1,341,459	-	1,341,459	-
Derivative investment - basis swap	2,016,910	-	2,016,910	-
Capital assets:				
Land and improvements, net	10,565,062	-	10,565,062	9,448,778
Agland easements	70,520,705	-	70,520,705	103,002
Infrastructure, net	2,485,548	-	2,485,548	10,089,169
Buildings and improvements, net	83,198,904	38,446,181	121,645,085	54,392,893
Furniture, fixtures, equipment and vehicles, net	4,731,676	4,803,648	9,535,324	3,858,528
Leasehold improvements	-	-	-	1,939,545
Historical treasures	873,000	-	873,000	909,435
Construction in progress	9,179,864	1,374,341	10,554,205	14,153,587
Total noncurrent assets	<u>207,913,896</u>	<u>44,987,101</u>	<u>252,900,997</u>	<u>120,466,490</u>
Total assets	<u>483,986,410</u>	<u>55,999,939</u>	<u>539,986,349</u>	<u>184,628,291</u>

	Primary Government			Component Units
	Governmental	Business-type	Total	
Liabilities				
Accounts payable	12,646,585	1,413,287	14,059,872	11,335,299
Accrued liabilities	4,956,350	1,899,803	6,856,153	2,751,639
Due to other governments	582,696	-	582,696	635,239
Unearned revenue	13,835,811	10,088	13,845,899	6,762,681
Due to third parties	1,596,382	-	1,596,382	-
Due to primary government	-	-	-	1,553,548
Due to other funds	(26,942,321)	26,942,321	-	-
Accrued interest payable	1,673,114	172,821	1,845,935	297,526
Compensated absences	767,554	331,641	1,099,195	1,337,241
Deposits	-	-	-	640,349
Accrued claims health insurance	1,553,390	240,294	1,793,684	-
Accrued claims liability	174,247	185,876	360,123	-
Capital lease payable	-	-	-	22,655
Bonds and notes payable	16,327,473	1,377,919	17,705,392	5,063,127
Other	-	113,941	113,941	-
Total current liabilities	<u>27,171,281</u>	<u>32,687,991</u>	<u>59,859,272</u>	<u>30,399,304</u>
Noncurrent liabilities:				
Compensated absences	2,958,391	943,643	3,902,034	915,637
Accrued claims liability	2,158,377	2,302,427	4,460,804	300,000
Postretirement benefit liability	-	-	-	84,940
Capital lease payable	-	-	-	26,242
Bonds and notes payable	239,385,781	34,565,315	273,951,096	57,098,769
Unearned revenue	-	-	-	4,505,043
Derivative swap agreement - borrowing payable	5,062,521	-	5,062,521	-
Payable from restricted assets	9,739,392	-	9,739,392	-
Total noncurrent liabilities	<u>259,304,462</u>	<u>37,811,385</u>	<u>297,115,847</u>	<u>62,930,631</u>
Total liabilities	<u>286,475,743</u>	<u>70,499,376</u>	<u>356,975,119</u>	<u>93,329,935</u>
Net Assets				
Invested in capital assets, net of related debt	1,934,910	8,680,936	10,615,846	62,781,417
Restricted for:				
Gift fund	4,411	-	4,411	-
Farmland preservation	179,495	-	179,495	-
Hazmat response	1,231,288	-	1,231,288	-
Graffiti abatement	64,351	-	64,351	-
Act 198 - Courts	134,551	-	134,551	-
Debt service	-	-	-	1,256,187
Program purposes - Special revenue funds	22,724,781	-	22,724,781	-
Capital projects	-	-	-	-
County of Berks Drug and Alcohol Prevention/Treatment Fund	-	-	-	1,711,687
County of Berks Mental Health/Mental Retardation	-	-	-	1,855,181
County of Schuylkill Mental Health/Mental Retardation	-	-	-	531,560
County of Clearfield/Jefferson Mental Health/Mental Retardation	-	-	-	256,411
County of Clarion Mental Health/Mental Retardation	-	-	-	124,126
Capital improvements, net of related debt	-	-	-	1,775,342
Foundation for Reading Area Community College	-	-	-	5,829,643
Unrestricted	171,236,880	(23,180,373)	148,056,507	16,061,802
Total net assets (deficits)	<u>\$ 197,510,667</u>	<u>\$ (14,499,437)</u>	<u>\$ 183,011,230</u>	<u>\$ 92,183,356</u>

See accompanying notes to the financial statements.

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 34,008,675	\$ (13,987,549)	\$ 7,002,381	\$ 114,375	\$ -
Judicial	39,256,419	5,762,616	11,472,650	1,764,477	-
Public safety	50,812,017	2,637,916	5,594,622	8,938,794	-
Human services	169,007,196	2,922,116	2,114,879	170,884,926	-
Culture and recreation	7,356,798	296,274	133,154	1,576,902	126,742
Community and economic development	7,681,287	433,362	1,417,454	8,272,640	362,909
Public works	414,226	108,792	3,225	-	1,431,477
Community support	6,577,756	81,539	215,130	-	-
Debt service administrative expenses	11,474,644	34,236	964,929	-	-
Solid waste	1,123,010	18,733	2,738,410	25,088	-
Total governmental activities	327,712,028	(1,691,965)	31,656,834	191,577,202	1,921,128
Business-type activities					
Department of Emergency Services	7,146,730	308,218	8,349,161	-	-
Youth Center	12,244,885	533,139	8,432,646	2,117,133	-
Berks Heim	35,532,468	850,608	37,117,616	-	-
Total business-type activities	54,924,083	1,691,965	53,899,423	2,117,133	-
Total primary government	\$ 382,636,111	\$ -	\$ 85,556,257	\$ 193,694,335	\$ 1,921,128
Component units:					
Total component units	\$ 119,604,419	\$ -	\$ 38,049,600	\$ 38,954,695	\$ 5,484,230

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	\$ (12,904,370)	\$ -	\$ (12,904,370)	
Judicial	(31,781,908)	-	(31,781,908)	
Public safety	(38,916,517)	-	(38,916,517)	
Human services	1,070,493	-	1,070,493	
Culture and recreation	(5,816,274)	-	(5,816,274)	
Community and economic development	1,938,354	-	1,938,354	
Public works	911,684	-	911,684	
Community support	(6,444,165)	-	(6,444,165)	
Debt Service administrative expenses	(10,543,951)	-	(10,543,951)	
Solid waste	1,621,755	-	1,621,755	
Total governmental activities	<u>(100,864,899)</u>	<u>-</u>	<u>(100,864,899)</u>	
Business-type activities				
Department Emergency Services	-	894,213	894,213	
Youth Center	-	(2,228,245)	(2,228,245)	
Berks Heim	-	734,540	734,540	
Total business-type activities	<u>-</u>	<u>(599,492)</u>	<u>(599,492)</u>	
Total primary government	<u>(100,864,899)</u>	<u>(599,492)</u>	<u>(101,464,391)</u>	
Component units:				
Total component units				\$ (37,115,894)
General Revenues				
Taxes:				
Property taxes, levied for general purposes	127,849,461	-	127,849,461	-
Hotel tax	1,471,283	-	1,471,283	-
Payments in lieu of taxes	324,063	-	324,063	-
Payments from County of Berks	-	-	-	33,291,438
Payments from other governments	-	-	-	8,395,120
Investment earnings	850,893	25,828	876,721	1,054,652
Miscellaneous	-	-	-	1,378,511
Gain on sale of assets	27,008	(16)	26,992	-
Transfers	(401,900)	401,900	-	-
Total general revenue and transfers	<u>130,120,808</u>	<u>427,712</u>	<u>130,548,520</u>	<u>44,119,721</u>
Change in net assets	29,255,909	(171,780)	29,084,129	7,003,827
Net assets (deficits) - beginning, restated	168,254,758	(14,327,657)	153,927,101	85,179,529
Net assets (deficits) - ending	<u>\$ 197,510,667</u>	<u>\$ (14,499,437)</u>	<u>\$ 183,011,230</u>	<u>\$ 92,183,356</u>

See accompanying notes to the financial statements.

	General	Children and Youth Services	Community Development
Assets			
Cash and cash equivalents	\$ 50,635,058	\$ 1,300	\$ 234,548
Cash and cash equivalents, restricted	1,759,698	-	-
Investments	83,456,257	-	-
Investments, restricted	4,660,817	-	-
Taxes receivable	10,100,087	-	-
Accounts receivable	9,864,868	25,375	-
Due from component unit	-	-	-
Accrued interest receivable	677,135	-	554,462
Due from other governments	3,497,971	8,821,736	14,117
Due from other funds	22,949,243	-	-
Inventories	100,435	-	-
Prepaid expenses	591,280	-	-
Liens receivable	-	-	8,768,376
Investments, non-current	-	-	-
Investments, non-current, restricted	-	-	-
Total assets	<u>\$ 188,292,849</u>	<u>\$ 8,848,411</u>	<u>\$ 9,571,503</u>
Liabilities			
Accounts payable	\$ 3,443,788	\$ 2,543,912	\$ 3,725
Accrued liabilities	3,987,107	451,205	17,610
Due to other funds	-	4,472,317	227,330
Due to other governments	582,696	-	-
Deferred revenue	19,760,777	1,367,911	9,322,838
Due to third parties	1,596,382	-	-
Accrued claims health insurance	921,157	-	-
Payable from restricted assets	-	-	-
Total liabilities	<u>30,291,907</u>	<u>8,855,345</u>	<u>9,571,503</u>
Fund balances:			
Reserved for:			
Gift fund	-	4,411	-
Farmland preservation	179,495	-	-
Employee pay advance	92,136	8,655	-
Hazmat response	1,231,288	-	-
Graffiti Abatement	64,351	-	-
Act 198 - Courts	134,551	-	-
Workers' compensation	237,913	-	-
Berks Heim	8,586,094	-	-
Youth Center	10,671,883	-	-
2006 G.O. Notes	667,390	-	-
Encumbrances	277,982	-	-
Unreserved:			
Designated for:			
Capital purchases	1,340,000	-	-
Environmental defense	311,623	-	-
Health care self insurance	4,000,000	-	-
Undesignated, reported in:			
General fund	130,206,236	-	-
Special revenue funds	-	-	-
Capital project funds	-	-	-
Total fund balances	<u>158,000,942</u>	<u>13,066</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 188,292,849</u>	<u>\$ 8,848,411</u>	<u>\$ 9,571,503</u>

See accompanying notes to the financial statements.

	Health Choices	Capital Projects	Other Governmental	Total Governmental
Assets				
Cash and cash equivalents	\$ 9,754,613	\$ -	\$ 3,600,118	\$ 64,225,637
Cash and cash equivalents, restricted	3,198,446	60,935,188	3,439,883	69,333,215
Investments	4,076,726	-	2,280,039	89,813,022
Investments, restricted	6,435,305	-	-	11,096,122
Taxes receivable	-	-	102,263	10,202,350
Accounts receivable	-	-	239,485	10,129,728
Due from component unit	-	-	4,292,780	4,292,780
Accrued interest receivable	3,241	-	-	1,234,838
Due from other governments	-	1,007,040	3,055,010	16,395,874
Due from other funds	98,016	6,325,553	3,921,098	33,293,910
Inventories	-	-	-	100,435
Prepaid expenses	-	-	-	591,280
Liens receivable	-	-	-	8,768,376
Investments, non-current	1,002,015	-	530,546	1,532,561
Investments, non-current, restricted	1,046,084	-	-	1,046,084
Total assets	\$ 25,614,446	\$ 68,267,781	\$ 21,461,222	\$ 322,056,212
Liabilities				
Accounts payable	\$ 2,135,859	\$ 1,289,376	3,229,827	\$ 12,646,487
Accrued liabilities	16,799	-	483,629	4,956,350
Due to other funds	-	-	1,651,942	6,351,589
Due to other governments	-	-	-	582,696
Deferred revenue	2,092,012	-	4,994,191	37,537,729
Due to third parties	-	-	-	1,591,882
Accrued claims health insurance	-	-	-	921,157
Payable from restricted assets	9,739,392	-	-	9,739,392
Total liabilities	\$ 13,984,062	\$ 1,289,376	\$ 10,359,589	\$ 74,327,282
Fund balances:				
Reserved for:				
Gift fund	-	-	-	4,411
Farmland preservation	-	-	-	179,495
Employee pay advance	-	-	7,236	108,027
Hazmat response	-	-	-	1,231,288
Graffiti Abatement	-	-	-	64,351
Act 198 - Courts	-	-	-	134,551
Workers' compensation	-	-	-	237,913
Berks Heim	-	-	-	8,586,094
Youth Center	-	-	-	10,671,883
2006 G.O. Notes	-	-	-	667,390
Encumbrances	-	-	-	277,982
Unreserved:				
Designated for:				
Capital purchases	-	-	-	1,340,000
Environmental defense	-	-	-	311,623
Health care self insurance	-	-	-	4,000,000
Undesignated, reported in:				
General fund	-	-	-	130,206,236
Special revenue funds	11,630,384	-	11,094,397	22,724,781
Capital project funds	-	66,978,405	-	66,978,405
Total fund balances	\$ 11,630,384	\$ 66,978,405	\$ 11,101,633	\$ 247,724,430
Total liabilities and fund balances	\$ 25,614,446	\$ 68,267,781	\$ 21,461,222	\$ 322,051,712

See accompanying notes to the financial statements.

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
December 31, 2010

County of Berks
2010 Annual Financial Report

Total fund balances for governmental funds	\$	247,724,430
Total net assets reported for government activities in the statement of net assets is different because:		
Capital assets used in government activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land and improvements, net	10,565,062	
Agland easements	70,520,705	
Infrastructure, net	2,485,548	
Building and improvements, net	83,198,904	
Furnitures, fixtures, equipment and vehicles, net	4,731,676	
Historical treasures	873,000	
Construction in progress	9,179,864	
Total capital asset	<u>181,554,759</u>	181,554,759
The pension assets resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.		
		1,341,459
Revenue that was not available soon enough to pay for the current period's expenditures and, therefore reported as deferred revenue in the funds.		
Property taxes	4,446,212	
Delinquent property taxes	3,445,877	
Clerk of Courts departmental charges and reimbursements	4,888,099	
Community Development liens receivable	9,322,838	
District Justices departmental charges and reimbursements	1,598,892	
	<u>23,701,918</u>	23,701,918
Other assets not available to pay for current period's expenditures and therefore not reported in the funds.		
Deferred charges	1,129,011	
Amount due from Greater Berks Development Fund for outstanding bonds payable	9,115,000	
Accrued interest receivable from Greater Berks Development Fund	66,871	
	<u>10,310,882</u>	10,310,882
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. All liabilities--both current and long-term--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, 2010 are:		
Swap agreement	(3,045,611)	
Accrued interest on bonds and notes	(1,673,114)	
Compensated absences	(3,725,945)	
Accrued claims health insurance	(632,233)	
Accrued liabilities	(2,332,624)	
Bonds and notes payable	(255,713,254)	
	<u>(267,122,781)</u>	(267,122,781)
Total net assets of governmental activities	<u>\$</u>	<u>197,510,667</u>

See accompanying notes to the financial statements.



Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	General Fund	Children and Youth Services	Community Development
Revenues			
Taxes:			
Property	\$ 125,922,864	\$ -	\$ -
Hotel	-	-	-
Court costs, fines and forfeitures	4,556,223	-	-
Intergovernmental revenue	11,945,343	27,953,756	8,272,640
Departmental charges and reimbursements	20,704,125	936,523	698,160
Payments in lieu of taxes	131,780	-	-
Rentals	216,663	-	-
Sales of property, supplies and equipment	27,008	-	-
Investment earnings	1,370,673	-	1,623
Miscellaneous	7,040,675	2,492	-
Total revenues	<u>171,915,354</u>	<u>28,892,771</u>	<u>8,972,423</u>
Expenditures			
Current:			
General government, administrative	17,036,560	-	-
General government, judicial	46,826,872	-	-
Public safety	53,125,851	-	-
Human services	546,808	33,283,510	-
Culture and recreation	8,004,068	-	-
Community and economic development	2,540,401	-	8,299,350
Public works	229,561	-	-
Community support	6,692,107	-	-
Intergovernmental expenditures - Solid waste	844,401	-	-
Debt service:			
Principal	14,216,114	-	-
Interest and fiscal charges	3,725,494	-	-
Debt issuance costs	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>153,788,237</u>	<u>33,283,510</u>	<u>8,299,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,127,117</u>	<u>(4,390,739)</u>	<u>673,073</u>
Other financing costs (uses)			
Transfers in	1,469,516	4,391,239	150,433
Transfers out	(6,726,727)	-	(823,506)
Issuance of refunding bonds	-	-	-
Issuance of long term debt	-	-	-
Total other financing sources (uses)	<u>(5,257,211)</u>	<u>4,391,239</u>	<u>(673,073)</u>
Net changes in fund balances	12,869,906	500	-
Fund balances, beginning	145,131,036	12,566	-
Fund balances, ending	<u>\$ 158,000,942</u>	<u>\$ 13,066</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Health Choices	Capital Projects	Other Governmental	Total Governmental
Revenues				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ 125,922,864
Hotel	-	-	1,471,283	1,471,283
Court costs, fines and forfeitures	-	-	-	4,556,223
Intergovernmental revenue	78,743,962	-	66,526,759	193,442,460
Departmental charges and reimbursement	81	-	2,362,811	24,701,700
Payments in lieu of taxes	-	-	-	131,780
Rentals	-	-	-	216,663
Sales of property, supplies and equipment	-	-	-	27,008
Investment earnings	143,362	38,374	141,003	1,695,035
Miscellaneous	-	-	2,515	7,045,682
Total revenues	<u>78,887,405</u>	<u>38,374</u>	<u>70,504,371</u>	<u>359,210,698</u>
Expenditures				
Current:				
General government, administrative	-	-	1,794,080	18,830,640
General government, judicial	-	-	79,727	46,906,599
Public safety	-	-	2,922	53,128,773
Human services	71,607,514	-	67,281,195	172,719,027
Culture and recreation	-	-	-	8,004,068
Community and economic development	-	-	-	10,839,751
Public works	-	-	750,269	979,830
Community support	-	-	-	6,692,107
Intergovernmental expenditures - Solid waste	-	-	-	844,401
Debt Service:				
Principal	-	14,852,460	-	29,068,574
Interest and fiscal charges	-	2,251,135	-	5,976,629
Debt issuance costs	-	691,302	-	691,302
Capital outlay	-	15,017,354	-	15,017,354
Total expenditures	<u>71,607,514</u>	<u>32,812,251</u>	<u>69,908,193</u>	<u>369,699,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,279,891</u>	<u>(32,773,877)</u>	<u>596,178</u>	<u>(10,488,357)</u>
Other financing costs (uses)				
Transfers in	-	-	2,457,576	8,468,764
Transfer out	-	-	(1,320,431)	(8,870,664)
Issuance of refunding bonds	-	14,667,460	-	14,667,460
Issuance of long term debt	-	72,077,540	-	72,077,540
Total other financing sources (uses)	<u>-</u>	<u>86,745,000</u>	<u>1,137,145</u>	<u>86,343,100</u>
Net changes in fund balances	<u>7,279,891</u>	<u>53,971,123</u>	<u>1,733,323</u>	<u>75,854,743</u>
Fund balances, beginning	<u>4,350,493</u>	<u>13,007,282</u>	<u>9,368,310</u>	<u>171,869,687</u>
Fund balances, ending	<u>\$ 11,630,384</u>	<u>\$ 66,978,405</u>	<u>\$ 11,101,633</u>	<u>\$ 247,724,430</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, 2010

County of Berks
2010 Annual Financial Report

Net change in fund balances - total governmental funds \$ 75,854,743

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	21,199,404	
Depreciation expense	(6,714,914)	
Net adjustment		14,484,490

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	(844,142)	
Proceeds from debt	(72,077,540)	
Bond principal repayments	14,396,114	
Bond discounts	62,531	
Bond issuance costs	541,136	
Issuance of refinancing bond	(14,501,817)	
Payment to escrow agent	14,667,460	
Net adjustment		(57,756,258)

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: (5,606,035)

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	1,926,598	
Grants	866,288	
Combined adjustment		2,792,886

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	(440,080)	
Capital asset transferred to business-type activities	(73,837)	
Combined adjustment		(513,917)

Change in net assets of governmental activities \$ 29,255,909

See accompanying notes to the financial statements.

Statement of Net Assets
 Proprietary Funds - Enterprise Funds
 December 31, 2010

County of Berks
 2010 Annual Financial Report

	Department of Emergency Services	Youth Center	Berks Heim	Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,216,151	\$ 1,000	\$ 237,792	\$ 1,454,943
Cash and cash equivalents, restricted	264,547	23,611	61,502	349,660
Investments	-	-	147,035	147,035
Investments, restricted	249,000	86,323	224,860	560,183
Accounts receivable, net	232,008	2,101,839	5,925,478	8,259,325
Inventories	-	19,808	99,319	119,127
Prepaid expenses	122,565	-	-	122,565
Total current assets	<u>2,084,271</u>	<u>2,232,581</u>	<u>6,695,986</u>	<u>11,012,838</u>
Noncurrent assets:				
Employee pay advance	1,416	1,946	101,460	104,822
Deferred charges	-	38,764	219,345	258,109
Capital Assets:				
Buildings and improvements, net	413,819	6,089,419	31,942,943	38,446,181
Furniture, fixtures, equipment and vehicles, net	3,516,274	71,119	1,216,255	4,803,648
Construction in progress	1,374,341	-	-	1,374,341
Total noncurrent assets	<u>5,305,850</u>	<u>6,201,248</u>	<u>33,480,003</u>	<u>44,987,101</u>
Total assets	<u>7,390,121</u>	<u>8,433,829</u>	<u>40,175,989</u>	<u>55,999,939</u>
Liabilities				
Current liabilities:				
Accounts payable	213,433	57,042	1,142,812	1,413,287
Accrued liabilities	250,988	397,569	1,251,246	1,899,803
Unearned revenue	4,379	-	5,709	10,088
Due to other funds	1,783,913	13,327,790	11,830,618	26,942,321
Accrued interest payable	-	25,062	147,759	172,821
Compensated absences	20,518	77,575	233,548	331,641
Accrued claims health insurance	30,913	59,213	150,168	240,294
Accrued claims liability	8,520	16,319	161,037	185,876
Bonds payable, net	-	185,467	1,192,452	1,377,919
Payable from restricted assets	113,941	-	-	113,941
Total current liabilities	<u>2,426,605</u>	<u>14,146,037</u>	<u>16,115,349</u>	<u>32,687,991</u>
Noncurrent liabilities:				
Compensated absences	99,446	197,588	646,609	943,643
Accrued claims liability	105,530	202,145	1,994,752	2,302,427
Bonds payable, net	-	4,559,942	30,005,373	34,565,315
Total noncurrent liabilities	<u>204,976</u>	<u>4,959,675</u>	<u>32,646,734</u>	<u>37,811,385</u>
Total liabilities	<u>2,631,581</u>	<u>19,105,712</u>	<u>48,762,083</u>	<u>70,499,376</u>
Net Assets				
Invested in capital assets, net of related debt	5,304,434	1,415,129	1,961,373	8,680,936
Unrestricted	(545,894)	(12,087,012)	(10,547,467)	(23,180,373)
Total net assets (deficits)	<u>\$ 4,758,540</u>	<u>\$ (10,671,883)</u>	<u>\$ (8,586,094)</u>	<u>\$ (14,499,437)</u>

See accompanying notes to the financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits)
 Proprietary Funds - Enterprise Funds
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Department of Emergency Services	Youth Center	Berks Heim	Totals
Operating revenues				
Charges of services	\$ 8,330,636	\$ 8,088,438	\$ 35,998,080	\$ 52,417,154
Other operating revenue	-	344,192	1,119,536	1,463,728
Total operating revenues	<u>8,330,636</u>	<u>8,432,630</u>	<u>37,117,616</u>	<u>53,880,882</u>
Operating expenses				
Program services	5,479,149	12,160,087	29,875,306	47,514,542
Administrative expenses	1,554,592	-	4,420,069	5,974,661
Depreciation and amortization	421,206	430,160	1,256,093	2,107,459
Total operating expenses	<u>7,454,947</u>	<u>12,590,247</u>	<u>35,551,468</u>	<u>55,596,662</u>
Operating income (loss)	<u>875,689</u>	<u>(4,157,617)</u>	<u>1,566,148</u>	<u>(1,715,780)</u>
Nonoperating revenues (expenses)				
Grants	-	2,117,133	-	2,117,133
Investment earnings	11,446	3,846	10,536	25,828
Interest expense	-	(185,521)	(819,422)	(1,004,943)
Bond issuance costs	-	(2,256)	(12,186)	(14,442)
Rental of space	18,524	-	-	18,524
Total nonoperating revenues (expenses)	<u>29,970</u>	<u>1,933,202</u>	<u>(821,072)</u>	<u>1,142,100</u>
Income (loss) before transfers	905,659	(2,224,415)	745,076	(573,680)
Transfers in	-	401,900	-	401,900
Change in net assets	905,659	(1,822,515)	745,076	(171,780)
Total net assets (deficits), beginning	3,852,881	(8,849,368)	(9,331,170)	(14,327,657)
Total net assets (deficits), ending	<u>\$ 4,758,540</u>	<u>\$ (10,671,883)</u>	<u>\$ (8,586,094)</u>	<u>\$ (14,499,437)</u>

See accompanying notes to the financial statements.

Statement of Cash Flows
 Proprietary Funds - Enterprise Funds
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Department of Emergency Services	Youth Center	Berks Heim	Totals
Cash flows from operating activities				
Receipts from customers	\$ 8,543,560	\$ 8,537,116	\$ 35,761,971	\$ 52,842,647
Payments to suppliers	(2,640,313)	(2,321,833)	(8,064,794)	(13,026,940)
Payments to employees	(4,966,697)	(9,963,045)	(26,156,117)	(41,085,859)
Net cash provided (used) by operating activities	<u>936,550</u>	<u>(3,747,762)</u>	<u>1,541,060</u>	<u>(1,270,152)</u>
Cash flows from noncapital financing activities				
Receipts from other governments	-	2,117,133	-	2,117,133
Receipts from rental of space	18,524	-	-	18,524
Amounts due to other funds	(1,126,429)	1,322,965	(814,352)	(617,816)
Net cash provided (used) by noncapital financing activities	<u>(1,107,905)</u>	<u>3,440,098</u>	<u>(814,352)</u>	<u>1,517,841</u>
Cash flows from capital and related financing activities				
Principal paid on bonds	-	(76,970)	(1,555,140)	(1,632,110)
Interest expense	-	(186,081)	(823,008)	(1,009,089)
Construction in progress	(1,343,426)	-	-	(1,343,426)
Purchase of capital assets	(1,232)	-	(8,702)	(9,934)
Net cash used by capital and related financing activities	<u>(1,344,658)</u>	<u>(263,051)</u>	<u>(2,386,850)</u>	<u>(3,994,559)</u>
Cash flows from investing activities				
Increase in investments	(249,000)	(86,323)	(225,009)	(560,332)
Investment earnings received	11,446	3,846	10,536	25,828
Net cash provided (used) by investing activities	<u>(237,554)</u>	<u>(82,477)</u>	<u>(214,473)</u>	<u>(534,504)</u>
Net increase (decrease) in cash and cash equivalents	(1,753,567)	(653,192)	(1,874,615)	(4,281,374)
Cash and cash equivalents, beginning	3,234,265	677,803	2,173,909	6,085,977
Cash and cash equivalents, ending	<u>\$ 1,480,698</u>	<u>\$ 24,611</u>	<u>\$ 299,294</u>	<u>\$ 1,804,603</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 875,689	\$ (4,157,617)	\$ 1,566,148	\$ (1,715,780)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	421,206	430,159	1,256,093	2,107,458
Change in assets and liabilities:				
Accounts receivable, net	208,545	227,937	(1,190,689)	(754,207)
Employee pay advance	-	-	16,695	16,695
Inventories	-	(5,877)	89	(5,788)
Prepaid expenses	(103,810)	-	-	(103,810)
Accounts payable and accrued liabilities	(123,751)	(144,848)	(131,490)	(400,089)
Unearned revenue	4,379	(123,451)	(164,956)	(284,028)
Compensated absences	18,649	4,889	(25,261)	(1,723)
Accrued claims health insurance	10,148	14,042	40,143	64,333
Accrued claims liability	25,422	7,004	174,288	206,714
Due to other governments	(399,927)	-	-	(399,927)
Net cash provided (used) by operating activities	<u>\$ 936,550</u>	<u>\$ (3,747,762)</u>	<u>\$ 1,541,060</u>	<u>\$ (1,270,152)</u>

There are no noncapital financing, capital financing or investing items to report that affected the reported balances of assets and liabilities and did not affect cash flows.

See accompanying notes to the financial statements.

Statement of Fiduciary Net Assets
 Fiduciary Funds
 December 31, 2010

County of Berks
 2010 Annual Financial Report

	Berks County Employee's Retirement	Agency
Assets		
Cash and cash equivalents	\$ 94,149	\$ 7,319,905
Investments, at fair value:		
Mutual funds	256,354,298	-
Accounts receivable	364,704	-
Interest and dividends receivable	285,364	-
Total assets	<u>257,098,515</u>	<u>7,319,905</u>
Liabilities		
Accounts payable	240,072	-
Due to third parties	15,318	7,319,905
Total liabilities	<u>255,390</u>	<u>\$ 7,319,905</u>
Net assets		
Held in trust for pension benefits	<u>\$ 256,843,125</u>	

See accompanying notes to the financial statements.

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

**Berks County
 Employee's
 Retirement**

Additions

Contributions:

Employee	\$ 5,475,122
Employer	11,599,747
Total contributions	<u>17,074,869</u>

Investment income:

Net appreciation in fair value of investments	22,772,722
Interest and dividends	6,940,322
Miscellaneous	92,007
Total investment earnings	<u>29,805,051</u>
Less investment expenses	694,821
Net income from investing activities	<u>29,110,230</u>
Total additions	<u>46,185,099</u>

Deductions

Benefit payments	12,079,307
Administrative expenses	62,498
Total deductions	<u>12,141,805</u>
Change in net assets	34,043,294
Net assets held in trust for pension benefits, beginning	<u>222,799,831</u>
Net assets held in trust for pension benefits, ending	<u>\$ 256,843,125</u>

See accompanying notes to the financial statements.

	Council on Chemical Abuse, Inc.*	Service Access and Management Inc.*	Berks County Solid Waste Authority	Berks County Industrial Development Authority
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,248,455	\$ 6,083,121	\$ 275,309	\$ 4,280
Cash and cash equivalents, restricted	-	-	-	7,507
Investments	-	-	-	2,057,703
Accounts receivable, net	2,856	7,318,549	243,812	-
Due from other governments	587,087	1,157,973	-	532,001
Inventories	-	-	-	-
Prepaid expenses	-	404,141	8,143	763
Total current assets	<u>2,838,398</u>	<u>14,963,784</u>	<u>527,264</u>	<u>2,602,254</u>
Noncurrent assets:				
Restricted assets:				
Investments	-	-	1,330,831	3,420,876
Note and loan receivable	-	-	-	4,944,111
Land held for development	-	-	-	14,293,596
Deferred charges	-	-	92,613	173,650
Capital Assets:				
Land and improvements, net	-	395,000	92,433	-
Easements	-	-	-	-
Infrastructure, net	-	-	-	-
Buildings and improvements, net	-	3,235,447	-	-
Furniture, fixtures, equipment and vehicles, net	43,892	292,181	99,633	176
Leasehold improvements	4,500	560,859	-	-
Historical treasures	-	-	-	-
Construction in progress	-	25,490	-	-
Total noncurrent assets	<u>48,392</u>	<u>4,508,977</u>	<u>1,615,510</u>	<u>22,832,409</u>
Total assets	<u>2,886,790</u>	<u>19,472,761</u>	<u>2,142,774</u>	<u>25,434,663</u>
Liabilities				
Accounts payable	885,790	6,725,080	40,828	275,767
Accrued liabilities	-	1,594,166	2,974	-
Due to other governments	-	635,239	-	-
Unearned revenue	240,921	-	-	175,000
Due to primary government	-	1,553,548	-	-
Accrued interest payable	-	-	30,324	267,202
Compensated absences	-	1,337,241	-	-
Deposits	-	-	-	-
Capital lease payable	6,229	-	-	-
Bonds and notes payable	-	533,635	885,000	1,005,888
Total current liabilities	<u>1,132,940</u>	<u>12,378,909</u>	<u>959,126</u>	<u>1,723,857</u>
Noncurrent liabilities:				
Compensated absences	78,106	-	-	-
Accrued claims liability	-	-	-	-
Postretirement benefit liability	-	-	-	-
Capital lease payable	14,022	-	-	-
Bonds and notes payable	-	3,379,938	5,131,982	16,701,000
Unearned revenue	-	-	-	-
Total noncurrent liabilities	<u>92,128</u>	<u>3,379,938</u>	<u>5,131,982</u>	<u>16,701,000</u>
Total liabilities	<u>1,225,068</u>	<u>15,758,847</u>	<u>6,091,108</u>	<u>18,424,857</u>
Net Assets				
Invested in capital assets, net of related debt	28,141	970,404	192,066	176
Restricted for:				
Debt service	-	-	1,256,187	-
County of Berks, Drug and Alcohol Prevention/ Treatment Fund	1,711,687	-	-	-
County of Berks Mental Health/Mental Retardation	-	1,855,181	-	-
County of Schuylkill Mental Health/Mental Retardation	-	531,560	-	-
County of Clearfield/Jefferson Mental Health/Mental Retardation	-	256,411	-	-
County of Clarion Mental Health/Mental Retardation	-	124,126	-	-
Capital improvements, net of related debt	-	-	-	-
Foundation for Reading Area Community College	-	-	-	-
Unrestricted	(78,106)	(23,768)	(4,511,587)	7,009,630
Total net assets (deficits)	<u>\$ 1,661,722</u>	<u>\$ 3,713,914</u>	<u>\$ (3,063,334)</u>	<u>\$ 7,009,806</u>

* Presented as of June 30, 2010

** Presented as of September 30, 2010

See accompanying notes to the financial statements.

	Redevelopment Authority of the County of Berks	Reading Regional Airport Authority **	Reading Area Community College *	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 31,491	\$ 605,840	\$ 19,840,352	\$ 29,088,848
Cash and cash equivalents, restricted	2,036,320	2,169,350	-	4,213,177
Investments	-	-	6,110,500	8,168,203
Accounts receivable, net	-	123,913	4,931,271	12,620,401
Due from other governments	6,829,724	119,569	-	9,226,354
Inventories	-	-	25,773	25,773
Prepaid expenses	4,690	59,566	341,742	819,045
Total current assets	<u>8,902,225</u>	<u>3,078,238</u>	<u>31,249,638</u>	<u>64,161,801</u>
Noncurrent assets:				
Restricted assets:				
Investments	-	-	-	4,751,707
Note and loan receivable	-	-	-	4,944,111
Land held for development	-	-	-	14,293,596
Deferred charges	287,046	260,663	768,167	1,582,139
Capital Assets:				
Land and improvements, net	-	7,879,789	1,081,556	9,448,778
Easements	-	103,002	-	103,002
Infrastructure, net	-	10,089,169	-	10,089,169
Buildings and improvements, net	-	9,214,843	41,942,603	54,392,893
Furniture, fixtures, equipment and vehicles, net	-	740,090	2,682,556	3,858,528
Leasehold improvements	-	1,374,186	-	1,939,545
Historical treasures	-	-	909,435	909,435
Construction in progress	-	14,128,097	-	14,153,587
Total noncurrent assets	<u>287,046</u>	<u>43,789,839</u>	<u>47,384,317</u>	<u>120,466,490</u>
Total assets	<u>9,189,271</u>	<u>46,868,077</u>	<u>78,633,955</u>	<u>184,628,291</u>
Liabilities				
Accounts payable	546,723	223,775	2,637,336	11,335,299
Accrued liabilities	10,344	13,581	1,130,574	2,751,639
Due to other governments	-	-	-	635,239
Unearned revenue	2,029,697	84,545	4,232,518	6,762,681
Due to primary government	-	-	-	1,553,548
Accrued interest payable	-	-	-	297,526
Compensated absences	-	-	-	1,337,241
Deposits	-	640,349	-	640,349
Capital lease payable	-	-	16,426	22,655
Bonds and notes payable	747,739	85,000	1,805,865	5,063,127
Total current liabilities	<u>3,334,503</u>	<u>1,047,250</u>	<u>9,822,719</u>	<u>30,399,304</u>
Noncurrent liabilities:				
Compensated absences	-	-	837,531	915,637
Accrued claims liability	-	-	300,000	300,000
Postretirement benefit liability	-	-	84,940	84,940
Capital lease payable	-	-	12,220	26,242
Bonds and notes payable	5,737,444	8,215,000	17,933,405	57,098,769
Unearned revenue	-	4,505,043	-	4,505,043
Total noncurrent liabilities	<u>5,737,444</u>	<u>12,720,043</u>	<u>19,168,096</u>	<u>62,930,631</u>
Total liabilities	<u>9,071,947</u>	<u>13,767,293</u>	<u>28,990,815</u>	<u>93,329,935</u>
Net Assets				
Invested in capital assets, net of related debt	-	35,623,185	25,967,445	62,781,417
Restricted for:				
Debt service	-	-	-	1,256,187
County of Berks Drug and Alcohol Prevention/ Treatment Fund	-	-	-	1,711,687
County of Berks Mental Health/Mental Retardation	-	-	-	1,855,181
County of Schuylkill Mental Health/Mental Retardation	-	-	-	531,560
County of Clrflld/Jffrsn Mental Health/Mental Retardation	-	-	-	256,411
County of Clarion Mental Health/Mental Retardation	-	-	-	124,126
Capital improvements, net of related debt	-	1,775,342	-	1,775,342
Foundation for Reading Area Community College	-	-	5,829,643	5,829,643
Unrestricted	<u>117,324</u>	<u>(4,297,743)</u>	<u>17,846,052</u>	<u>16,061,802</u>
Total net assets (deficits)	<u>\$ 117,324</u>	<u>\$ 33,100,784</u>	<u>\$ 49,643,140</u>	<u>\$ 92,183,356</u>

* Presented as of June 30, 2010

** Presented as of September 30, 2010

See accompanying notes to the financial statements.

Statement of Activities
Component Units
Year ended December 31, 2010

County of Berks
2010 Annual Financial Report

	Council on Chemical Abuse, Inc.**	Service Access and Management Inc.**	Berks County Solid Waste Authority	Berks County Industrial Development Authority
Expenses	\$ 7,853,403	\$ 57,572,011	\$ 670,926	2,152,274
Program revenues:				
Charges for services	-	19,946,903	449,790	71,941
Operating grants and contributions	856,552	18,329,395	-	1,766,733
Capital grants and contributions	-	-	-	-
Total program revenues	<u>856,552</u>	<u>38,276,298</u>	<u>449,790</u>	<u>1,838,674</u>
Net (Expense) Revenue	<u>(6,996,851)</u>	<u>(19,295,713)</u>	<u>(221,136)</u>	<u>(313,600)</u>
General revenues:				
Payments from County of Berks	7,389,451	21,214,225	1,064,422	523,340
Payments from other governments	-	-	-	-
Investment earnings	6,410	70,357	7,415	35,230
Miscellaneous	42,735	289,358	5,239	-
Total general revenues	<u>7,438,596</u>	<u>21,573,940</u>	<u>1,077,076</u>	<u>558,570</u>
Change in net assets	441,745	2,278,227	855,940	244,970
Net assets (deficits) - beginning	1,219,977	1,435,687	(3,919,274)	6,764,836
Net assets (deficits) - ending	<u>\$ 1,661,722</u>	<u>\$ 3,713,914</u>	<u>\$ (3,063,334)</u>	<u>\$ 7,009,806</u>

* Beginning fund balance, as restated

** Presented for the year ended June 30, 2010

*** Presented for the year ended September 30, 2010

See accompanying notes to the financial statements.

Statement of Activities
Component Units
Year ended December 31, 2010

County of Berks
2010 Annual Financial Report

	Redevelopment Authority of the County of Berks	Reading Regional Airport Authority ***	Reading Area Community College **	Total
Expenses	\$ 2,504,894	\$ 3,501,432	\$ 45,345,950	\$ 119,600,890
Program revenues:				
Charges for services	-	1,881,318	15,696,119	38,046,071
Operating grants and contributions	2,145,089	-	24,091,491	47,189,260
Capital grants and contributions	-	1,890,727	3,593,503	5,484,230
Total program revenues	<u>2,145,089</u>	<u>3,772,045</u>	<u>43,381,113</u>	<u>90,719,561</u>
Net (Expense) Revenue	<u>(359,805)</u>	<u>270,613</u>	<u>(1,964,837)</u>	<u>(28,881,329)</u>
General revenues:				
Payments from County of Berks	-	-	3,100,000	33,291,438
Payments from other governments	160,555	-	-	160,555
Investment earnings	4,571	6,436	924,233	1,054,652
Miscellaneous	-	280,595	760,584	1,378,511
Total general revenues	<u>165,126</u>	<u>287,031</u>	<u>4,784,817</u>	<u>35,885,156</u>
Change in net assets	<u>(194,679)</u>	<u>557,644</u>	<u>2,819,980</u>	<u>7,003,827</u>
Net assets (deficits) - beginning	<u>312,003</u>	<u>32,543,140</u>	<u>46,823,160</u>	<u>85,179,529</u>
Net assets (deficits) - ending	<u>\$ 117,324</u>	<u>\$ 33,100,784</u>	<u>\$ 49,643,140</u>	<u>\$ 92,183,356</u>

* Beginning fund balance, as restated

** Presented for the year ended June 30, 2010

*** Presented for the year ended September 30, 2010

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

The County follows the Statement of GASB Statement No. 39, “*Determining Whether Certain Organizations are Component Units.*” The criteria used by the County to evaluate the possible inclusion of related entities (Authorities, Boards, Councils and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the County reviews the applicability of the following criteria:

- Organizations that make up the legal County entity.
- Legally separate organizations if County officials appoint a voting majority of the organization’s governing body and the County is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, impose specific financial burdens on, the County as defined below:

Impose its Will – If the County can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden – Exists if the County (1) is entitled to the organization’s resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the County. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without the approval by the County.

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types and component units for which the County is financially accountable or for which there is a significant relationship. The component units discussed below are included in the County's reporting entity because of their operational or financial relationship with the County.

1. Discretely presented component units

In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity as discretely presented component units. The Component Units columns in the combined financial statements include the financial data of the following component units. These units are reported in a separate column to emphasize that they are legally separate from the County. 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 Council on Chemical Abuse, Inc. is a nonprofit corporation organized for the purpose of serving as the drug and alcohol funding umbrella for the County. The members of the governing board of the Council on Chemical Abuse, Inc. are appointed by the Board of County Commissioners. The County provides financial support through appropriations which amounts to 89 percent of the revenues of the Council. The Council on Chemical Abuse, Inc. operates on a fiscal year ending June 30.
- Service Access and Management, Inc. is a nonprofit corporation organized to provide state mandated mental health/mental retardation services. The County contracts with Service Access and Management, Inc. to provide these services for the Mental Health/Mental Retardation program, a special revenue fund. This organization is included due to the nature and significance of this relationship with the County. Service Access and Management, Inc. operates on a fiscal year ending June 30.
- 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.
- Berks County Industrial Development Authority was created to promote and develop commercial, industrial and manufacturing enterprises within the County. The members of the governing board of the Berks County Industrial Development Authority are appointed by the Board of County Commissioners. The County provides financial support through appropriations, and has agreed to provide \$5,000,000 of Community Development funds through 2016 towards the debt service payments of the 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 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.

- Reading Regional Airport Authority is a public authority responsible for the operations of the Reading Regional Airport. A majority 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 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, and the County guarantees a portion of the debt of the Reading Area Community College. 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:

Council on Chemical Abuse, Inc.
601 Penn Street, Suite 600
Reading, PA 19601

Service Access and Management, Inc.
19 North 6th Street, Suite 300
Reading, PA 19601

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

Berks County Industrial Development 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 Reading Transportation Authority
- Berks County Conservation District
- Berks County Housing Authority
- Berks County Municipal Authority
- Berks County Convention Center Authority

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 an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. 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.

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.

Fund financial statements for the primary government's 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 an 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 assets. The County applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

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 2010:

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.

- HealthChoices

The HealthChoices 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: 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.

- Enterprise: Youth Center

The Youth Center Fund accounts 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.

- 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.

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 2010 property tax levy outstanding at December 31, 2010. The allowance for court fines, fees and costs is equal to 90 percent of the outstanding accounts receivable at December 31, 2010. The allowance for district justices' fines and court costs is equal to 50 percent of the outstanding accounts receivable at December 31, 2010. The allowance for liens for the closing cost assistance program is equal to 100 percent of the outstanding

balance at December 31, 2010. 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, 2010.

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. Unearned and deferred revenues

Revenues that are received but not earned are deferred in the government-wide and enterprise funds financial statements. In the County's governmental funds, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred and unearned revenues also arise when resources are received by the government before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

L. Fund balances/equity

The government-wide and business-type activities fund financial statements use a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted or unrestricted.

- * *Invested in capital assets, net of related debt* – 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 assets* – 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 assets* – This category represents net assets of the County, which are not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and can be increased, reduced or eliminated by similar actions.

M. 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.

N. 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.

O. 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.

P. 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.

Q. Encumbrances

The County records encumbrances as reservations of fund balance in all governmental funds, except grant funds, at year-end.

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. 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 Refundings 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, as well as the related bond issuance costs, 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. Inter-governmental 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 inter-governmental 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.

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, 2010 consist of the following:

Cash and cash equivalents	\$ 142,760,579
Petty cash	16,930
Investments	<u>360,549,305</u>
	<u>\$ 503,326,814</u>

Classification per financial statement:

Statement of net assets:

Current assets, cash and cash equivalents	\$ 65,680,580
Current assets, cash and cash equivalents, restricted	69,682,875
Current assets, investments	89,960,057
Current assets, investments, restricted	11,656,305
Noncurrent assets, investments	1,532,561
Noncurrent assets, investments, restricted	1,046,084

Statement of fiduciary net assets:

Retirement fund, cash and cash equivalents	94,149
Retirement fund, investments	256,354,298
Agency fund, cash and cash equivalents	<u>7,319,905</u>
	<u>\$ 503,326,814</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, 2009, the carrying amounts of the County's bank deposits were \$142,760,579 and the bank balances were \$147,873,585, of which \$1,585,892 was covered by Federal Depository Insurance, \$68,275,786 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, \$60,935,188 was invested in an external investment pool, described in more detail below, \$1,334,201 was invested in an open-ended U.S. Treasury obligation mutual fund, and the remaining balance of \$15,742,518 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, 2010, PLGIT carried a AAA rating and had an average maturity of less than one year.

The County invests in various money market funds, in the amount of \$16,255,133, which have been classified as cash and cash equivalents in the statement of net assets. These money market funds are rated 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 a 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, 2010, 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	\$ 15,814,817	\$ 15,814,817	\$ -	\$ -	\$ -
U.S. Govt agency securities	72,302,257	72,302,257	-	-	-
Health Choices Fund					
Negot. certif. of deposit	791,098	791,098	-	-	-
U.S. Govt agency securities	11,769,032	9,720,933	2,048,099	-	-
Other Governmental Funds					
U.S. Govt agency securities	<u>2,810,585</u>	<u>2,280,039</u>	<u>530,546</u>	<u>-</u>	<u>-</u>
Total Governmental Funds	<u>103,487,789</u>	<u>100,909,144</u>	<u>2,578,645</u>	<u>-</u>	<u>-</u>

Enterprise Funds

Berks Heim					
Negot. certif. of deposit	371,895	224,860	147,035	-	-
Dept. of Emergency Services					
Negot. certif. of deposit	249,000	249,000	-	-	-
Youth Center					
Negot. certif. of deposit	<u>86,323</u>	<u>86,323</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Enterprise Funds	<u>707,218</u>	<u>560,183</u>	<u>147,035</u>	<u>-</u>	<u>-</u>

Fiduciary Funds

Retirement Fund					
Mutual Funds					
SEI Core Fixed Income	74,098,213	74,098,213	-	-	-
SEI Emerging Mkts Debt	17,080,164	17,080,164	-	-	-
SEI High Yield Bond	7,475,547	7,475,547	-	-	-
SEI Lg Cap Disc. Equity	93,633,774	93,633,774	-	-	-
SEI Sm/Mid Cap Equity	14,070,117	14,070,117	-	-	-
SEI World Equity Ex US	26,137,236	26,137,236	-	-	-
SEI Special Situations	<u>23,859,247</u>	<u>23,859,247</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fiduciary Funds	<u>256,354,298</u>	<u>256,354,298</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 360,549,305</u>	<u>\$ 357,823,625</u>	<u>\$ 2,725,680</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.

Subsequent to year-end, the County's pension plan experienced a significant decline in market value due to changing market conditions. Through November 18, 2011, the County's market value decreased by approximately \$11 million. The County is aware of these declines, and will continue to closely monitor these changes in market value.

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 2010. Total investments were \$17,313,133. Of this total, \$16,126,000 was covered by Federal Depository Insurance, and \$1,187,133 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, 2010:

	<u>Fair Value</u>	<u>Rating</u>
U.S. Government agency obligations	\$ 86,881,874	Aaa
Negotiable certificates of deposit	17,313,133	Unrated
Mutual funds - Core fixed income	74,098,213	AA+
Mutual funds - High Yield Bonds	7,475,547	B+
Mutual funds - Emerging Mkts Debt	17,080,164	BBB-

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, 2010, 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 County's name. As of December 31, 2010, \$104,195,007 of the County's investments is held by the investment counterparties, not in the name of the County. The County's remaining investment in mutual funds, both fixed income and equity, are not exposed to custodial credit risk because they are not evidenced by securities in book entry or paper form.

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, 2010.

B. Component units

1. Council on Chemical Abuse, Inc.

As of June 30, 2010, the carrying amount of the Organization’s cash deposits was \$2,247,130 and the bank balance was \$2,363,983 of which \$ 1,115,891 was exposed to custodial risk because it was uninsured, but collateralized with securities held by the pledging institution’s trust department or agent, but not in the Organization’s name. The Organization maintained \$1,325 in petty cash funds.

2. Service Access and Management, Inc.

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

At June 30, 2010 the carrying amount of the Organization’s bank deposits was \$6,083,121 and the bank balance was \$7,463,651, of which \$250,000 was covered by Federal Depository Insurance. The remaining \$7,213,651 of deposits were exposed to custodial risk because it was uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Organization’s name.

3. 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, 2010 consist of the following:

Demand deposits	\$ 275,309
Cash	60,740
Money market funds	<u>1,270,091</u>
Total	<u>\$ 1,606,140</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, 2010, the carrying amount of the Authority’s cash deposits was \$275,309 and the bank balance was \$276,234, of which \$4,323 was uninsured and uncollateralized. In April 2011, the Authority implemented the corrective actions in order to properly collateralize all cash deposits.

At December 31, 2010, 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>1,270,091</u>	<u>1,270,091</u>
	<u>\$ 1,330,831</u>	<u>\$ 1,330,831</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, 2010, \$1,330,831 was held by the investments counterparty, not in the name of the Authority.

4. Berks County Industrial Development Authority

The Authority's available cash is invested in demand deposit accounts, savings accounts, money market accounts, obligations of the U.S. Government and U.S. Treasury Notes and Bills. The carrying amounts of the Authority's cash and investments at December 31, 2010 consist of the following:

Cash deposits	\$ 11,787
Investments	<u>5,478,579</u>
	<u>\$ 5,490,366</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. At December 31, 2010, the carrying amount of the Authority's bank deposit was \$11,787 and the bank balance was \$16,110 of which all was covered by Federal Depository Insurance.

At December 31, 2010, the Authority had the following investments with Fulton Financial Advisors, Pennsylvania:

	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity - Less than One Year</u>
Certificates of deposit	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
U.S. Treasury money			
Market Fund	1,069,610	1,069,610	1,069,610
U.S. Treasury bills	<u>2,908,236</u>	<u>2,908,969</u>	<u>2,908,969</u>
	<u>\$ 5,477,846</u>	<u>\$ 5,478,579</u>	<u>\$ 5,478,579</u>

Investment credit risk: The Authority limits the type of investments permitted as defined by the Local Government Unit Debt Act, the Municipal Authorities Act and the related trust indentures. When making investments, the Board can combine funds from more than one fund under the Authority's control for the purchase of a single investment and join with other political subdivisions and municipal authorities in the purchase of a single investment. At December 31, 2010, the Authority held \$1,500,000 in certificates of deposit which were completely covered by Federal Depository Insurance.

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, 2010, \$2,908,969 was held by the investments counterparty, not in the name of the Authority.

5. 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, 2010 consists of the following:

Cash, operating accounts	\$ 31,491
Cash, restricted	<u>2,036,320</u>
	<u>\$ 2,067,811</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, 2010, the carrying amount of the Authority's bank deposits was \$2,067,811 and the bank balances were \$2,275,524 of which \$344,246 was directly covered by Federal Depository Insurance. The remaining \$1,931,278 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.

6. Reading Regional Airport Authority

Cash and investments at September 30, 2010 are:

Petty cash	\$	250
Unrestricted cash		605,590
Capital improvements accounts		<u>2,169,350</u>
		<u>\$2,775,190</u>

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. At September 30, 2010, \$2,555,066 of the Authority's bank balance of \$2,805,066 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.

The Authority's investments are authorized by state law. The Authority is permitted to invest in obligations of the U.S. Government or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania, its agencies or instrumentalities, obligations of any political subdivision of the Commonwealth, and shares of investment companies registered under the Investment Company Act of 1940.

7. 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. The carrying amount of the College's cash and cash equivalents at June 30, 2010 consist of the following:

Cash on hand	\$	1,100
Cash		<u>19,378,702</u>
		<u>\$ 19,379,802</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, 2010, the carrying amount of the College's deposits was \$19,378,702 and the bank balance was \$19,923,547. Of the bank balance, \$250,000 was covered by federal depository insurance and \$19,673,547 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, 2010, the cash and cash equivalents for the College Foundation were \$460,552. Investments of \$6,110,500 are comprised of mutual funds carried at market value in the Common Fund – Equity of \$3,930,528, the Common Fund - Bond Fund of \$2,175,577 and the Common Fund - Realty of \$4,395.

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:

General funds

Children and Youth Services Fund	\$ 1,900	\$ -
Hazmat Response Fund	540,559	748,000
Antietam Lake	25,776	3,477,000
Inmate pay	3,505	-
Environmental Litigation	1,136,861	249,000
Worker's Compensation Trust	51,097	186,817

Special Legislation Fund

Adult Probation Fund	2,389,391	-
Coroner	42,916	-
Courts Automation Fund	187,517	-
Hotel Tax Account	105,808	-
Prothonotary Automation Fund	240,472	-
Register of Wills Records Improvement Fund	84,628	-
Recorder of Deeds Record Improvement Fund	323,403	-
Treasurer Record Improvement Fund	65,748	-

Health Choices special revenue

Reinvestment account	1,841,830	3,475,312
Risk & Contingency account	1,356,616	3,214,979
Appendix V - Jumbo Auto Renew CD	-	791,098

Capital Projects Fund

Unspent bond proceeds Series B of 2009	4,822,846	-
Unspent bond proceeds Series A of 2010	3,118,201	-
Unspent bond proceeds Series B of 2010	4,380,393	-
Unspent bond proceeds Series C of 2010	42,109,119	-
Unspent bond proceeds Series D of 2010	6,504,629	-

Total governmental funds \$ 69,333,215 \$ 12,142,206

Business-Type Activities

Berks Heim

Worker's Compensation Trust	\$ 61,502	\$ 224,860
-----------------------------	-----------	------------

Youth Center

Worker's Compensation Trust	23,611	86,323
-----------------------------	--------	--------

Dept. of Emergency Services

MCT Trust	264,547	249,000
-----------	---------	---------

Total business-type activities \$ 349,660 \$ 560,183

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 2010 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, 2010 are as follows:

	Due from other funds	Due to other funds
Governmental funds:		
General fund	\$ 22,949,243	\$ -
Children and Youth Services	-	4,472,317
Health Choices	98,016	-
Capital Projects	6,325,553	-
Community Development	-	227,330
Other governmental funds	<u>3,921,098</u>	<u>1,651,942</u>
	<u>33,293,910</u>	<u>6,351,589</u>
Proprietary funds:		
Dept. of Emergency Services	-	1,783,913
Youth Center	-	13,327,790
Berks Heim	<u>-</u>	<u>11,830,618</u>
	<u>-</u>	<u>26,942,321</u>
Total	<u>\$ 33,293,910</u>	<u>\$ 33,293,910</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 2010 are as follows:

	Transfers In	Transfers Out
Governmental funds:		
General fund	\$ 1,469,516	\$ 6,726,727
Children and Youth Services	4,391,239	-
Community Development	150,433	823,506
Other governmental funds	<u>2,457,576</u>	<u>1,320,431</u>
	<u>8,468,764</u>	<u>8,870,664</u>
Proprietary funds:		
Youth Center	<u>401,900</u>	-
Total	<u>\$ 8,870,664</u>	<u>\$ 8,870,664</u>

NOTE 6: CAPITAL ASSETS

A. Primary government

1. Capital asset

Capital asset activity for the year ended December 31, 2010 was as follows:

• **Governmental activities:**

	Beginning balance	Additions/ Transfers in	Retirements/ Transfers out	Ending balance
Capital assets, not being depreciated:				
Land	\$ 9,425,928	\$ -	\$ -	\$ 9,425,928
Historical treasures	873,000	-	-	873,000
Agricultural easements	65,523,487	4,997,218	-	70,520,705
Construction-in-progress	<u>2,649,959</u>	<u>12,970,288</u>	<u>(6,440,383)</u>	<u>9,179,864</u>
Total capital assets, not being depreciated	<u>78,472,374</u>	<u>17,967,506</u>	<u>(6,440,383)</u>	<u>89,999,497</u>
Capital assets, being depreciated/amortized:				
Land improvements	1,765,177	5,816	-	1,770,993
Buildings and improvements	167,841,486	7,091,955	-	174,933,441
Furniture, fixtures, equipment, vehicles	22,604,076	1,952,037	-	24,556,113
Infrastructure	<u>3,836,116</u>	<u>161,562</u>	<u>-</u>	<u>3,997,678</u>
Total capital assets, being depreciated	<u>196,046,855</u>	<u>9,211,370</u>	<u>-</u>	<u>205,258,225</u>
Total capital assets, historical cost	<u>274,519,229</u>	<u>27,178,876</u>	<u>(6,440,383)</u>	<u>295,257,722</u>
Less accumulated depreciation/amortization for:				
Land improvements	534,629	97,230	-	631,859
Building and improvements	87,065,188	4,669,349	-	91,734,537
Furniture, fixtures, equipment, vehicles	17,976,044	1,848,393	-	19,824,437
Infrastructure	<u>1,412,188</u>	<u>99,942</u>	<u>-</u>	<u>1,512,130</u>
Total accumulated depreciation	<u>106,988,049</u>	<u>6,714,914</u>	<u>-</u>	<u>113,702,963</u>
Total capital assets, net of accumulated depreciation/amortization	<u>\$ 167,531,180</u>	<u>\$ 20,463,962</u>	<u>\$ (6,440,383)</u>	<u>\$ 181,554,759</u>

- **Business-type activities:**

	Beginning balance	Additions/ Transfers in	Retirements/ Transfers out	Ending balance
Capital assets, not being depreciated:				
Construction-in-progress	\$ 30,915	\$ 1,343,426	\$ -	\$ 1,374,341
Total capital assets, not being depreciated	<u>30,915</u>	<u>1,343,426</u>	<u>-</u>	<u>1,374,341</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	47,806,345	-	-	47,806,345
Furniture, fixtures, equipment, vehicles	<u>14,352,882</u>	<u>9,932</u>	<u>-</u>	<u>14,362,814</u>
Total capital assets, being depreciated	<u>62,159,227</u>	<u>9,932</u>	<u>-</u>	<u>62,169,159</u>
Total capital assets, historical cost	<u>62,190,142</u>	<u>1,353,358</u>	<u>-</u>	<u>63,543,500</u>
Less accumulated depreciation for:				
Building and improvements	8,006,336	1,353,830	-	9,360,164
Furniture, fixtures, equipment, vehicles	<u>8,805,538</u>	<u>753,628</u>	<u>-</u>	<u>9,559,166</u>
Total accumulated depreciation	<u>16,811,874</u>	<u>2,107,459</u>	<u>-</u>	<u>18,919,330</u>
Total capital assets, net of accumulated depreciation	<u>\$ 45,378,268</u>	<u>\$ (754,100)</u>	<u>\$ -</u>	<u>\$ 44,624,170</u>

2. Depreciation / amortization expense

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

- **Governmental activities:**

Judicial	\$ 212,565
Public safety	1,161,886
Public works	293,002
Human services	42,492
General government	4,598,792
Community and economic Development	54,496
Culture and recreation	<u>351,681</u>
Total	<u>\$ 6,714,914</u>

- **Business-type activities:**

911	\$ 421,206
Berks Heim	1,256,093
Youth Center	<u>430,160</u>
Total	<u>\$ 2,107,459</u>

3. Capital projects commitments

The Prison expansion project with accumulated cost of \$1,785,856 has been put on hold at this time and management believes the project will be ultimately completed at a cost of approximately \$34,000,000.

The NORESCO Project, for Energy Conservation Measures, is in the development phase with 2010 expenditures totaling \$4,304,452. Management anticipates that the projects will be completed by December 31, 2011 at an approximate cost of \$11,000,000.

The Gruber Wagon Works renovations, with 2010 expenditures totaling \$243,087, were extended into year 2011. Management expects this project to be completed by December 31, 2011 at a cost of approximately \$750,000.

The Gruber Wagon Works Pole Barn Project is in the development phase with 2010 expenditures totaling \$72,150. Management believes this project will be completed on or around September 30, 2011 at a cost of approximately \$400,406.

The Antietam Dam Repair Project is in the development phase with 2010 expenditures totaling \$24,195. Management believes this project will be completed on or by October 31, 2011 at a cost of approximately \$3.08 million.

The 911 Countywide Radio Project is in the development phase with 2010 expenditures totaling \$1,981,258. Management anticipates this project to be completed by December 21, 2012 at a cost of approximately \$50 to \$60 million.

The Christman Road Bridge project is in the development phase with anticipated completion date in 2013 with approximate final cost of \$1.5 to \$2 million.

The Buttonwood St Bridge project is an ongoing construction in progress with 2010 expenditures totaling \$201,735. Management anticipates that this project will be completed in 2015 with projected final cost of approximately \$2 to \$3 million.

The Wireless 911 (STD & CAD) projects with 2010 expenditures totaling \$1,282,889 are expected to be completed in the 4th Quarter of 2012 with approximate total cost of \$2.66 million.

B. Component units

1. Council on Chemical Abuse, Inc.

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets:				
Furniture and equipment	\$ 210,980	\$ 20,757	\$ (10,954)	\$ 220,783
Leasehold improvements	<u>22,500</u>	<u>-</u>	<u>-</u>	<u>22,500</u>
Total capital assets	<u>233,480</u>	<u>20,757</u>	<u>(10,954)</u>	<u>243,283</u>
Less accumulated depreciation for:				
Furniture and equipment	178,794	9,051	(10,954)	176,891
Leasehold improvements	<u>15,750</u>	<u>2,250</u>	<u>-</u>	<u>18,000</u>
Total accumulated depreciation	<u>194,544</u>	<u>11,301</u>	<u>(10,954)</u>	<u>194,891</u>
Total capital assets, net	<u>\$ 38,936</u>	<u>\$ 9,456</u>	<u>\$ -</u>	<u>\$ 48,392</u>

2. Service Access and Management, Inc.

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 360,000	\$ 35,000	\$ -	\$ 395,000
Construction-in-progress	<u>-</u>	<u>25,490</u>	<u>-</u>	<u>25,490</u>
Total capital assets, not being depreciated	<u>360,000</u>	<u>60,490</u>	<u>-</u>	<u>420,490</u>
Capital assets, being depreciated:				
Building	3,314,206	430,755	-	3,744,961
Furniture and equipment	1,570,091	50,290	-	1,620,381
Leasehold improvements	1,113,869	192,237	-	1,306,106
Vehicles	105,836	122,786	(105,836)	122,786
Computer software	<u>297,761</u>	<u>-</u>	<u>-</u>	<u>297,761</u>
Total capital assets being depreciated	<u>6,401,763</u>	<u>796,068</u>	<u>(105,836)</u>	<u>7,091,995</u>
Total capital assets, historical cost	<u>6,761,763</u>	<u>856,558</u>	<u>(105,836)</u>	<u>7,512,485</u>
Less accumulated depreciation for:				
Building	391,260	118,254	-	509,514
Furniture and equipment	1,311,678	94,362	-	1,406,040
Leasehold improvements	645,346	99,901	-	745,247
Vehicles	22,049	53,696	(22,049)	53,696
Computer software	<u>229,459</u>	<u>59,552</u>	<u>-</u>	<u>289,011</u>
Total accumulated depreciation	<u>2,599,792</u>	<u>425,765</u>	<u>(22,049)</u>	<u>3,003,508</u>
Total capital assets, net	<u>\$ 4,161,971</u>	<u>\$ 430,793</u>	<u>\$ (83,787)</u>	<u>\$ 4,508,977</u>

3. Berks County Solid Waste Authority

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
Capital assets:				
Site improvements	\$ -	\$ 94,033	\$ -	\$ 94,033
Furniture and office equipment	9,021	-	-	9,021
Recycling equipment	<u>-</u>	<u>101,033</u>	<u>-</u>	<u>101,033</u>
Total capital assets	<u>9,021</u>	<u>195,066</u>	<u>-</u>	<u>204,087</u>
Less accumulated depreciation for:				
Site improvements	-	1,600	-	1,600
Furniture and office equipment	9,021	-	-	9,021
Recycling equipment	<u>-</u>	<u>1,400</u>	<u>-</u>	<u>1,400</u>
Total accumulated depreciation	<u>9,021</u>	<u>3,000</u>	<u>-</u>	<u>12,021</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 192,066</u>	<u>\$ -</u>	<u>\$ 192,066</u>

4. Berks County Industrial Development Authority

Capital asset activity

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
Capital assets:				
Furniture and equipment	\$ 89,502	\$ -	\$ -	\$ 89,502
Less accumulated depreciation for:				
Furniture and equipment	<u>88,976</u>	<u>350</u>	<u>-</u>	<u>89,326</u>
Total capital assets, net	<u>\$ 526</u>	<u>\$ (350)</u>	<u>\$ -</u>	<u>\$ 176</u>

Land held for development

The Authority has purchased 323 acres of land in Bethel Township, Berks County, Pennsylvania to be used in the I-78 Industrial Park at Bethel. The purchase price was funded by proceeds of the loan described in Note 10. The Authority has an agreement to purchase land for development at the Reading Regional Airport as described in Note 12.

The total cost of the land held for development and capitalized interest included in the cost at December 31, 2010 is as follows:

	Airport Land	I-78 Industrial Park at Bethel	Total
Cost	\$ 1,700,513	\$ 12,593,083	\$ 14,293,596
Capitalized interest, included above	\$ 277,640	\$ 2,411,763	\$ 2,689,403

5. 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 \$2,100,000 of Community Development Block Grant funds for these projects.

At December 31, 2010, these commitments are outstanding as follows:

Birdsboro/Union Township Project	\$ 717,268
Fleetwood Project	436,668
Colebrookdale Project	<u>78,713</u>
	<u>\$ 1,232,649</u>

6. Reading Regional Airport Authority

Capital asset activity

Capital asset activity for the year ended September 30, 2010 was as follows:

	Balance October 1, 2009	Additions	Transfers/ Deletions	Balance September 30, 2010
Capital assets, not being depreciated:				
Land	\$ 4,636,399	\$ -	\$ -	\$ 4,636,399
Air easement rights	103,002			103,002
Construction in progress	<u>12,369,972</u>	<u>1,758,125</u>	<u>-</u>	<u>14,128,097</u>
Total capital assets, not being depreciated	<u>17,109,373</u>	<u>1,758,125</u>	<u>-</u>	<u>18,867,498</u>
Capital assets, being depreciated:				
Land improvements	8,487,543	30,000	-	8,517,543
Infrastructure	21,349,832	-	-	21,349,832
Buildings and improvements	17,328,174	7,136	-	17,335,310
Furniture and equipment	3,210,789	380	-	3,211,169
Leasehold improvements	<u>2,198,700</u>	<u>-</u>	<u>-</u>	<u>2,198,700</u>
Total capital assets being depreciated	<u>52,575,038</u>	<u>37,516</u>	<u>-</u>	<u>52,612,554</u>
Total capital assets, historical cost	<u>69,684,411</u>	<u>1,795,641</u>	<u>-</u>	<u>71,480,052</u>
Less accumulated depreciation for:				
Land improvements	4,794,271	479,882	-	5,274,153
Infrastructure	10,548,930	711,733	-	11,260,663
Buildings and improvements	7,621,717	498,750	-	8,120,467
Furniture and equipment	2,350,743	120,336	-	2,471,079
Leasehold improvements	<u>732,901</u>	<u>91,613</u>	<u>-</u>	<u>824,514</u>
Total accumulated depreciation	<u>26,048,562</u>	<u>1,902,314</u>	<u>-</u>	<u>27,950,876</u>
Total capital assets, net	<u>\$ 43,635,849</u>	<u>\$ (106,673)</u>	<u>\$ -</u>	<u>\$ 43,529,176</u>

Prior period adjustment

An error resulting in an understatement of previously reported buildings, equipment and runways was discovered during the current year. Accordingly, a prior period adjustment of \$130,118 was made to the 2009 financial statement to increase the net value of buildings, equipment and runways at September 30, 2009. A corresponding entry was made to increase beginning net assets at September 30, 2008 by \$130,118.

7. Reading Area Community College

Capital asset activity:

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Transfers/ Deletions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 772,443	\$ 309,113	\$ -	\$ 1,081,556
Construction in progress	<u>8,610</u>	<u>1,150,615</u>	<u>(1,159,225)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>781,053</u>	<u>1,459,728</u>	<u>(1,159,225)</u>	<u>1,081,556</u>
Capital assets, being depreciated:				
Buildings and improvements	59,725,790	850,112	-	60,575,902
Equipment, furnishings, and library books	<u>8,546,728</u>	<u>229,163</u>	<u>(107,060)</u>	<u>8,668,831</u>
Total capital assets being depreciated	<u>68,272,518</u>	<u>1,079,275</u>	<u>(107,060)</u>	<u>69,244,733</u>
Total capital assets, historical cost	<u>69,053,571</u>	<u>2,539,003</u>	<u>(1,266,285)</u>	<u>70,326,289</u>
Less accumulated depreciation for:				
Buildings and improvements	17,115,214	1,518,085	-	18,633,299
Equipment, furnishings, and library books	<u>5,551,265</u>	<u>537,958</u>	<u>(102,948)</u>	<u>5,986,275</u>
Total accumulated depreciation	<u>22,666,479</u>	<u>2,056,043</u>	<u>(102,948)</u>	<u>24,619,574</u>
Total capital assets, net	<u>\$ 46,387,092</u>	<u>\$ 482,960</u>	<u>\$ (1,163,337)</u>	<u>\$ 45,706,715</u>

Depreciation expense for the College for the year ended June 30, 2010 was \$2,056,043.

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.

4. Membership

Membership of the plan consisted of the following at December 31, 2010:

Retirees and beneficiaries receiving benefits	915
Terminated plan members entitled to but not yet receiving benefits	169
Active plan members	<u>2,125</u>
Total members	<u><u>3,209</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 2010, all administrative costs were paid from Plan assets.

6. Annual pension cost and net pension asset

The County’s annual pension cost and net pension asset to the Plan for 2010 was determined as part of the January 1, 2011, actuarial valuation as follows:

Annual required contribution	\$ 11,599,747
Interest on net pension asset	(106,147)
Adjustment to annual required contribution	<u>179,984</u>
Annual pension cost	11,673,584
Contributions made	<u>(11,599,747)</u>
Decrease in net pension asset	73,837
Net pension asset beginning of year	<u>(1,415,296)</u>
Net pension asset end of year	<u>\$ (1,341,459)</u>

Annual pension cost - three-year trend information

Year ended	Annual pension cost	Annual pension cost contributed	Net pension asset
December 31, 2008	\$ 5,109,078	99%	\$ (1,493,939)
December 31, 2009	\$ 11,143,250	99%	\$ (1,415,296)
December 31, 2010	\$ 11,673,584	99%	\$ (1,341,459)

7. Funded status and funding progress

The funded status of the County’s Plan as of December 31, 2010, the most recent actuarial valuation date, and December 31, 2009 and 2008, respectively, is as follows:

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010	\$ 259,296,265	\$ 307,794,954	\$ 48,498,689	84.2%	\$ 96,728,405	50.1%
12/31/2009	\$ 223,375,934	\$ 288,252,409	\$ 64,876,475	77.5%	\$ 93,697,475	69.2%
12/31/2008	\$ 207,912,111	\$ 268,877,167	\$ 60,965,056	77.3%	\$ 91,594,431	66.6%

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, 2011 valuation, the entry age funding method was used to determine the annual required contribution.

Additional information as of the January 1, 2011 actuarial valuation follows:

Valuation Date	December 31, 2010
Actuarial cost method:	Entry Age
Asset valuation method:	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	3.5% (including 3% inflation)

B. Component units

1. Council on Chemical Abuse, Inc.

The Organization has a defined contribution Simplified Employee Pension Plan covering employees who have attained age 21. Contributions to the plan are discretionary and are determined by the Board of Directors. Contributions charged to operations for the year ended June 30, 2010 totaled \$34,656 for direct program services and \$21,337 for management and general.

2. Service Access and Management, Inc.

The Organization had a 401(k) plan, which covers union and nonunion employees of the Organization.

Information regarding participation, contributions, allocations, vesting, benefits and termination may be found in the plan document. Contributions to the plan are discretionary and are determined by the Board of Directors. There were no contributions made to the plan which were charged to operations for the year ended June 30, 2010. Beginning July 1, 2010, the Organization will provide a 1% match to employees who contribute a minimum of 4% to their 401(k) plan.

3. Berks County Industrial Development Authority

The Authority has a defined contribution Simplified Employee Pension Plan covering employees who attained age 25, have one year of service and total compensation in excess of \$200 per year. Contributions to the plan are discretionary and are determined annually by the Board of Directors. Contributions charged to operations totaled \$4,709 for the year ended December 31, 2010.

4. 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 \$416 at September 30, 2010. The Authority's contributions for each employee are fully vested when made. The pension contribution for the year ended September 30, 2010 was \$29,625.

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, 2010 was \$5,200.

5. 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, 2010 was \$24,444, which consisted of \$8,191 from the College and \$16,253 from employees. The contribution to PSERS for the year ended June 30, 2010 was \$320,080, which consisted of \$78,524 from the College and \$241,556 from employees. The contribution to TIAA-CREF for the year ended June 30, 2010 was \$1,429,151, which consisted of \$711,304 from the College and \$717,847 from employees.

The College's total payroll for the year ended June 30, 2010 was \$17,932,502; total covered employees' salaries in SERS, PSERS and TIAA-CREF were \$262,261, \$3,284,516 and \$11,840,928, 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. Berks County Industrial Development Authority

The Authority is authorized to issue industrial development bonds and mortgage notes 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).

Following is a summary of future lease rental receivables and related debt under obligations outstanding that have been authorized by the Berks County Industrial Development Authority at December 31, 2010:

Future lease rentals receivable applicable to retirement of debt	<u>\$ 148,579,209</u>
Related debt:	
Bonds	\$ 143,723,001
Mortgage notes	<u>4,856,208</u>
	<u>\$ 148,579,209</u>

2. Service Access and Management, Inc.

The Organization leases a portion of the building it owns for the Berks and York programs to various tenants with lease agreements that expire through 2015, with monthly rentals varying from \$214 to \$9,973. The leases provide for renewal options; termination provisions; use restrictions; improvements; minimum insurance coverage; as well as other conditions.

At June 30, 2010, the minimum future lease income under operating leases described above is as follows:

Year ending June 30:	
2011	\$ 209,441
2012	170,607
2013	91,502
2014	94,449
2015	<u>80,108</u>
 Total	 <u>\$ 646,107</u>

Rental income recognized for the year ended June 30, 2010 was \$289,358.

3. 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, 2010, \$7,170,352 of notes and bonds are outstanding under debt obligations that have been authorized by the Authority.

4. Reading Regional Airport Authority

The majority of rental agreements currently in effect for airport facilities are annual leases, subject to renewal. At September 30, 2010, future minimum lease payments receivable under significant non-cancelable long-term operating leases are as follows:

Year ending September 30:

2011	\$ 622,128
2012	580,603
2013	527,817
2014	530,565
2015	536,729
Thereafter	<u>7,518,197</u>
	<u>\$ 10,316,039</u>

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 reduced from \$3.9 million in 2009 to \$500,391 for 2010. The excess balance in that account for 2010 has been returned to the General Fund.

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, 2010, are summarized as follows:

Business-type activities	Governmental activities	Total
\$2,488,303	\$2,332,624	\$4,820,927

The following summary provides aggregate information on workers' compensation self-insurance liabilities; incurred claims and payments during the years ended December 31, 2008, 2009 and 2010. The increase in 2010 is due to the settlement of three major claims.

Year	January 1 liability	Incurred claims	Payments	December 31 liability
2008	\$ 4,395,545	\$ 1,581,040	\$ 1,383,811	\$ 4,592,774
2009	\$ 4,592,774	\$ 1,248,865	\$ 1,349,025	\$ 4,492,614
2010	\$ 4,492,614	\$ 2,196,701	\$ 1,868,388	\$ 4,820,927

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 2010, the County has incurred and processed healthcare claims of \$21.5 million. The County has also purchased stop-loss insurance at a maximum coverage of \$22.5 million for catastrophic healthcare claims.

All accrued incurred but not recorded (IBNR) healthcare claims liabilities at December 31, 2010, are summarized as follows:

Business-type activities	Government activities	Total
\$ 240,294	\$ 1,553,390	\$ 1,793,684

The following summary provides aggregate information on healthcare self-insurance liabilities, incurred claims and payments during the years ended December 31, 2008, 2009 and 2010.

Year	January 1 liability	Incurred claims	Payments	December 31 liability
2008	\$ 2,270,999	\$ 20,964,040	\$ 20,975,039	\$ 2,260,000
2009	\$ 2,260,000	\$ 19,922,158	\$ 20,174,158	\$ 2,008,000
2010	\$ 2,008,000	\$ 21,242,674	\$ 21,456,990	\$ 1,793,684

B. Component units

1. Reading Area Community College

The College funds health insurance claims up to \$45,000 individually and \$3,290,769 in the aggregate for the year ended June 30, 2010. Stop gap insurance is in place for claims in excess of these thresholds. Included in the financial statement is a liability for \$300,000 for outstanding estimated claims at June 30, 2010. This liability is entirely funded.

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

	<u>2010</u>	<u>2009</u>
Balance at July 1	\$ 300,000	\$ 175,000
Claims incurred	2,780,874	2,417,716
Claims paid	<u>(2,780,874)</u>	<u>(2,292,716)</u>
Balance at June 30	<u>\$ 300,000</u>	<u>\$ 300,000</u>

NOTE 10: LONG-TERM DEBT

A. Primary government

1. General obligation bonds

- **Governmental activities**

During 2010, the County issued General Obligation Bond Series 2010A in the amount of \$30,000,000. The 2010A Series Bonds were issued at a discount of \$122,132. The proceeds of the bond issuance were utilized to refund the County's General Obligation Note Series of 2006 in the amount of \$14,679,603, pay a swap termination fee in the amount of \$9,305,000 and pay costs of the issuance in the amount of \$228,737. The proceeds related to the refunding of the 2006 Note were paid to an escrow agent for the Note.

During 2010, the County issued General Obligation Bonds Taxable Series 2010B, Recovery Zone Economic Development Bonds, in the amount of \$7,790,000. The County paid \$114,608 of issuance costs for these bonds. 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.

During 2010, the County issued General Obligation Bonds Taxable Series 2010C, Build America Bonds, in the amount of \$42,405,000. The County paid \$301,688 of issuance costs for these bonds. 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.

During 2010, the County issued General Obligation Bonds Taxable Series 2010D Bonds, in the amount of \$6,550,000. The County paid \$46,268 of issuance costs for these bonds. 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, 2010, general obligation bonds consisted of the following:

	Balance outstanding January 1, 2010	Additions/ Transfers	Accretion in capital appreciation bonds	Reductions	Balance outstanding December 31, 2010
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.	\$ 39,824,740	\$ -	\$ 2,514,336	\$ -	\$ 42,339,076
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.	45,473,846	-	2,577,492	-	48,051,338
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.	4,688,644	-	-	9,275	4,679,369

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.	30,965,000	-	-	9,610,000	21,355,000
2003 General Obligation Bonds, \$20,580,000, varying interest rates ranging from 4.55% to 5.00% through 2010, to refund a portion of principal and interest on 1993 Second Series General Obligation Bonds.	3,485,000	-	-	3,485,000	-
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.	9,180,000	-	-	65,000	9,115,000
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	1,008,060	-	-	41,839	966,221
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	29,205,000	-	-	1,005,000	28,200,000

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.	15,050,000	-	-	180,000	14,870,000
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.	-	30,000,000	-	5,000	29,995,000
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.	-	7,790,000	-	-	7,790,000
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.	-	42,405,000	-	-	42,405,000
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.	-	6,550,000	-	-	6,550,000
	<u>178,880,290</u>	<u>86,745,000</u>	<u>5,091,828</u>	<u>14,401,114</u>	<u>256,316,004</u>

Unamortized premium 2008	24,697	-	-	2,057	22,640
Unamortized refunding loss 2008	(226,700)	-	-	(18,888)	(207,812)
Unamortized premium 2009A	108,916	-	-	8,832	100,084
Unamortized refunding loss 2009A	(598,087)	-	-	(48,500)	(549,587)
Unamortized discount 2002 Second Series	(56,488)	-	-	(4,035)	(52,453)
Unamortized discount 2010A	-	(122,133)	-	(6,107)	(116,026)
	<u>-</u>	<u>(122,133)</u>	<u>-</u>	<u>(6,107)</u>	<u>(116,026)</u>
Total	<u>\$ 178,132,628</u>	<u>\$ 86,622,867</u>	<u>\$ 5,091,828</u>	<u>\$ 14,334,473</u>	<u>\$ 255,512,850</u>
Less: Current Maturities					<u>(16,147,017)</u>
					<u>\$ 239,365,833</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.

Debt service requirements to maturity are as follows:

Year ending	Principal	Interest	Total Debt Service
2011	\$ 16,147,017	\$ 8,061,392	\$ 24,208,409
2012	16,827,809	7,396,789	24,224,598
2013	17,524,165	6,697,694	24,221,859
2014	18,177,595	6,621,961	24,799,556
2015	18,647,804	6,491,865	25,139,669
2016-2020	96,243,926	29,916,960	126,160,886
2021-2025	49,584,996	22,851,140	72,436,136
2026-2030	<u>59,142,278</u>	<u>8,575,614</u>	<u>67,717,892</u>
	\$ 292,295,590	\$ 96,613,415	\$ 388,909,005
Unaccreted principal	(35,979,586)		
Unamortized refunding loss	(757,399)		
Unamortized premium	122,724		
Unamortized discount	<u>(168,479)</u>		
Bonds payable	\$ 255,512,850		
Agricultural easement installment purchases	<u>200,404</u>		
Bonds and notes payable at December 31, 2010	<u>\$ 255,713,254</u>		

- **Business-type activities**

	Balance outstanding January 1, 2010	Additions	Accretion in capital appreciation bonds	Reductions	Balance outstanding December 31, 2010
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.	\$ 366,357	\$ -	\$ -	\$ 725	\$ 365,632
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	32,451,939	-	-	1,348,161	31,103,778
	32,818,296	-	-	1,348,886	31,469,410
Unamortized premium 2008	795,079	-	-	66,241	728,838
Unamortized refunding gain 2008	4,089,834	-	-	340,749	3,749,085
Unamortized discount 2002 Second Series	(4,414)	-	-	(315)	(4,099)
Total	<u>\$ 37,698,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,755,561</u>	\$ 35,943,234
Less: Current Maturities					<u>(1,377,919)</u>
					<u>\$ 34,565,315</u>

Debt service requirements to maturity are as follows:

Year ending	Principal	Interest	Total Debt Service
2011	\$ 1,377,919	\$ 1,382,597	\$ 2,760,516
2012	1,402,191	1,341,254	2,743,445
2013	1,445,835	1,299,180	2,745,015
2014	912,405	1,252,185	2,164,590
2015	597,196	1,222,525	1,819,721
2016-2020	2,661,074	5,820,757	8,481,831
2021-2025	18,495,004	2,872,601	21,367,605
2026-2028	<u>4,577,786</u>	<u>417,382</u>	<u>4,995,168</u>
	\$ 31,469,410	\$ 15,608,481	\$ 47,077,891
Unaccreted principal	728,838		
Unamortized refunding gain	3,749,085		
Unamortized discount	<u>(4,099)</u>		
Bonds and notes payable at December 31, 2010	<u>\$ 35,943,234</u>		

2. Note Payable

In January 2006, the County issued the Series of 2006 General Obligation Note in an amount not to exceed \$36,000,000. This note evidenced a line of credit with the advances to be used to fund the acquisition of land, rights-of-way and easements in connection with the County's agricultural land and open space preservation program and to pay the costs associated with the issuance of the note. The note bore interest at a variable rate equal to sixty-five percent of the thirty day LIBOR rate plus fifty-three basis points. The interest rate was capped at seven percent and was payable semi-annually through November 15, 2029.

This Note was issued in anticipation of the issuance by the County of its General Obligation Bonds, Series of 2009 in the aggregate principal amount of \$36,000,000. The County expected to apply the proceeds of the 2009 Bonds to prepay this Note on or before November 15, 2009. However, the Note was paid by issuance of 2010A General Obligation Bonds.

Note payable activity for the year ended December 31, 2010 was as follows:

Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Due within one year
<u>\$ 14,667,460</u>	<u>\$ -</u>	<u>\$ 14,667,460</u>	<u>\$ -</u>	<u>\$ -</u>

3. Derivatives

Derivative Swap Agreement – Borrowing Payable

In conjunction with the Basis Swap transactions described in below, the County received upfront cash payments. These upfront cash payments were considered to be a borrowing at rates ranging from 1% to 9%. As of December 31, 2010, the borrowing had an outstanding balance of \$5,062,520, which is reflected in the governmental activities portion of the County's statement of net assets. Payments on the borrowing commenced on the effective date of each of the basis swaps.

A summary of principal and interest maturities on the borrowing is as follows:

Year Ending December 31,	Principal	Interest	Total
2011	\$ 398,178	\$ 313,288	\$ 711,466
2012	427,718	283,748	711,466
2013	459,745	251,720	711,465
2014	494,473	216,992	711,465
2015	532,133	179,333	711,466
2016-2020	2,163,022	336,001	2,499,023
2021-2025	323,667	18,731	342,398
2026-2029	263,584	4,626	268,210
Total	<u>\$ 5,062,520</u>	<u>\$ 1,604,439</u>	<u>\$ 6,666,959</u>

Interest rate basis swap – In September 2004, the County entered into a forward interest rate basis swap agreement with a financial institution in connection with the Series of 1999 General Obligation Bonds. The agreement effective date is a May 15, 2009 and terminates on May 15, 2029. The financial institution is a floating rate payer based upon 63% of 30-day LIBOR plus 20 basis points. The County is a floating rate payer based upon the BMA Municipal Bond Index as published by Municipal Market Data. On September 20, 2004, the County received a net fixed amount of \$1,285,000 (\$1,461,000 less fees of \$176,000) that represents the net present value benefit based on a historical average relationship between BMA and LIBOR.

In August 2005, the agreement was amended to extend the termination date and replace the 63% of 30-day LIBOR plus 20.00 basis points with 63% of 30-day LIBOR plus 28.3 basis points. The agreement effective date is May 15, 2009 and terminates on November 15, 2029. In May 2006, the agreement was amended effective May 15, 2009 whereby the financial institution is a floating rate payor based upon 57.3% of the 5-year ISDA Swap Index plus 28.3 basis points.

This interest rate basis swap was transferred to the 2009A Series General Obligation Bonds.

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

Associated Bond Issue	Notional Amount	Balance		December 31, 2010
		January 1, 2010	Increase/ (Decrease)	
1999 Series	<u>\$ 25,630,000</u>	<u>\$ 190,590</u>	<u>\$ (284,158)</u>	<u>\$ (93,568)</u>

Interest rate basis swap – In March 2005, the County entered into an interest rate basis swap agreement with a financial institution in connection with the Second Series of 1992 General Obligation Bonds. The agreement effective date is April 15, 2005 and terminates on November 15, 2017. The financial institution is a floating rate payor based upon 68% of 30-day LIBOR. The County is a floating rate payor based upon the BMA Municipal Bond Index as published by Municipal Market Data.

On April 18, 2005 the County received a net fixed amount of \$2,194,600 (\$2,340,000 less fees of \$145,400) that represents the net present value benefit based on a historical average relationship between BMA and LIBOR.

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

Associated Bond Issue	Notional Amount	January 1, 2010	Increase/ (Decrease)	December 31, 2010

Interest rate basis swap – In March 2005, the County entered into an interest rate basis swap agreement with a financial institution in connection with the Second Series of 1993 General Obligation Bonds. The agreement effective date is April 15, 2005 and terminates on May 15, 2020. The financial institution is a floating rate payor based upon 68% of 30-day LIBOR. The County is a floating rate payor based upon the BMA Municipal Bond Index as published by Municipal Market Data. On April 18, 2005 the County received a net fixed amount of \$ 3,152,675 (\$3,326,250 less fees of \$173,575) that represents the net present value benefit based on a historical average relationship between BMA and LIBOR.

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

Associated Bond Issue	Notional Amount	January 1, 2010	Increase/ (Decrease)	December 31, 2010

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 assets. The change in fair market value of during the year ended December 31, 2010, is accounted for as a reduction of 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.

4. Letter of Credit

During March 2002, the County issued a standby letter of credit in the amount of \$1,975,000. On January 30, 2003 the amount was reduced to \$1,600,000. On December 6, 2004 the amount was reduced to \$1,225,000. On May 23, 2005 the letter of credit changed financial institutions with the principal amount remaining \$1,225,000. On

March 30, 2007 the letter of credit was reduced to \$925,000. In October 2008, the letter of credit was reduced to \$625,000. This amount was still in force at December 31, 2010.

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. As of December 31, 2010, the County has not drawn down funds on this letter of credit.

5. 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, 2010, \$32,070,000 of bonds outstanding is considered defeased.

6. 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, 2010.

7. 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, 2010.

8. Other changes in long term liabilities

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

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Due within one year
Governmental activities:					
Agricultural easement installment purchases	\$ 659,866	\$ 59,850	\$ 519,312	\$ 200,404	\$ 180,456
Workers compensation accrued liabilities	2,211,025	1,464,243	1,342,644	2,332,624	174,247
Compensated absences payable	<u>3,584,067</u>	<u>4,910,827</u>	<u>4,768,949</u>	<u>3,725,945</u>	<u>767,554</u>
Total governmental activities	<u>\$ 6,454,958</u>	<u>\$ 6,434,920</u>	<u>\$ 6,630,905</u>	<u>\$ 6,258,973</u>	<u>\$ 1,122,257</u>
Business-type activities:					
Workers compensation accrued liabilities	\$ 2,281,589	\$ 735,809	\$ 529,095	\$ 2,488,303	\$ 185,876
Compensated absences payable	<u>1,277,007</u>	<u>2,570,758</u>	<u>2,572,481</u>	<u>1,275,284</u>	<u>331,641</u>
Total business-type activities	<u>\$ 3,558,596</u>	<u>\$ 3,306,567</u>	<u>\$ 3,101,576</u>	<u>\$ 3,763,587</u>	<u>\$ 517,517</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.

9. Guaranteed debt of others

The following revenue bonds and note are guaranteed by the County, with balances outstanding as of December 31, 2010 (except for Reading Area Community College with the outstanding balance as of June 30, 2010 and Reading Regional Airport Authority with the outstanding balance as of September 30, 2010).

Revenue Bonds/Note

Series of 2009, Berks County Solid Waste Authority Bonds	\$ 5,580,000
Series of 2003, Reading Area Community College Bonds	\$ 11,675,000
Series of 2008, Reading Regional Airport Authority Notes	\$ 8,300,000
Series of 2007, Redevelopment Authority of the County of Berks Note	\$ 4,651,850

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, 2010, revenue bonds payable consisted of the following:

Bonds	December 31, 2009	Additions (payments)	December 31, 2010
County Guarantee Revenue Bonds, Series of 2009, varying interest rates from 2.00% to 2.75% through 2017, initial issue \$6,290,000	\$ 6,290,000	\$ (710,000)	\$ 5,580,000
Less:			
Current maturities			(885,000)
Unamortized deferred refunding loss			(473,484)
Unamortized bond premium			25,466
			<u>\$ 4,246,982</u>

Aggregate sinking fund installments required on bonded debt at December 31, 2010 are as follows:

Year ending	Principal	Interest	Total Debt service
2011	\$ 885,000	\$ 112,450	\$ 997,450
2012	905,000	94,550	999,550
2013	920,000	76,300	996,300
2014	940,000	57,700	997,700
2015	955,000	37,556	992,556
2016-2017	975,000	13,407	988,407
	<u>\$ 5,580,000</u>	<u>\$ 391,963</u>	<u>\$ 5,971,963</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, 2010 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, 2010 was as follows:

	Balance outstanding July 1, 2009	Additions (payments)	Balance outstanding June 30, 2010
College Revenue Bonds, Series of 2002, original issue \$7,170,000, weighted average interest rate 3.73 % final maturity April 2014.	\$ 2,780,000	\$ (735,000)	\$ 2,045,000
College Revenue Bonds, Series of 2003, original issue \$12,490,000, weighted average interest rate 4.90 % final maturity April 2029.	11,845,000	(170,000)	11,675,000
College Revenue Bonds, Series of 2004, original issue \$2,500,000, weighted average interest rate 3.55 % final maturity April 2020.	2,433,000	(15,000)	2,418,000
College Revenue Bonds, Series of 2005, original issue \$1,860,000, weighted average interest rate 3.90 % final maturity April 2016.	1,342,000	(173,000)	1,169,000
College Revenue Bonds, Series of 2006, original issue \$1,079,000, weighted average interest rate 4.12 % final maturity March 2010.	490,000	(490,000)	-
College Revenue Bonds, Series of 2007, original issue \$2,713,000, weighted average interest rate 4.23 % final maturity May 2014.	<u>1,624,000</u>	<u>(359,000)</u>	<u>1,265,000</u>
	<u>\$ 20,514,000</u>	<u>\$ (1,942,000)</u>	18,572,000
Less: Current maturities			<u>(1,511,000)</u>
			<u>\$ 17,061,000</u>

Principal and interest requirements to maturity are as follows:

Year ending June 30	Principal	Interest	Total Debt service
2011	\$ 1,511,000	\$ 812,522	\$ 2,323,522
2012	1,561,000	759,778	2,320,778
2013	1,619,000	438,532	2,057,532
2014	1,358,000	641,023	1,999,023
2015	842,000	587,269	1,429,269
2016-2020	4,536,000	2,388,491	6,924,491
2021-2025	3,585,000	1,443,950	5,028,950
2026-2029	3,560,000	455,750	4,015,750
	<u>\$ 18,572,000</u>	<u>\$ 7,527,315</u>	<u>\$ 26,099,315</u>

2. Note payable

- **Service Access and Management, Inc.**

Notes payable activity for the year ended June 30, 2010 consisted of the following:

	Balance outstanding July 1, 2009	Additions (payments)	Balance outstanding June 30, 2010
Revenue Note, Series of 2005, original principal amount \$3,060,000, interest payable at 3.99% payable to a bank, through November 2015 and thereafter at 65% of the bank's prime rate, due in annual installments ranging from \$96,000 to \$267,824 to November 2025, collateralized by real estate	\$ 2,861,000	\$ (112,824)	\$ 2,748,176
Revenue Note, payable to a bank, original principal amount \$470,672, interest payable at 6.50% through November 2015 and thereafter at 100% of the bank's prime rate, due in annual installments ranging from \$19,672 to \$47,000 to November 2022, collateralized by real estate	451,000	(67,000)	384,000
Revenue Note, original principal amount \$69,328, interest payable at 3.99% through November 2015 and thereafter at 65% of the bank's prime rate, due in annual installments ranging from \$3,328 to \$6,000 to November 2022, collateralized by real estate	66,000	(12,000)	54,000
Mortgage payable to a bank, original principal amount \$360,000, monthly payments of \$2,263 including interest at 4.36% , unamortized balance due October 2014, collateralized by real estate	-	352,397	352,397
Total	<u>\$ 3,378,000</u>	<u>\$ 160,573</u>	<u>\$ 3,538,573</u>

Future maturities of the notes payable are as follows:

Year ending	Principal	Interest	Total Debt service
2011	\$ 158,635	\$ 150,938	\$ 309,573
2012	165,126	144,127	309,253
2013	172,722	136,903	309,625
2014	180,304	129,382	309,686
2015	475,727	112,879	588,606
2016-2020	942,118	435,585	1,377,703
2021-2025	1,176,118	243,068	1,419,186
Thereafter	<u>267,823</u>	<u>17,707</u>	<u>285,530</u>
	<u>\$ 3,538,573</u>	<u>\$ 1,370,589</u>	<u>\$ 4,909,162</u>

During 2009, the bank holding the debt did not withdraw the annual principal payments from the Organization's accounts for two of the three notes. Subsequently, the bank modified the maturities due in future years.

- **Berks County Industrial Development Authority**

The Authority has a \$10,000,000 note payable, at 4.5%, with a bank, to be used for the funding of the I-78 Industrial Park Project. The note is guaranteed by the U.S. Department of Housing and Urban Development under its Section 108 Loan Guarantee Program. The Authority has entered into an agreement with the County of Berks to provide Community Development Block Grant funds in the amount of \$5,000,000 through 2016 to assist with debt service payments on the note, of which \$3,200,000 was received through December 31, 2010.

The Authority has a \$3,500,000 note payable at 5.4% with a bank, to be used for the funding of the Reading Regional Airport Industrial Park. The note is guaranteed by the U.S. Department of Housing and Urban Development under its Section 108 Loan Guarantee Program.

The Authority has a \$6,299,000 note payable at 4.25% with a bank for a Tax Incremental Financing Revenue Note for the Exeter Fund. Debt repayment will be made through receipt of future real estate revenues of the project.

At December 31, 2010, changes in long term debt consisted of the following:

	Balance outstanding December 31, 2009	Additions (payments)	Balance outstanding December 31, 2010
\$10,000,000 Section 108 Loan	\$ 8,645,000	\$ (476,000)	\$ 8,169,000
\$3,500,000 Section 108 Loan	3,500,000	(141,000)	3,359,000
\$6,299,000 Exeter TIF Note	<u>6,299,000</u>	<u>(238,000)</u>	<u>6,061,000</u>
Total	<u>\$ 18,444,000</u>	<u>\$ (855,000)</u>	<u>\$ 17,589,000</u>

Aggregate maturities required on the notes payable at December 31, 2010 are as follows:

Year ending	Principal	Interest	Total Debt service
2011	\$ 888,000	\$ 870,164	\$ 1,758,164
2012	921,000	830,351	1,751,351
2013	958,000	787,925	1,745,925
2014	997,000	742,871	1,739,871
2015	1,039,000	695,406	1,734,406
2016-2020	5,910,000	2,661,272	8,571,272
2021-2025	5,638,000	1,042,221	6,680,221
2026-2027	<u>1,238,000</u>	<u>76,496</u>	<u>1,314,496</u>
	<u>\$ 17,589,000</u>	<u>\$ 7,706,706</u>	<u>\$ 25,295,706</u>

Redevelopment Authority of the County of Berks

At December 31, 2010, notes payable consisted of the following:

Notes	Balance outstanding January 1, 2010	Additions (payments)	Balance outstanding December 31, 2010
County Guaranteed Revenue Note, Series of 2007, original amount \$6,359,000, payable to a bank at 4.149001%, due in annual installments with varying principal amounts to November 2017, guaranteed by the County of Berks	\$ 5,287,771	\$ (635,921)	\$ 4,651,850
Note payable to the Commonwealth of Pennsylvania, Department of Transportation, original amount of \$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.	-	700,000	700,000
Note payable to a bank, original amount \$1,500,000 at 4.65%, interest monthly through February 2024, fixed annual principal and interest payments of \$83,333 to November 2023, and a final principal and interest payment of \$50,000 due February 2024, to be repaid through real estate tax revenues from a tax increment district established for the project.	<u>1,216,667</u>	<u>(83,334)</u>	<u>1,133,333</u>
Total	<u>\$ 6,504,438</u>	<u>\$ (19,255)</u>	\$ 6,485,183
Less:			
Current maturities			<u>(747,739)</u>
			<u>\$ 5,737,444</u>

Aggregate maturities required on note payable at December 31, 2010 are as follows:

Year ending	Principal	Interest	Total Debt service
2011	\$ 747,739	\$ 260,957	\$ 1,008,696
2012	773,712	231,236	1,004,948
2013	801,718	199,214	1,000,932
2014	830,402	166,647	997,049
2015	860,273	132,894	993,167
2016-2020	2,171,339	231,364	2,402,703
2021-2024	<u>300,000</u>	<u>29,720</u>	<u>329,720</u>
	<u>\$ 6,485,183</u>	<u>\$ 1,252,032</u>	<u>\$ 7,737,215</u>

- **Reading Regional Airport Authority**

September 30,
2009 and
2010

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. \$ 3,705,000

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

Revenue Note, Series C of 2008 - On November 20, 2008, the Authority issued the Guaranteed Revenue Note, Series C of 2008 (Federally taxable) in the amount \$745,000. The proceeds were used to refund the 2004C Bonds. The Note will mature on April 1, 2014. The Note bears interest at a fixed rate of 5.90%. Interest is payable semi-annually. 745,000

	Total \$ 8,300,000
Less: Amount due within one year and classified as current	<u>(85,000)</u>
	<u><u>\$ 8,215,000</u></u>

The Revenue Notes A, B and C of 2008 are guaranteed by the County of Berks.

Debt service requirements to maturity are as follows:

Year ending Sept 30	Revenue Bonds, Series 2008		Total
	Principal	Interest	Debt service
2011	\$ 85,000	\$ 379,383	\$ 464,383
2012	210,000	371,270	581,270
2013	225,000	358,733	583,733
2014	235,000	345,310	580,310
2015	250,000	332,201	582,201
2016-2020	1,420,000	1,482,895	2,902,895
2021-2025	1,790,000	1,131,123	2,921,123
2026-2030	2,225,000	692,215	2,917,215
2031-2034	1,860,000	168,229	2,028,229
	<u>\$ 8,300,000</u>	<u>\$ 5,261,359</u>	<u>\$ 13,561,359</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 of 2007.

4. Line of Credit

- **Service Access and Management, Inc.**

The Organization has two unsecured lines of credit with a bank in the amounts of \$400,000 and \$600,000, both at 4.25%, of which \$175,000 and \$200,000, respectively, were outstanding at June 30, 2010.

- **Berks County Industrial Development Authority**

The Authority has a \$10,000,000 line of credit with a bank at 77% of the bank's prime rate but not less than 3.08% or more than 12.32%. The balance at December 31, 2010 was \$117,888. The line of credit is guaranteed by the County of Berks.

The Authority has a \$800,000 unsecured line of credit with a bank at variable rate of 0.50% under the bank's prime rate. The Authority had no borrowings on this line of credit at December 31, 2010.

- **Reading Area Community College**

As of June 30, 2010, 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 expires on December 31, 2010. There is no outstanding balance on this line of credit at June 30, 2010.

5. Long-term liabilities

- **Council on Chemical Abuse, Inc.**

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Balance, Beginning	Additions	Reductions	Balance, Ending
Obligation under capital leases	\$ 5,582	\$ 20,757	\$ 6,088	\$ 20,251
Compensated absences payable	<u>83,406</u>	<u>6,873</u>	<u>12,173</u>	<u>78,106</u>
	<u>\$ 88,988</u>	<u>\$ 27,630</u>	<u>\$ 18,261</u>	<u>\$ 98,357</u>

- **Service Access and Management, Inc.**

Other long-term liability activity for the year ended June 30, 2010 was as follows:

	Balance, Beginning	Additions	Reductions	Balance, Ending
Compensated absences payable	<u>\$ 971,845</u>	<u>\$ 418,168</u>	<u>\$ 52,772</u>	<u>\$ 1,337,241</u>

- **Reading Area Community College**

	Balance outstanding December 31, 2010
Bonds	
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 2015. The College has pledged its full faith and credit for the repayment of the loan.	\$ 1,167,270
Portion payable within one year and classified as current.	<u>(294,865)</u>
Total long term debt	<u>\$ 872,405</u>

Accrued compensated absences for the year ending June 30, 2010 was \$837,531.

NOTE 11: OBLIGATIONS UNDER CAPITAL LEASES

A. Component units

1. Council on Chemical Abuse, Inc.

The Organization has various office equipment, that was acquired under capital leases. The equipment and the related liabilities under the capital leases were recorded at the present value of the future payments due under the leases, as determined with a discount rate as applicable to each lease. The related liabilities under the capital leases at June 30, 2010, with a balance of \$20,251, are due in various installments through 2014.

The following is a schedule by years of the future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments, as of June 30, 2010:

Year ending June 30:

2011	\$ 7,430
2012	6,590
2013	5,750
2014	<u>2,634</u>
	22,404
Less the amount representing interest	<u>(2,153)</u>
Present value of net minimum lease payments	<u>\$ 20,251</u>

2. Reading Area Community College

Following is a summary of property held under capital leases:

Computer equipment and copiers	\$ 87,428
Less: Accumulated depreciation	<u>(55,489)</u>
	<u>\$ 31,939</u>

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

2010	\$ 13,729
2011	9,705
2012	<u>1,180</u>
	24,614
Less amount representing interest	<u>(2,129)</u>
Present value of net minimum lease payments	<u>\$ 22,485</u>

The interest rates on the capitalized leases range from 4.75% 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 12: COMMITMENTS AND CONTINGENCIES

A. Primary government

The County leases building space for certain County and District Justices 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 \$1,494,414 for the year ended December 31, 2010.

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

2011	\$ 1,366,327
2012	843,251
2013	633,309
2014	494,082
2015	411,403
2016-2018	<u>898,791</u>
Total	<u>\$ 4,647,163</u>

B. Component units

1. Council on Chemical Abuse, Inc.

The Organization receives approximately 99% of its support from the federal government, the Commonwealth of Pennsylvania and local governments. A significant reduction in the level of this support would have a material effect on the Organization's programs and activities.

The Organization entered into an operating lease for the rental of office space. The lease is for a period of five years, expiring February 2012, with a monthly payment of \$6,818, with increases of 3% each year through February 2012.

The Organization has entered into operating leases for telecommunication/internet services, telephone services and office equipment, which expire April 2013 through April 2014. The agreements require monthly payments ranging from \$69 to \$556.

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

Year ended June 30:	
2011	\$ 99,139
2012	71,893
2013	12,678
2014	<u>4,543</u>
Total	<u>\$ 188,253</u>

Total rental expense for the year ended June 30, 2010 was \$101,478.

2. Service Access and Management, Inc.

The Organization is economically dependent upon the Counties of Berks and Schuylkill. A significant reduction in the commitment for funding of mental health/mental retardation services by the Counties of Berks and Schuylkill would have a material effect on the Organization's programs and activities.

The Organization has entered into seven operating leases for the rental of office space for the Schuylkill, York/Adams, BHAU and Juniata Valley Tri-County programs expiring through June 2013. The leases call for monthly payments ranging from \$500 to \$10,528. The leases contain escalation clauses, as specified in the leases, and require the Organization to pay utilities, insurance and maintenance costs.

The Organization leases equipment under short-term lease agreements for which the total minimum rental commitment at June 30, 2010 is not material.

At June 30, 2010, the minimum future lease payments under the above operating leases are as follows:

Year ended June 30:	
2011	\$ 301,506
2012	242,097
2013	233,697
2014	202,017
2015	202,017
Thereafter	<u>606,051</u>
Total	<u>\$ 1,787,385</u>

Total rental expense for the year ended June 30, 2010 was \$770,922.

3. Berks County Industrial Development Authority

The Authority entered into an operating lease with the County of Berks for the rental of office space expiring October 31, 2014. The lease requires minimum monthly rental payments of \$525.

Rental expense charged to operations under the terms of the lease amounted to \$6,300 for the year ended December 31, 2010.

The Authority has entered into an agreement to buy the land associated with the Reading Regional Airport Industrial Park. In March 2010, a new agreement of sale with the Reading Regional Airport Authority was signed for \$2,655,000 for the purchase of Lot #1. Closing was to occur on or before March 31, 2011; however, in January 2011, an amendment to the agreement was signed to amend closing date to on or before June 30, 2011. All previous agreements of sale and amendments to those agreements with the Reading Regional Airport Authority were terminated. A second amendment was signed in April 2011 whereas the Authority paid a \$275,000 advance payment towards the purchase price of the property. If the sale does not occur, the amount will be refunded less any accrued interest.

The Authority has entered into an agreement with Blue Rock Construction, Inc. for the design, development, and construction phases of the infrastructure for the I-78 Industrial Park Project. Under this contract, the estimated fees for preconstruction services are \$79,530 and the estimated fees for construction services are \$130,890.

The Authority has entered into agreements with the County of Berks, Exeter Township and the Exeter Township School District (municipalities) related to financing for transportation improvements for a retail development in Exeter Township, Berks County. The Authority borrowed \$6,299,000 for the project and incurred interest expense of \$267,708 for the year ended December 31, 2010. The project was completed in 2009 and the last payment to the project developer was made in 2009. The municipalities have created a "tax incremental district" under which the incremental real estate tax revenues from the project will be provided to the Authority to be used for debt service. Real estate tax revenues received by the Authority for the year ended December 31, 2010 were \$719,834.

4. Berks County Solid Waste Authority

The Authority has employment agreements with the Executive Director and the Recycling Center Operator, effective through March 31, 2011 and July 31, 2011, respectively, 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.

5. 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 \$43,741 for the year ended December 31, 2010.

The Authority entered into an agreement for maintenance work with a local independent contractor. At December 31, 2010, the remaining cost under the terms of the agreement is approximately \$6,378.

The Authority entered into an agreement for demolition work within the City of Reading with a demolition contractor. At December 31, 2010, the remaining cost under the terms of the agreement is approximately \$88,600.

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.

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 \$4,266,838 as of December 31, 2010. During the year ended December 31, 2010, the Berks County Industrial Development Authority paid debt principal of \$635,921 and interest expense of \$160,555 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 related to this Project as follows for the year ended December 31, 2010:

Borough of West Reading, Pennsylvania	\$ 15,657
County of Berks, Pennsylvania	29,085
Wyomissing School District	<u>66,655</u>
	<u>\$ 111,397</u>

The Authority received \$9,695 from the County of Berks, Pennsylvania, in January 2010 for 2009 and another \$19,390 in June 2010 for 2010.

The amount receivable under the agreement as of December 31, 2010 was \$1,107,018.

The Authority has entered in 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 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 related to the Project. The Authority has not received any tax receipts related to this project through December 31, 2010.

The amount receivable under the agreement as of December 31, 2010 was \$901,372.

6. Reading Regional Airport Authority

The Authority is currently involved in a lawsuit. Although the outcome of the lawsuit is not presently determinable, in the opinion of the Authority's counsel, resolution of the matter will not have a material adverse effect on the financial condition of the Authority. No liability is included in the financial statements for this matter.

7. Reading Area Community College

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:	
2011	\$ 968,586
2012	896,294
2013	828,948
2014	871,612
2015	908,501
2016-2018	<u>1,249,435</u>
Total	<u>\$ 5,723,376</u>

Rent expense for the year ended June 30, 2010 approximated \$ 810,340.

Effective June 30, 2010, the College entered into an agreement to lease space to a commercial entity. Terms of the agreement are 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, 2011. Annual rental amount is \$45,560.

NOTE 13: RESTRICTED NET ASSETS/RESERVED FUND BALANCES

These represent external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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. \$ 4,411

Farmland preservation

This restriction represents funds raised to purchase farmland as part of the agricultural preservation program. 179,495

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. 134,551

Hazmat response

This restriction represents fees and other charges to be used to fund the clean up of hazardous materials incidents. 1,231,288

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. 64,351

Program purposes

This restriction represents amounts restricted to fund the operations of certain special revenue funds. 22,724,781

Governmental funds

In the fund financial statements, reserves segregate portions of fund balance that are either not available to meet current expenditures or otherwise restricted by parties outside of the financial reporting entity. Some of these reservations are also restricted at the government wide level.

Reservations at the fund level only are as follows:

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. \$ 108,027

Workers compensation

This restriction represents funds restricted to pay future workers compensation claims. 237,913

Berks Heim

This reservation reflects the negative net assets in Berks Heim enterprise fund, which potentially may become a liability of the general fund 8,586,094

Youth Center

This reservation reflects the negative net assets in the Youth Center enterprise fund, which potentially may become a liability of the general fund. 10,671,883

Encumbrances

These reservations represents the outstanding contractual obligations for goods and services not yet received. 277,982

2006 GO Note

This reservation represents funds restricted for the deficit fund balance in the Capital Project 2006 GO Note. \$ 667,390

NOTE 14: PURCHASED PROGRAM SERVICES

Component unit

Council on Chemical Abuse, Inc.

The Organization reports purchased program services costs incurred, net of related revenues earned by the contracted service providers in the providing of these services. Following are gross costs incurred and the related revenues earned for the year ended June 30, 2010:

Purchased program services expenses	<u>\$ 6,859,200</u>
Less revenues:	
Client fees	284,439
Other income	<u>418,737</u>
	<u>703,176</u>
Purchased program services, net of revenues	<u><u>\$ 6,156,024</u></u>

NOTE 15: CONTRACTUAL AGREEMENT REVENUE

Component unit

Berks County Solid Waste Authority

The Authority entered into a Municipal Recycling Program Grant agreement in April 2010 with the Pennsylvania Department of Environmental Protection. The Grant is in accordance with Section 902 of the Municipal Waste Planning, Recycling and Waste Reduction Act 101 of July 28, 1988, which provides for the issuance of grants to municipalities in support of municipal recycling program activities. Under the agreement, the Authority is eligible for funding for all eligible expenditures not to exceed a maximum reimbursement of \$297,507 through April 2012, the project completion date. As of and for the year ended December 31, 2010, the Authority had \$195,066 in total eligible expenditures for this project, of which \$184,717 was reimbursable under the terms of the Grant agreement.

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. The agreement states that in return for these services, the County will pay the Authority \$220,000 for the 2010 calendar 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 2010, the Authority received \$844,422 in host fees from the County.

NOTE 16: LEGAL COMPLIANCE

Primary government

Actual expenditures, excluding transfers, at the legal level of budgetary control were less than budgeted appropriations in the General Fund by \$15,790,265. Although revenues and expenditures were both under budget in 2010, total revenues still exceeded expenditures.

Expenditures, excluding transfers, at the legal level of budgetary control exceeded budgeted appropriations in the Special Legislation Special Revenue Fund by \$146,083. Additional revenues were received for special legislation programs and provided all of the funds to cover these expenditures.

Expenses at the legal level of budgetary control exceeded budgeted appropriations in the Berks Heim Enterprise Fund. Expenses exceeded appropriations by \$669,296. Future revenues, which may include general tax revenues, will be used to fund the deficit.

NOTE 17: 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 18: 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, 2010, the College contributed \$48,780 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, 2010
Annual required contribution	\$ 91,538
Interest on net OPEB obligation	1,291
Adjustment to annual required contribution	<u>(2,131)</u>
Annual OPEB cost	90,698
Contributions made	<u>(48,780)</u>
Increase in net OPEB obligation	41,918
Net OPEB obligation - beginning of year	<u>43,022</u>
Net OPEB obligation - end of year	<u>\$ 84,940</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, 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 90,698	53.8%	\$ 84,940
6/30/2009	66,303	67.6%	43,022

As of July 1, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$988,823, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$988,823.

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, 2009 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 2016 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 19: SUBSEQUENT EVENTS

A. Primary government

1. Unwind three interest rate management agreements (swaps)

At the February 24, 2011 Commissioners' Board Meeting, Resolution number 64.11 was approved to unwind certain interest rate management agreements (swaps) previously executed with respect to the County's General Obligation Bonds, Second Series of 1992, Second Series of 1993 and Series A of 2009; and further authorizing the appropriate officers of the County to execute and deliver any necessary documents, and authorizing the taking of other necessary action in connection with the foregoing action. In 2011, the county paid \$2,876,000 to terminate three swaps and in doing so eliminated the entire negative mark to market adjustment in the entity wide financial statement at December 31, 2010.

2. Approve new interest rate management agreement (swap)

At the February 24, 2011 Commissioners' Board meeting, Ordinance number 2-11 was enacted to approve an interest rate management plan and the terms and conditions of an interest rate management agreement relating to the County's General Obligation Bonds Series C of 2010 (Build America Bonds); to authorize the execution and delivery of the interest rate management agreement; and to authorize the execution and delivery of other necessary documents and the taking of other necessary action with the foregoing. In 2011, the County entered into a new basis swap transaction that is generating \$20,000 per month in positive cash flow and reduction in interest expense.

The combined result of terminating three swaps and entering into a new basis swap is that the notational swap exposure was reduced significantly.

B. Component units

1. Service Access and Management, Inc.

In July 2010, the Organization contracted with the Luzerne/Schuylkill Workforce Investment Board to provide fiscal and administrative services. Total revenue anticipated under this agreement is \$230,000 for the year ended June 30, 2011.

In December 2010, the Organization completed construction of a building in DuBois, Pennsylvania. Total cost of the building was approximately \$2 million, and was financed through a mortgage with a bank.

Management of the Organization has been authorized by the Board of directors to pursue purchasing a building in Schuylkill County.

In February 2011, the Organization contracted with Northampton County to provide Supports Coordination Services. Total revenue anticipated under this agreement is \$25,000 for the year ended June 30, 2011.

2. Berks County Industrial Development Authority

In January 2011, the certificates of deposit were redeemed and the proceeds invested into GNMA fixed income investments and a money market fund.

In April 2011, the investments of the I-78 Industrial Park were sold, and the proceeds transferred to a checking account.

3. Redevelopment Authority of the County of Berks

In January 2011, the Authority authorized and approved the undertaking of the Easy Does It, Inc. (the "Organization") Project, consisting of refinancing of two existing mortgage loans held by a bank and encumbering certain real property of the Organization and the issuance of the Note to finance a portion of the costs. The Note is designated as the "Redevelopment Authority of the County of Berks Revenue Note (Easy Does It Project), Series of 2011," and was issued and secured pursuant to the agreement in an amount not to exceed \$700,000. The Note bears interest at variable or fixed rates of interest and contains such other terms and conditions as set forth in the agreement.

In February 2011, the Authority entered into an agreement with a vendor to design track work relating to the Colebrookdale Redevelopment Area, at a cost not to exceed \$12,500.

In March 2011, the Authority entered into an agreement with a vendor to perform bridge inspections and ratings, at a cost not to exceed \$40,000.

In April 2011, the Authority approved a loan, of up to \$400,000, from the Housing Development Fund, to a local developer for the purpose of purchasing and rehabilitating a certain property in the City of Reading. The Developer agreed to set aside four units for the Authority's Health Choices program.

4. Reading Regional Airport Authority

In September 2006, the Authority (seller) entered into an agreement of sale with Berks County Industrial Development Authority (BCIDA) for land for a purchase price of \$4,550,000. Upon execution of the agreement, \$5,000 was paid and placed in escrow. Closing was to be held on March 12, 2007 or earlier. Under the agreement, BCIDA was able to secure an extension of time regarding the closing date for an additional six months by paying the sum of \$150,000. In addition, BCIDA was able to secure up to three additional six-month extensions for payments of \$150,000 per extension. As of September 30, 2009, the Authority received four \$150,000 payments for the extension of the closing date. The payments for extension are not applicable to the purchase price and are nonrefundable except in the case of seller's default or inability to convey title. Under

the terms of the contract, in certain circumstances a revisionary interest exists whereby BCIDA may be entitled to all deposits and extension payments. Property being sold is all non-aviation related property.

During the year ended September 30, 2010, a new agreement was entered into with the BCIDA. The agreement decreased the parcels of land to be sold and also decreased the sales price to \$2,655,000. All terms relating to the deposit and extension payments remain the same under the new agreement. As a result of these terms, the \$600,000 in extension payments received by the Authority remain in deposit on agreement of sale contract at September 30, 2010. Closing date is currently extended to March 31, 2011.

NOTE 20: ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

The County adopted the provisions of GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*" in its fiscal year ending December 31, 2010.

GASB 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The adoption of Statement No. 53 affects the three derivative instruments that were recorded on the County's books as of December 31, 2010: an interest rate basis swap agreement in connection with the Second Series of 1992 General Obligation Bonds, an interest rate basis swap agreement in connection with the Second Series of 1993 General Obligation Bonds, and an interest rate basis swap agreement in connection with the 2009A Series of General Obligation Bonds.

Strategy and Accounting for the Basis Swaps

The purpose of the basis swaps was to reduce interest expense from the expected benefit resulting from the difference between short and long term rates, or tax-exempt and taxable rates. Under the Implementation Guide for GASB 53, basis swaps are deemed to be investment instruments, therefore no effectiveness testing is required, and they are not treated as hedges.

Fair Values

An independent party was engaged to perform the valuations and required tests on the swaps. The fair market value of the swaps was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Because of the date of the statement's adoption, restating prior periods was not deemed to be practical. Therefore, the beginning net assets and related liabilities at January 1, 2010 were restated by \$2,196,469 for the fair value of the derivatives as calculated for that date. The change in fair value of \$844,143, as calculated for the year ending December 31, 2010, was accounted for as a reduction of investment income in the Statement of Activities. Disclosure of the fair value of these derivatives can be found in Note 10, Notes to Financial Statements.

The County also adopted the provisions of GASB Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*" in its fiscal year ending December 31, 2010.

The adoption of Statement No. 58 had no effect on the financial reporting information of the County.

NOTE 21: NEW ACCOUNTING PRONOUNCEMENTS

In March 2009, the GASB issued Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. The County is required to adopt Statement No. 54 for its calendar year 2011 financial statements.

In December 2009, the GASB issued Statement No. 57, “*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*”. The County is required to adopt Statement No. 57 for its calendar year 2012 financial statements.

In June 2010, the GASB issued Statement No. 59, “*Financial Instruments Omnibus*”. The County is required to adopt Statement No. 59 for its calendar year 2011 financial statements.

In November 2010, the GASB issued Statement No. 60, “*Accounting and Financial Reporting for Service Concession Arrangements*”. The County is required to adopt Statement No. 60 for its calendar year 2012 financial statements.

In November 2010, the GASB issued Statement No. 61, “*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*”. The County is required to adopt Statement No. 61 for its calendar year 2013 financial statements.

In December 2010, the GASB issued Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*”. The County is required to adopt Statement 62 for its calendar year 2012 financial statements.

In June 2011, the GASB issued Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” The County is required to adopt Statement 63 for its calendar year 2012 financial statements.

In June 2011, the GASB issued Statement No. 64, “*Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53.*” The County is required to adopt Statement 64 for its calendar year 2012 financial statements.



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, 2010

County of Berks
2010 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, 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

Schedule of Revenues, Expenditures and Changes in Fund Balances
 General Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Property taxes	\$ 127,008,976	\$ 127,136,949	\$ 125,922,864	\$ (1,214,085)
Court cost, fines and forfeitures	3,703,000	3,703,000	4,556,223	853,223
Investment earnings	2,287,054	2,293,054	1,370,673	(922,381)
Intergovernmental revenue	14,489,930	14,088,348	11,945,343	(2,143,005)
Departmental charges and reimbursements	21,440,609	21,200,393	20,704,125	(496,268)
Payments in lieu of taxes	67,463	67,463	131,780	64,317
Rentals	232,118	232,118	216,663	(15,455)
Sale of property, supplies and equipment	14,500	14,500	27,008	12,508
Miscellaneous	2,541,676	2,749,817	7,040,675	4,290,858
Total revenues	<u>171,785,326</u>	<u>171,485,642</u>	<u>171,915,354</u>	<u>429,712</u>
Expenditures				
General government, administrative:				
Commissioners	1,637,566	1,654,854	1,465,373	189,481
Solicitors	285,949	454,949	343,530	111,419
Maintenance	(2,138,479)	(1,980,627)	2,119,208	(4,099,835)
Courthouse Security	230,220	205,695	186,562	19,133
Engineering	105,484	105,484	137,616	(32,132)
Fleet Maintenance	63,385	121,265	95,474	25,791
County Farms	1,376	1,376	1,064	312
Ag-Storage Building	57,226	116,381	114,480	1,901
Election Services	1,822,985	1,872,545	1,633,170	239,375
Real Estate Assessment	3,551,629	3,551,629	2,648,701	902,928
Treasurer	782,124	854,824	830,476	24,348
Tax Collectors	474,436	466,436	439,668	26,768
Tax Claim Bureau	1,048,123	1,120,059	1,039,904	80,155
Controller	339,593	374,593	273,401	101,192
Recorder of Deeds	1,581,356	1,581,356	1,535,257	46,099
Mailroom/Printing	64,803	64,803	(95,379)	160,182
Information Systems	2,780,050	2,855,069	2,928,091	(73,022)
Purchasing	202,064	202,064	124,883	77,181
Budget	368,610	372,687	294,073	78,614
Human Resources	1,202,478	1,366,864	1,037,751	329,113
Employee Benefits	5,784	5,784	(44,986)	50,770
Insurance	72,795	72,795	30,921	41,874
Telecommunications	(81,168)	(81,168)	(102,678)	21,510
Total general government, administrative	<u>14,458,389</u>	<u>15,359,717</u>	<u>17,036,560</u>	<u>(1,676,843)</u>
General government, judicial:				
Register of Wills	938,720	954,879	925,948	28,931
Sheriff	7,553,536	7,581,211	7,879,803	(298,592)
Coroner	1,547,043	1,587,617	1,728,890	(141,273)
Prothonotary	2,038,294	2,246,079	2,166,037	80,042
Clerk of Courts	2,242,641	2,242,641	2,197,429	45,212
Public Defender	2,990,399	2,992,719	2,918,497	74,222
District Attorney	8,965,411	9,133,283	8,896,671	236,612
Law Library	596,053	596,053	567,439	28,614
Court Administration	8,915,672	9,063,340	8,682,402	380,938
District Justices	9,467,379	9,457,756	8,660,456	797,300
Court Reporters	1,971,429	1,971,479	2,144,495	(173,016)
Graffiti Abatement grant	-	-	58,805	(58,805)
Total general government, judicial	<u>47,226,577</u>	<u>47,827,057</u>	<u>46,826,872</u>	<u>1,000,185</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
 General Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Public Safety:				
Adult probation	7,021,018	7,062,663	6,644,355	418,308
Juvenile probation	15,042,303	15,085,422	13,350,732	1,734,690
Prison	29,564,550	29,935,067	30,126,619	(191,552)
Community corrections	2,492,217	2,328,114	1,523,495	804,619
INS (immigration detainees at prison)	618,635	622,026	11,090	610,936
Department Emergency Services	1,585,382	1,631,221	1,469,560	161,661
Total public safety	56,324,105	56,664,513	53,125,851	3,538,662
Human Services:				
Veterans Affairs	572,294	572,523	546,808	25,715
Total human services	572,294	572,523	546,808	25,715
Culture and recreation:				
Berks County Public Libraries	5,980,048	5,428,078	5,175,989	252,089
Parks	8,384,931	8,338,510	2,828,079	6,010,431
Total culture and recreation	14,364,979	14,266,588	8,004,068	6,262,520
Community and economic development:				
Planning	1,594,696	1,612,446	1,509,890	102,556
Community and economic development	138,851	138,851	138,720	131
Agricultural extension service	554,478	554,478	551,265	3,213
Ag land preservation	363,564	363,564	340,526	23,038
Total community and economic development	2,651,589	2,669,339	2,540,401	128,938
Public Works:				
Recycling	347,252	347,252	229,561	117,691
Community Support:				
Contributions:				
COCA	1,725,946	1,725,946	1,725,946	-
Community Bail Program	605,690	605,690	604,783	907
Berks Area Regional Transportation Authority	258,906	388,362	388,362	-
Contingency General	4,172,486	3,482,984	-	3,482,984
PCCD Level of Service	41,016	41,016	41,016	-
Charities	5,000	5,500	5,000	500
Reading Area Community College	3,200,000	3,200,000	3,200,000	-
Humane Society of Berks County	4,000	4,000	4,000	-
Animal Rescue League	4,000	4,000	4,000	-
Berks County Museum Council	5,000	5,000	5,000	-
Tourism	50,000	50,000	50,000	-
Berks County Historical Society	15,000	15,000	15,000	-
East Pennsylvania EMS Council	5,000	5,000	5,000	-
Berks Visiting Nurse Association	26,000	26,000	26,000	-
Crime Alert	8,000	8,000	8,000	-
Berks Arts Council	20,000	20,000	20,000	-
Berks County Television	60,000	60,000	60,000	-
Berks County Conservancy	20,000	20,000	20,000	-
Economic Development Partnership	500,000	500,000	500,000	-
Downtown Improvement District	10,000	10,000	10,000	-
Total community support	10,736,044	10,176,498	6,692,107	3,484,391

Schedule of Revenues, Expenditures and Changes in Fund Balances
 General Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Debt service:				
Principal	14,628,384	14,628,384	14,216,114	412,270
Interest and fiscal charges	6,222,208	6,222,208	3,725,494	2,496,714
Total debt service	<u>20,850,592</u>	<u>20,850,592</u>	<u>17,941,608</u>	<u>2,908,984</u>
Intergovernmental:				
Solid Waste debt service	844,423	844,423	844,401	22
Total expenditures for general fund	<u>168,376,244</u>	<u>169,578,502</u>	<u>153,788,237</u>	<u>15,790,265</u>
Excess of revenue over expenditures	<u>3,409,082</u>	<u>1,907,140</u>	<u>18,127,117</u>	<u>16,219,977</u>
Other financing sources (uses):				
Transfers in	1,798,334	1,859,922	1,469,516	390,406
Transfers out	(696,017)	(696,017)	(6,726,727)	6,030,710
Issuance of refunding bonds	9,305,550	9,305,550	-	9,305,550
Total other financing sources (uses)	<u>10,407,867</u>	<u>10,469,455</u>	<u>(5,257,211)</u>	<u>15,726,666</u>
Net change in fund balances	13,816,949	12,376,595	12,869,906	(493,311)
Fund balance, beginning	131,260,868	131,260,868	145,131,036	13,870,168
Fund balance, ending	<u>\$ 145,077,817</u>	<u>\$ 143,637,463</u>	<u>\$ 158,000,942</u>	<u>\$ 13,376,857</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances:
 Children and Youth Special Revenue Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 31,059,028	\$ 31,063,028	\$ 27,953,756	\$ (3,109,272)
Departmental charges and reimbursements	1,738,201	1,739,771	936,523	(803,248)
Miscellaneous	-	-	2,492	2,492
Total revenues	<u>32,797,229</u>	<u>32,802,799</u>	<u>28,892,771</u>	<u>(3,910,028)</u>
Expenditures				
Current:				
Human services	38,485,401	38,494,701	33,283,510	5,211,191
Total expenditures	<u>38,485,401</u>	<u>38,494,701</u>	<u>33,283,510</u>	<u>5,211,191</u>
Deficiency of revenues under expenditures	<u>(5,688,172)</u>	<u>(5,691,902)</u>	<u>(4,390,739)</u>	<u>1,301,163</u>
Other financing sources (uses):				
Transfers in	182,072	182,072	4,391,239	4,209,167
Total other financing sources (uses)	<u>182,072</u>	<u>182,072</u>	<u>4,391,239</u>	<u>4,209,167</u>
Net change in fund balances	(5,506,100)	(5,509,830)	500	5,510,330
Fund balances, beginning	14,474	14,474	12,566	(1,908)
Fund balances (deficits), ending	<u>\$ (5,491,626)</u>	<u>\$ (5,495,356)</u>	<u>\$ 13,066</u>	<u>\$ 5,508,422</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Community Development Special Revenue Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 8,452,709	\$ 10,720,373	\$ 8,272,640	\$ (2,447,733)
Departmental charges and reimbursements	50,000	690,000	698,160	8,160
Investment earnings	-	-	1,623	1,623
Total revenues	<u>8,502,709</u>	<u>11,410,373</u>	<u>8,972,423</u>	<u>(2,437,950)</u>
Expenditures				
Current:				
Community and economic development	<u>7,806,970</u>	<u>10,109,634</u>	<u>8,299,350</u>	<u>1,810,284</u>
Total expenditures	<u>7,806,970</u>	<u>10,109,634</u>	<u>8,299,350</u>	<u>1,810,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>695,739</u>	<u>1,300,739</u>	<u>673,073</u>	<u>(627,666)</u>
Other financing sources (uses):				
Transfers in	820,000	820,000	150,433	(669,567)
Transfers out	<u>(1,095,500)</u>	<u>(1,198,305)</u>	<u>(823,506)</u>	<u>374,799</u>
Total other financing sources (uses)	<u>(275,500)</u>	<u>(378,305)</u>	<u>(673,073)</u>	<u>(294,768)</u>
Net change in fund balances	420,239	922,434	-	(922,434)
Fund balances, beginning	490,680	490,680	-	(490,680)
Fund balances, ending	<u>\$ 910,919</u>	<u>\$ 1,413,114</u>	<u>\$ -</u>	<u>\$ (1,413,114)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Health Choices Special Revenue Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 72,463,376	\$ 79,397,480	\$ 78,743,962	\$ (653,518)
Departmental charges and reimbursements	-	-	81	81
Investment earnings	150,000	166,000	143,362	(22,638)
Total revenues	<u>72,613,376</u>	<u>79,563,480</u>	<u>78,887,405</u>	<u>(676,075)</u>
Expenditures				
Current:				
Human services	<u>72,613,376</u>	<u>79,563,480</u>	<u>71,607,514</u>	<u>7,955,966</u>
Total expenditures	<u>72,613,376</u>	<u>79,563,480</u>	<u>71,607,514</u>	<u>7,955,966</u>
Net change in fund balances	-	-	7,279,891	7,279,891
Fund balances, beginning	<u>5,746,695</u>	<u>5,746,695</u>	<u>4,350,493</u>	<u>(1,396,202)</u>
Fund balances, ending	<u><u>\$ 5,746,695</u></u>	<u><u>\$ 5,746,695</u></u>	<u><u>\$ 11,630,384</u></u>	<u><u>\$ 5,883,689</u></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 September 30, all County departments and agencies submit requests for appropriations for the following year, commencing January 1, to the Director of Budget and Finance, who compiles the requests and submits a comprehensive budget request document. The Board of County 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 2010 Budget were 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	\$ 3,077,642	\$ 550	\$ 521,701
Cash and cash equivalents - restricted	-	-	-
Investments	2,280,039	-	-
Taxes receivable	-	-	-
Accounts receivable	-	29,700	49,729
Due from component unit	-	-	-
Due from other governments	236,006	931,059	818,514
Due from other funds	-	-	-
Non-current assets, investments	530,546	-	-
Total assets	<u>6,124,233</u>	<u>961,309</u>	<u>1,389,944</u>
Liabilities and fund balances			
Accounts payable	163,346	10,462	487,228
Accrued liabilities	-	242,695	72,856
Deferred revenue	-	-	3,846
Due to other funds	835,474	703,984	100,199
Total liabilities	<u>998,820</u>	<u>957,141</u>	<u>664,129</u>
Fund balances:			
Reserved for:			
Employee pay advance	-	4,168	2,305
Unreserved			
Undesignated	5,125,413	-	723,510
Total fund balances	<u>5,125,413</u>	<u>4,168</u>	<u>725,815</u>
Total liabilities and fund balances	<u>\$ 6,124,233</u>	<u>\$ 961,309</u>	<u>\$ 1,389,944</u>

(Continued on the next page)

	Special Revenue		
	Office of Aging	Special Legislation	MH/MR
Assets			
Cash and cash equivalents	\$ 225	\$ -	\$ -
Cash and cash equivalents, restricted	-	3,439,883	-
Investments	-	-	-
Taxes receivable	-	102,263	-
Accounts receivable	89,539	70,517	-
Due from component unit	-	-	4,292,780
Due from other governments	288,483	373,451	206,465
Due from other funds	2,237,745	-	1,498,856
Non-current assets, investments	-	-	-
Total assets	<u>\$ 2,615,992</u>	<u>\$ 3,986,114</u>	<u>\$ 5,998,101</u>
Liabilities and fund balances			
Accounts payable	370,786	292,950	1,634,312
Accrued liabilities	143,669	-	21,267
Deferred revenue	640,497	-	4,292,780
Due to other funds	-	12,285	-
Total liabilities	<u>1,154,952</u>	<u>305,235</u>	<u>5,948,359</u>
Fund balances:			
Reserved for:			
Employee pay advance	763	-	-
Unreserved			
Undesignated	1,460,277	3,680,879	49,742
Total fund balances	<u>1,461,040</u>	<u>3,680,879</u>	<u>49,742</u>
Total liabilities and fund balances	<u>\$ 2,615,992</u>	<u>\$ 3,986,114</u>	<u>\$ 5,998,101</u>

(Continued on the next page)

	Special Revenue			Total nonmajor governmental
	Human Services	Drug & Alcohol	Child Care Info Services	
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 3,600,118
Cash and cash equivalents, restricted	-	-	-	3,439,883
Investments	-	-	-	2,280,039
Taxes receivable	-	-	-	102,263
Accounts receivable	-	-	-	239,485
Due from component unit	-	-	-	4,292,780
Due from other governments	201,032	-	-	3,055,010
Due from other funds	184,497	-	-	3,921,098
Non-current assets, investments	-	-	-	530,546
Total assets	<u>\$ 385,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,461,222</u>
Liabilities and fund balances				
Accounts payable	270,743	-	-	3,229,827
Accrued liabilities	3,142	-	-	483,629
Deferred revenue	57,068	-	-	4,994,191
Due to other funds	-	-	-	1,651,942
Total liabilities	<u>330,953</u>	<u>-</u>	<u>-</u>	<u>10,359,589</u>
Fund balances:				
Reserved for:				
Employee pay advance	-	-	-	7,236
Unreserved				
Undesignated	54,576	-	-	11,094,397
Total fund balances	<u>54,576</u>	<u>-</u>	<u>-</u>	<u>11,101,633</u>
Total liabilities and fund balances	<u>\$ 385,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,461,222</u>



	Special Revenue				
	Liquid Fuels	Domestic Relations	Employment & Training	Office of Aging	Special Legislation
Revenues					
Hotel tax	\$ -	\$ -	\$ -	\$ -	\$ 1,471,283
Intergovernmental revenue	1,431,477	4,243,848	7,500,523	10,292,655	911,669
Departmental charges and reimbursements	3,225	397,318	176,704	500,229	1,181,326
Investment earnings	53,390	57	714	44,890	8,841
Miscellaneous	-	-	-	1,632	433
Total revenues	<u>1,488,092</u>	<u>4,641,223</u>	<u>7,677,941</u>	<u>10,839,406</u>	<u>3,573,552</u>
Expenditures					
Current:					
General government, administrative	-	-	-	-	1,794,080
General government, judicial	-	-	-	-	79,727
Public safety	-	-	-	-	2,922
Human services	-	6,088,182	7,866,633	10,368,037	-
Public works	750,269	-	-	-	-
Total expenditures	<u>750,269</u>	<u>6,088,182</u>	<u>7,866,633</u>	<u>10,368,037</u>	<u>1,876,729</u>
Excess (deficiency) of revenues over (under) expenditures	<u>737,823</u>	<u>(1,446,959)</u>	<u>(188,692)</u>	<u>471,369</u>	<u>1,696,823</u>
Other financing sources (uses)					
Transfers in	-	1,446,123	31,507	60,226	-
Transfers out	-	-	-	-	(1,066,110)
Total other financing sources (uses)	<u>-</u>	<u>1,446,123</u>	<u>31,507</u>	<u>60,226</u>	<u>(1,066,110)</u>
Net changes in fund balances	737,823	(836)	(157,185)	531,595	630,713
Fund balances, beginning	4,387,590	5,004	883,000	929,445	3,050,166
Fund balances, ending	<u>\$ 5,125,413</u>	<u>\$ 4,168</u>	<u>\$ 725,815</u>	<u>\$ 1,461,040</u>	<u>\$ 3,680,879</u>

	Special Revenue				Total
	MH/MR	Human Services	Drug and Alcohol	Child Care Info Services	
Revenues					
Hotel tax	\$ -	\$ -	\$ -	\$ -	\$ 1,471,283
Intergovernmental revenue	14,258,552	3,373,158	4,855,734	19,659,143	66,526,759
Departmental charges and reimbursements	73,045	3,012	-	27,952	2,362,811
Investment earnings	25,445	7,666	-	-	141,003
Miscellaneous	450	-	-	-	2,515
Total revenues	<u>14,357,492</u>	<u>3,383,836</u>	<u>4,855,734</u>	<u>19,687,095</u>	<u>70,504,371</u>
Expenditures					
Current:					
General government, administrative	-	-	-	-	1,794,080
General government, judicial	-	-	-	-	79,727
Public safety	-	-	-	-	2,922
Human services	15,176,979	3,206,044	4,888,225	19,687,095	67,281,195
Public works	-	-	-	-	750,269
Total expenditures	<u>15,176,979</u>	<u>3,206,044</u>	<u>4,888,225</u>	<u>19,687,095</u>	<u>69,908,193</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(819,487)</u>	<u>177,792</u>	<u>(32,491)</u>	<u>-</u>	<u>596,178</u>
Other financing sources (uses)					
Transfers in	887,229	-	32,491	-	2,457,576
Transfers out	<u>(18,000)</u>	<u>(236,321)</u>	<u>-</u>	<u>-</u>	<u>(1,320,431)</u>
Total other financing sources (uses)	<u>869,229</u>	<u>(236,321)</u>	<u>32,491</u>	<u>-</u>	<u>1,137,145</u>
Net changes in fund balances	<u>49,742</u>	<u>(58,529)</u>	<u>-</u>	<u>-</u>	<u>1,733,323</u>
Fund balances, beginning	-	113,105	-	-	9,368,310
Fund balances, ending	<u>\$ 49,742</u>	<u>\$ 54,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,101,633</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Liquid Fuels Special Revenue Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 2,383,441	\$ 2,383,441	\$ 1,431,477	\$ (951,964)
Departmental charges and reimbursements	135,000	135,000	3,225	(131,775)
Investment earnings	100,000	100,000	53,390	(46,610)
Total revenues	<u>2,618,441</u>	<u>2,618,441</u>	<u>1,488,092</u>	<u>(1,130,349)</u>
Expenditures				
Current:				
Public works	<u>2,351,576</u>	<u>2,482,126</u>	<u>750,269</u>	<u>1,731,857</u>
Total expenditures	<u>2,351,576</u>	<u>2,482,126</u>	<u>750,269</u>	<u>1,731,857</u>
Net change in fund balances	266,865	136,315	737,823	601,508
Fund balances, beginning	4,816,318	4,816,318	4,387,590	(428,728)
Fund balances, ending	<u>\$ 5,083,183</u>	<u>\$ 4,952,633</u>	<u>\$ 5,125,413</u>	<u>\$ 172,780</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Domestic Relations Special Revenue Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 4,684,413	\$ 4,684,413	\$ 4,243,848	\$ (440,565)
Departmental charges and reimbursements	475,000	475,000	397,318	(77,682)
Investment earnings	-	-	57	57
Total revenues	<u>5,159,413</u>	<u>5,159,413</u>	<u>4,641,223</u>	<u>(518,190)</u>
Expenditures				
Current:				
Human services	<u>6,251,465</u>	<u>6,274,538</u>	<u>6,088,182</u>	<u>186,356</u>
Total expenditures	<u>6,251,465</u>	<u>6,274,538</u>	<u>6,088,182</u>	<u>186,356</u>
Deficiency of revenues under expenditures	<u>(1,092,052)</u>	<u>(1,115,125)</u>	<u>(1,446,959)</u>	<u>(331,834)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>1,446,123</u>	<u>1,446,123</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,446,123</u>	<u>1,446,123</u>
Net change in fund balances	<u>(1,092,052)</u>	<u>(1,115,125)</u>	<u>(836)</u>	<u>1,114,289</u>
Fund balances, beginning	5,600	5,600	5,004	(596)
Fund balances, ending	<u>\$ (1,086,452)</u>	<u>\$ (1,109,525)</u>	<u>\$ 4,168</u>	<u>\$ 1,113,693</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Employment and Training Special Revenue Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 7,921,515	\$ 9,036,140	\$ 7,500,523	\$ (1,535,617)
Departmental charges and reimbursements	-	-	176,704	176,704
Investment earnings	-	-	714	714
Total revenues	<u>7,921,515</u>	<u>9,036,140</u>	<u>7,677,941</u>	<u>(1,358,199)</u>
Expenditures				
Current:				
Human services	<u>7,920,396</u>	<u>9,035,021</u>	<u>7,866,633</u>	<u>1,168,388</u>
Total expenditures	<u>7,920,396</u>	<u>9,035,021</u>	<u>7,866,633</u>	<u>1,168,388</u>
Excess (deficiency) of revenue over (under) expenditures	<u>1,119</u>	<u>1,119</u>	<u>(188,692)</u>	<u>(189,811)</u>
Other financing sources (uses):				
Transfers in	<u>29,700</u>	<u>29,700</u>	<u>31,507</u>	<u>1,807</u>
Total other financing sources (uses)	<u>29,700</u>	<u>29,700</u>	<u>31,507</u>	<u>1,807</u>
Net change in fund balances	30,819	30,819	(157,185)	(188,004)
Fund balances, beginning	<u>775,678</u>	<u>775,678</u>	<u>883,000</u>	<u>107,322</u>
Fund balances, ending	<u>\$ 806,497</u>	<u>\$ 806,497</u>	<u>\$ 725,815</u>	<u>\$ (80,682)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
Office of Aging Special Revenue Fund - Budget and Actual
Year ended December 31, 2010

County of Berks
2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 10,094,997	\$ 10,394,108	\$ 10,292,655	\$ (101,453)
Departmental charges and reimbursements	545,835	544,940	500,229	(44,711)
Investment earnings	400,000	400,000	44,890	(355,110)
Miscellaneous	-	895	1,632	737
Total revenues	<u>11,040,832</u>	<u>11,339,943</u>	<u>10,839,406</u>	<u>(500,537)</u>
Expenditures				
Current:				
Human services	11,075,998	12,319,827	10,368,037	1,951,790
Total expenditures	<u>11,075,998</u>	<u>12,319,827</u>	<u>10,368,037</u>	<u>1,951,790</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,166)</u>	<u>(979,884)</u>	<u>471,369</u>	<u>1,451,253</u>
Other financing sources (uses):				
Transfers in	210,272	210,272	60,226	(150,046)
Transfers out	(135,372)	(135,372)	-	135,372
Total other financing sources (uses)	<u>74,900</u>	<u>74,900</u>	<u>60,226</u>	<u>(14,674)</u>
Net change in fund balances	39,734	(904,984)	531,595	1,436,579
Fund balances, beginning	216,115	216,115	929,445	713,330
Fund balances, ending	<u>\$ 255,849</u>	<u>\$ (688,869)</u>	<u>\$ 1,461,040</u>	<u>\$ 2,149,909</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
Special Legislation Special Revenue Fund - Budget and Actual
Year ended December 31, 2010

County of Berks
2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Hotel tax	\$ 1,500,000	\$ 1,500,000	\$ 1,471,283	\$ (28,717)
Investment earnings	-	-	8,841	8,841
Intergovernmental revenue	1,600,000	1,600,000	911,669	(688,331)
Departmental charges and reimbursements	144,000	160,898	1,181,326	1,020,428
Miscellaneous	-	-	433	433
Total revenues	<u>3,244,000</u>	<u>3,260,898</u>	<u>3,573,552</u>	<u>312,654</u>
Expenditures				
Current:				
General government, administrative	1,698,309	1,730,646	1,794,080	(63,434)
General government, judicial	-	-	79,727	(79,727)
Public safety	-	-	2,922	(2,922)
Total expenditures	<u>1,698,309</u>	<u>1,730,646</u>	<u>1,876,729</u>	<u>(146,083)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,545,691</u>	<u>1,530,252</u>	<u>1,696,823</u>	<u>166,571</u>
Other financing sources (uses):				
Transfers out	<u>(1,224,517)</u>	<u>(1,224,517)</u>	<u>(1,066,110)</u>	<u>158,407</u>
Total other financing sources (uses)	<u>(1,224,517)</u>	<u>(1,224,517)</u>	<u>(1,066,110)</u>	<u>158,407</u>
Net change in fund balances	321,174	305,735	630,713	324,978
Fund balances, beginning	3,746,241	3,746,241	3,050,166	(696,075)
Fund balances, ending	<u>\$ 4,067,415</u>	<u>\$ 4,051,976</u>	<u>\$ 3,680,879</u>	<u>\$ (371,097)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
Mental Health/Retardation Special Revenue Fund - Budget and Actual
Year ended December 31, 2010

County of Berks
2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 20,334,764	\$ 20,344,021	\$ 14,258,552	\$ (6,085,469)
Departmental charges and reimbursements	124,723	124,723	73,045	(51,678)
Investment earnings	100,000	100,000	25,445	(74,555)
Miscellaneous	-	-	450	450
Total revenues	<u>20,559,487</u>	<u>20,568,744</u>	<u>14,357,492</u>	<u>(6,211,252)</u>
Expenditures				
Current:				
Human services	<u>21,434,487</u>	<u>21,425,744</u>	<u>15,176,979</u>	<u>6,248,765</u>
Total expenditures	<u>21,434,487</u>	<u>21,425,744</u>	<u>15,176,979</u>	<u>6,248,765</u>
Deficiency of revenues under expenditures	<u>(875,000)</u>	<u>(857,000)</u>	<u>(819,487)</u>	<u>37,513</u>
Other financing sources (uses)				
Transfers in	-	-	887,229	887,229
Transfers out	-	(18,000)	(18,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(18,000)</u>	<u>869,229</u>	<u>887,229</u>
Net change in fund balances	<u>(875,000)</u>	<u>(875,000)</u>	<u>49,742</u>	<u>924,742</u>
Fund balances, beginning	-	-	-	-
Fund balances, ending	<u>\$ (875,000)</u>	<u>\$ (875,000)</u>	<u>\$ 49,742</u>	<u>\$ 924,742</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Human Services Special Revenue Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 3,336,825	\$ 3,601,285	\$ 3,373,158	\$ (228,127)
Departmental charges and reimbursements	500	3,338	3,012	(326)
Investment earnings	5,500	5,500	7,666	2,166
Total revenues	<u>3,342,825</u>	<u>3,610,123</u>	<u>3,383,836</u>	<u>(226,287)</u>
Expenditures				
Current:				
Human services	<u>3,093,099</u>	<u>3,361,098</u>	<u>3,206,044</u>	<u>155,054</u>
Total expenditures	<u>3,093,099</u>	<u>3,361,098</u>	<u>3,206,044</u>	<u>155,054</u>
Deficiency of revenues under expenditures	249,726	249,025	177,792	(71,233)
Other financing sources (uses):				
Transfers out	<u>(283,100)</u>	<u>(282,399)</u>	<u>(236,321)</u>	<u>46,078</u>
Total other financing sources (uses)	<u>(283,100)</u>	<u>(282,399)</u>	<u>(236,321)</u>	<u>46,078</u>
Net change in fund balances	(33,374)	(33,374)	(58,529)	(25,155)
Fund balances, beginning	<u>58,771</u>	<u>58,771</u>	<u>113,105</u>	<u>54,334</u>
Fund balances, ending	<u>\$ 25,397</u>	<u>\$ 25,397</u>	<u>\$ 54,576</u>	<u>\$ 29,179</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
Drug and Alcohol Special Revenue Fund - Budget and Actual
Year ended December 31, 2010

County of Berks
2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 4,778,545	\$ 4,855,747	\$ 4,855,734	\$ (13)
Total revenues	<u>4,778,545</u>	<u>4,855,747</u>	<u>4,855,734</u>	<u>(13)</u>
Expenditures				
Current:				
Human services	4,811,034	4,888,236	4,888,225	11
Total expenditures	<u>4,811,034</u>	<u>4,888,236</u>	<u>4,888,225</u>	<u>11</u>
Deficiency of revenues under expenditures	<u>(32,489)</u>	<u>(32,489)</u>	<u>(32,491)</u>	<u>(2)</u>
Other financing sources (uses):				
Transfers in	-	-	32,491	32,491
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>32,491</u>	<u>32,491</u>
Net change in fund balances	<u>(32,489)</u>	<u>(32,489)</u>	<u>-</u>	<u>32,489</u>
Fund balances, beginning	-	-	-	-
Fund balances, ending	<u>\$ (32,489)</u>	<u>\$ (32,489)</u>	<u>\$ -</u>	<u>\$ 32,489</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Child Care Information Services Special Revenue Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Intergovernmental revenue	\$ 17,994,610	\$ 19,707,747	\$ 19,659,143	\$ (48,604)
Departmental charges and reimbursements	-	27,952	27,952	-
Total revenues	<u>17,994,610</u>	<u>19,735,699</u>	<u>19,687,095</u>	<u>(48,604)</u>
Expenditures				
Current:				
Human services	17,994,610	19,735,699	19,687,095	48,604
Total expenditures	<u>17,994,610</u>	<u>19,735,699</u>	<u>19,687,095</u>	<u>48,604</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues, Expenditures and Changes in Net Assets
 Dept. of Emergency Services Enterprise Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Operating revenues				
Charges for services				
Phone bill surcharge	\$ 2,700,000	\$ 2,700,000	\$ 2,253,566	\$ (446,434)
County wide radio	1,942,950	1,924,950	1,925,146	196
Cellular fee	3,656,786	4,017,932	3,808,630	(209,302)
Voice Over IP (VoIP)	187,000	267,687	343,294	75,607
Total operating revenue	<u>8,486,736</u>	<u>8,910,569</u>	<u>8,330,636</u>	<u>(579,933)</u>
Operating expenses				
Communications center				
Wages, salaries and fringe benefits	291,904	291,904	778,790	(486,886)
Administrative expenses	1,512,863	2,513,210	1,096,928	1,416,282
Materials and supplies	122,149	121,214	55,799	65,415
911 System				
Wages, salaries and fringe benefits	1,893,915	1,893,915	1,598,770	295,145
Administrative expenses	375,326	369,778	259,957	109,821
Materials and supplies	-	-	(39)	39
Depreciation	-	-	421,206	(421,206)
Capital outlay	300,000	300,000	-	300,000
Wireless 911				
Wages, salaries and fringe benefits	2,381,544	2,381,544	2,691,018	(309,474)
Administrative expenses	213,997	213,312	197,707	15,605
Materials and supplies	1,136,150	1,502,979	192,777	1,310,202
Capital outlay	28,779	28,779	-	28,779
Voice Over IP (VoIP)				
Materials and supplies	187,000	393,287	162,034	231,253
Total operating expenses	<u>8,443,627</u>	<u>10,009,922</u>	<u>7,454,947</u>	<u>2,554,975</u>
Operating income (loss)	<u>43,109</u>	<u>(1,099,353)</u>	<u>875,689</u>	<u>1,975,042</u>
Nonoperating revenues				
Investment earnings	50,000	50,000	11,446	(38,554)
Rental of space	-	18,000	18,524	524
Total nonoperating revenue	<u>50,000</u>	<u>68,000</u>	<u>29,970</u>	<u>(38,030)</u>
Change in net assets	93,109	(1,031,353)	905,659	1,937,012
Total net assets, beginning	<u>3,622,883</u>	<u>3,622,883</u>	<u>3,852,881</u>	<u>229,998</u>
Total net assets, ending	<u>\$ 3,715,992</u>	<u>\$ 2,591,530</u>	<u>\$ 4,758,540</u>	<u>\$ 2,167,010</u>

Schedule of Revenues, Expenditures and Changes in Net Assets (Deficits)
 Youth Center Enterprise Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Operating revenues				
Charges for services	\$ 9,492,968	\$ 9,492,968	\$ 8,088,438	\$ (1,404,530)
Other operating revenues	667,843	667,843	344,192	(323,651)
Total operating revenue	<u>10,160,811</u>	<u>10,160,811</u>	<u>8,432,630</u>	<u>(1,728,181)</u>
Operating expenses				
Youth detention center	6,911,433	7,009,547	6,895,977	113,570
Shelter care - Immigration and naturalizations	5,920,791	5,819,484	5,264,110	555,374
Depreciation	-	-	430,160	(430,160)
Total operating expenses	<u>12,832,224</u>	<u>12,829,031</u>	<u>12,590,247</u>	<u>238,784</u>
Operating income (loss)	<u>(2,671,413)</u>	<u>(2,668,220)</u>	<u>(4,157,617)</u>	<u>(1,489,397)</u>
Nonoperating revenues (expenses)				
Grants	1,852,878	1,852,878	2,117,133	264,255
Investment earnings	-	-	3,846	3,846
Interest expense	(107,471)	(107,471)	(185,521)	(78,050)
Bond issuance costs	-	-	(2,256)	(2,256)
Total nonoperating revenues (expenses)	<u>1,745,407</u>	<u>1,745,407</u>	<u>1,933,202</u>	<u>187,795</u>
Income (loss) before transfers	<u>(926,006)</u>	<u>(922,813)</u>	<u>(2,224,415)</u>	<u>(1,301,602)</u>
Transfers in	400,500	400,500	401,900	1,400
Transfer out	-	(12,682)	-	12,682
Change in net assets	<u>(525,506)</u>	<u>(534,995)</u>	<u>(1,822,515)</u>	<u>(1,287,520)</u>
Total net deficits, beginning	<u>(6,997,685)</u>	<u>(6,997,685)</u>	<u>(8,849,368)</u>	<u>(1,851,683)</u>
Total net deficits, ending	<u>\$ (7,523,191)</u>	<u>\$ (7,532,680)</u>	<u>\$ (10,671,883)</u>	<u>\$ (3,139,203)</u>

Schedule of Revenues, Expenditures and Changes in Net Assets (Deficits)
 Berks Heim Enterprise Fund - Budget and Actual
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Operating revenues				
Charges for services	\$ 36,146,951	\$ 36,342,833	\$ 35,998,080	\$ (344,753)
Other operating revenues	673,115	697,823	1,119,536	421,713
Total operating revenues	<u>36,820,066</u>	<u>37,040,656</u>	<u>37,117,616</u>	<u>76,960</u>
Operating expenses				
Financial administration	2,429,303	2,662,443	2,844,141	(181,698)
Administrative expenses	1,311,733	1,408,643	1,575,928	(167,285)
Special services	142,303	144,703	141,920	2,783
Dietary	2,772,394	2,738,299	2,901,760	(163,461)
Laundry	848,168	833,618	841,204	(7,586)
Environmental services	1,742,802	1,748,602	1,725,428	23,174
Plant Operations	1,749,961	1,821,056	1,493,849	327,207
Nursing	18,461,920	18,424,955	17,870,926	554,029
Physician services	70,986	72,186	70,543	1,643
Pharmacy services	480,392	442,992	381,564	61,428
Medical services	476,061	476,861	469,459	7,402
Therapeutic activity	515,165	515,165	479,029	36,136
Social service	233,945	233,760	213,808	19,952
Physical therapy service	1,428,711	1,374,026	1,403,802	(29,776)
Staff development	485,964	485,964	508,575	(22,611)
Materials management	796,419	831,219	786,144	45,075
Personnel	114,611	114,636	115,281	(645)
Security	490,379	490,379	409,496	80,883
Volunteers	62,665	62,665	62,517	148
Depreciation	-	-	1,256,093	(1,256,093)
Total operating expense	<u>34,613,882</u>	<u>34,882,172</u>	<u>35,551,468</u>	<u>(669,296)</u>
Operating income (loss)	<u>2,206,184</u>	<u>2,158,484</u>	<u>1,566,148</u>	<u>(592,336)</u>
Nonoperating revenue (expenses)				
Investment earnings	9,000	9,000	10,536	1,536
Interest expense	(885,844)	(885,844)	(819,422)	66,422
Bond issuance costs	-	-	(12,186)	(12,186)
Total nonoperating revenues (expenses)	<u>(876,844)</u>	<u>(876,844)</u>	<u>(821,072)</u>	<u>55,772</u>
Change in net assets	1,329,340	1,281,640	745,076	(536,564)
Total net deficits, beginning	<u>(9,807,907)</u>	<u>(9,807,907)</u>	<u>(9,331,170)</u>	<u>476,737</u>
Total net deficits, ending	<u>\$ (8,478,567)</u>	<u>\$ (8,526,267)</u>	<u>\$ (8,586,094)</u>	<u>\$ (59,827)</u>

Schedule of Changes in Assets and Liabilities
 Agency Fund
 Year ended December 31, 2010

County of Berks
 2010 Annual Financial Report

	Balance January 1, 2010	Net Change Incr (Decr)	Balance December 31, 2010
Assets			
Cash and cash equivalents	\$ 7,634,251	\$ (314,346)	\$ 7,319,905
Total assets	<u>\$ 7,634,251</u>	<u>\$ (314,346)</u>	<u>\$ 7,319,905</u>
Liabilities			
Due to third parties by department:			
Prothonotary	\$ 636,532	\$ 46,774	\$ 683,306
Register of Wills	100,917	6,522	107,439
Berks Heim	706,053	(37,711)	668,342
District Attorney	908,501	(98,726)	809,775
Sheriff	2,602,054	(506,058)	2,095,996
Clerk of Courts	1,769,202	(601,493)	1,167,709
Juvenile Probation	114,579	(76,235)	38,344
Recorder of Deeds	319,344	975,755	1,295,099
Youth Detention Center	868	(1,115)	(247)
Domestic Relations	105,851	(22,452)	83,399
Prison	114,657	3,923	118,580
Controller	23,246	9,811	33,057
Treasurer	226,672	(13,230)	213,442
Aging	5,775	(111)	5,664
Total Liabilities	<u>\$ 7,634,251</u>	<u>\$ (314,346)</u>	<u>\$ 7,319,905</u>

