

County of Berks
Friendly Understandable Financial Statement
For the Year Ended December 31, 2011

Prepared by the Office of the Controller
Sandy Graffius, Controller

2011 Friendly Understandable Financial Statement (FUFS)



CONTROLLER'S GREETING

We are pleased to share with you a report on the financial health for the County of Berks.

When I first ran for Controller, I was running my own small business. I was not exactly sure what a Controller did and as I move around the county – I find most of you don't know either. The Treasurer collects the money and the Controller's office spends it. We are in charge of paying all the bills and enter about 2,500 invoices per week. We also audit the bank accounts of the Elected Officials and must create a yearly statement adding all 67 departments together to show a total financial picture of the county.

The official financial report of the county is called a CAFR (Comprehensive Annual Financial Report). We decided few of you folks would take the time to read the 157 pages and digest the information. As a result, the information in this FUFS (Friendly Understandable Financial Statement) is taken directly from the more complex CAFR. The FUFS shows where we get the income for our budget and how we spend it. Our audited financial statement includes footnotes and statistics. A section of Management's Discussion and Analysis, along with the CAFR, can be found on-line at the County's website www.co.berks.pa.us. Click on the Controller's section and the full report will be there. The CAFR is used by bonding agents to set interest rates when the County borrows money and banks to check the health of our county.

Anyone wanting a FUFS can get a printed version at various County Departments. Berks County Libraries, Parks offices, Senior Centers and Berks Heim will all have copies. You can also pick them up at the Controller's Office on the 12th floor of the

Services Center. Those folks that have access to the Internet can find it on line at www.co.berks.pa.us in the Controllers section. It is our pleasure to introduce this premier edition of the County's Friendly Understandable Financial Statement. We welcome your comments and suggestions via email at controller@countyofberks.com or by phone at 610-478-6150.

Sincerely,



Sandy Graffius

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HISTORY

The region that would soon become known as Berks County was first settled in 1701 by Swedes near the mouth of the Manatawny Creek. By 1720, others who settled in the county included Quakers, German Amish, French Huguenots and the English. By 1790, the first federal census of the region reported over 30,000 residents, 22,345 of whom were of German ancestry. Among the early settlers were Daniel Boone, America's foremost pioneer woodsman, Conrad Weiser, an Indian agent and Colonel in the militia during the French and Indian wars, and Mordecai Lincoln, great-great-grandfather of Abraham Lincoln.

The area of "Reading Towne" was first laid out in 1746 by William Parsons, Surveyor General of Pennsylvania. From this start, Berks County was incorporated in 1752 from parts of Lancaster, Chester and Philadelphia counties. Its name was derived from Berkshire, England, home of William Penn's family, and the town of Reading for Berkshire's main town.

The origins of the Reading Railroad and the Schuylkill and Union Canals spurred local and national industrial growth, and the development of the City of Reading, as it was given its nickname as Pretzel City and the home of the 5th Avenue Candy Bar. In 1952, the County became a Third-Class County, its population having doubled since 1900.

FORM OF GOVERNMENT

Counties in Pennsylvania are classified on the basis of population for the purpose of legislating and regulating their affairs. In 1952, the County of Berks was designated a



*Commissioners (from left to right):
Kevin S. Barnhardt, Mark C. Scott
and Christian Y. Leinbach*

Third-Class County when its population first exceeded 250,000. Current county population is approximately 412,000. A three-member Board of Commissioners, who have been elected at large by County voters to serve concurrent four-year terms, oversees County government operations. No more than two of the three Commissioners may be of the same political party. Two people from each party run on their party's ticket in November. The three top total votes cast for the four folks running for office are the official Commissioners for the next 4 years.

Through its Board of Commissioners, the County of Berks provides a variety of programs and services to its citizens. The Commissioners are directly responsible for overseeing real estate tax assessment, maintenance of all real estate transactions through the Recorder of Deeds, issuance of marriage licenses through the Register of Wills,

maintenance and funding of County parks, administration of the County court and judicial system, County jail operations and administration of the County-owned nursing home (Berks Heim). In addition, the Commissioners also oversee voter registration and election procedures, County social service agencies, economic development programs, emergency preparedness, housing and redevelopment, and Berks County is a recognized national leader in farmland preservation.

The County Commissioners also work closely with nine other elected officials who are responsible for a number of departments referred to as “Row Offices”. These people are elected to staggered four-year terms. These Row Offices record and safeguard official records, collect fees for services and/or court imposed fines and support the administration of the justice system. Fees and fines help to defray the cost of carrying out the duties of these Offices. Row Offices in Berks County include the Controller, Clerk of Courts, Coroner, District Attorney, Prothonotary, Recorder of Deeds, Register of Wills, Sheriff and Treasurer. These officers serve a 4-year term. Voters also elect Common Pleas judges who serve 10-year terms and Magisterial District Judges who serve 6-year terms.

BERKS COUNTY SERVICES

General Government- Administration

Includes services provided by the Commissioners, Controller, Treasurer, Recorder of Deeds, Budget, Election Services, Information Systems, Human Resources, Maintenance and others.

General Government- Judicial

Includes the Courts, and services provided by the District Attorney, Public Defender, Clerk of Courts, Prothonotary, Sheriff, District Justices, Coroner, Register of Wills and others.

Berks Heim

Provides quality, individualized, long-term residential healthcare for the elderly of the County with emphasis on the social, emotional and physical well-being of residents.

Children and Youth

Provides services to protect children and assure their physical and emotional well-being, as provided by law, and to preserve, strengthen and empower their families.

CRC Community Reentry Center

Provides special services for inmates within 60 days of their release. Includes drug and alcohol counseling, job search counseling, housing accommodations after incarceration.

Area Agency on Aging

Provides comprehensive and coordinated services to meet the needs of county residents age 60 and older, or those eligible physically disabled age 18 to 59.

Community and Economic Development

Promotes viable communities by providing housing, a suitable living environment and economic opportunities primarily for individuals of low and moderate incomes.

Council on Chemical Abuse

Supports drug and alcohol prevention and intervention for all Berks County residents, and treatment services for persons of low and moderate income.

Domestic Relations

Establishes and enforces support orders in compliance with local laws, regulations and rules of the Courts, with respect to the needs and concerns of all parties.

Employment and Training

Provides work force resources for job seekers and employers through Berks Career Link.

Mental Health/ Developmental Disabilities and Health Choices

Promotes wellness of individuals through a comprehensive community system that guides the provision of services to people eligible and in need of MH/ DD services; and further provides a behavioral health, managed care program for medical assistance recipients.



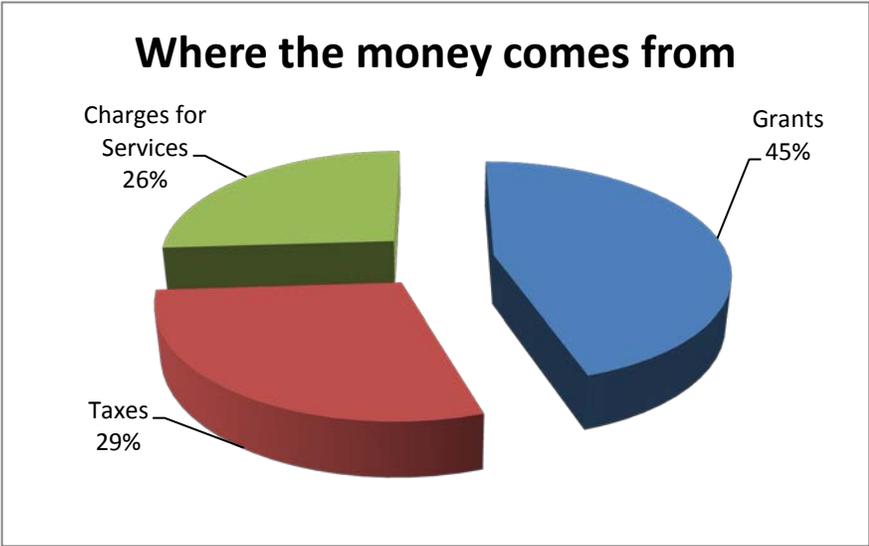
FINANCIAL REVIEW

Berks County is fortunate to be on a sound financial footing as we report the results of operations for the calendar year 2011. Property tax rates remain unchanged at 6.935 mills for the sixth year in a row. The County's overall net assets (total assets minus total liabilities) for 2011 increased by \$6.6 million to \$189.7 million, and its unrestricted (available) net assets decreased by \$35.7 million to \$191.5 million. It is necessary to remember that included in these net asset numbers are capital assets (buildings and bridges) and restricted funds (funds set aside for special projects) that are not available for spending on daily operations.

Assets	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets:			
Cash and investments	\$ 212,560,431	\$ 236,979,817	\$ 172,643,316
Other current assets	46,308,016	50,105,535	45,093,085
Capital assets and other	<u>274,267,945</u>	<u>252,900,997</u>	<u>241,154,875</u>
Total assets	<u>533,136,392</u>	<u>539,986,349</u>	<u>458,891,276</u>
Liabilities:			
Current liabilities	67,318,677	59,859,272	84,889,264
Noncurrent liabilities	<u>276,136,859</u>	<u>297,115,847</u>	<u>217,878,442</u>
Total liabilities	<u>343,455,536</u>	<u>356,975,119</u>	<u>302,767,706</u>
 Net Assets	 <u>\$ 189,680,856</u>	 <u>\$ 183,011,230</u>	 <u>\$ 156,123,570</u>

SOURCES OF REVENUES (where the money comes from)

Revenues totaled \$443.9 million for 2011, while total expenses came in at \$446.2 million. Revenues were up \$29.7 million over the prior year, due to increased expenses for the Departments. The state and federal government gets billed by the Departments and pays back the County for paying these bills up front. Expenses were up by \$20.9 million as the result of increased general government administrative costs. Our money comes from federal and state program grants (the largest segment at nearly 45% of revenues), property and hotel taxes (at 29% of the total) and charges for services performed by operating departments of the County (the remaining 26%).

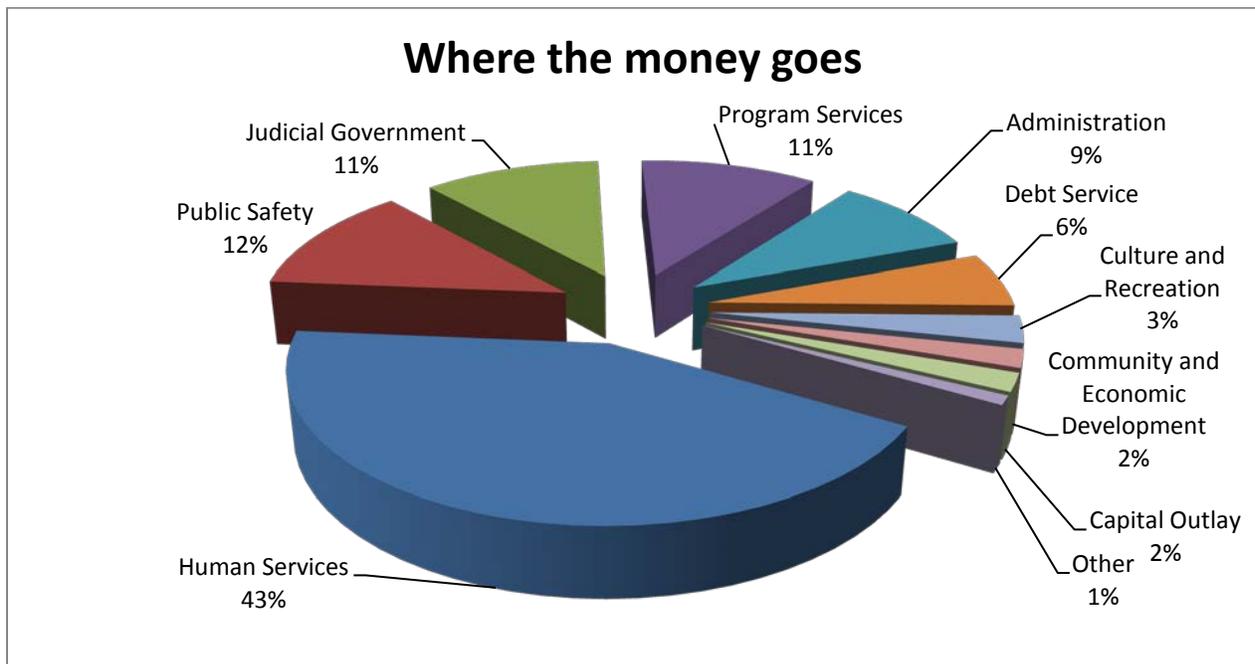


and hotel taxes (at 29% of the total) and charges for services performed by operating departments of the County (the remaining 26%). With such a large dependence on federal and state grants to fund social programs, it leaves the County very susceptible to budget cuts at the federal and state levels. When this happens, it would then be up to the Commissioners to decide whether to provide for these programs out of future saved funds, increase taxes to pay for the programs, downsize the programs or eliminate selected ones entirely.

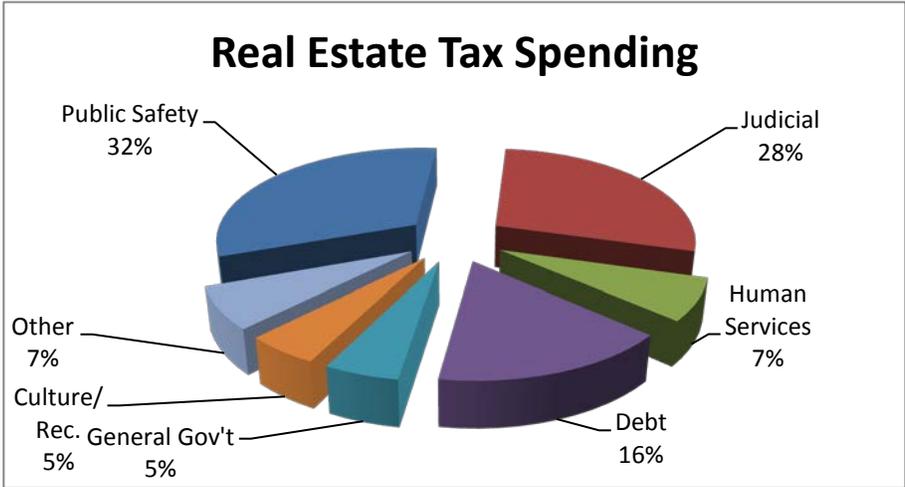
COUNTY EXPENSES (where the money goes)

As with most counties in Pennsylvania, the Human Services function is by far the single largest area of expense for Berks County (43% of total expenses). Expenditures in the area include Children and Youth Services, Health Choices, Mental Health/Developmental Disabilities, Child Care Services, Area Agency on Aging, Domestic Relations, Employment & Training, Drug and Alcohol Prevention and the County's Nursing Home. Many of these expenditures are dictated by mandates (demands) coming down from federal and state governments beyond the County's control. The problem is when the federal and state budgets are cut, the county must come up with the money to fund these mandates. Judicial, Courts and Public Safety functions account for another 23% of total expenditures.

As you can readily see, the Board of Commissioners has actual "control" over no more than 23% of the discretionary County expense budget. It is with this in mind that all elected officials must constantly monitor local activities as well as those in Harrisburg and Washington. Decisions made outside of Berks County affect us greatly. That's why the County is in regular contact with state lawmakers and government associations to stay informed about pending legislation and present local views of importance to federal and state decision makers.



YOUR TAX DOLLARS AND WHAT THEY COVER

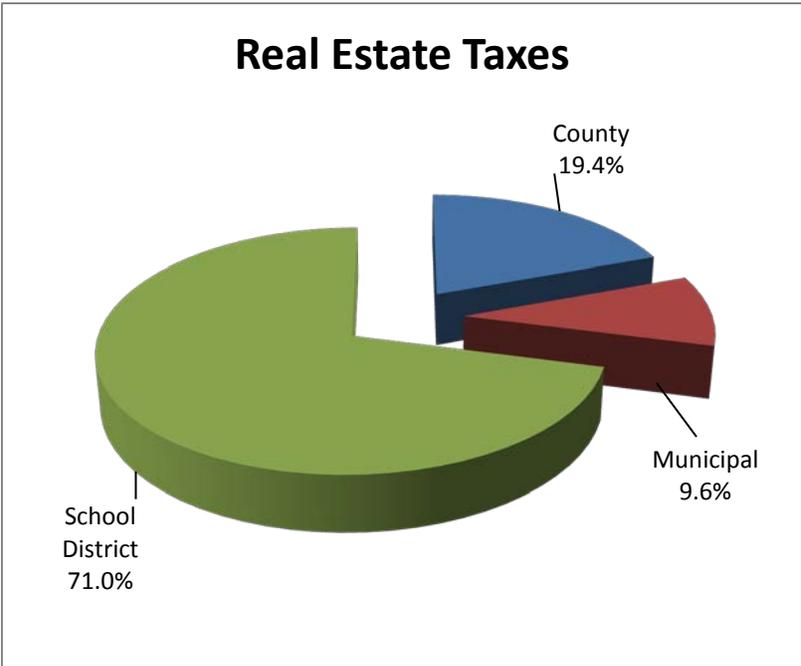


In general, **20% of your local real estate taxes is paid to the county.**

In 2011, Berks County residents paid an average of \$3,583 in local real estate taxes on every \$100,000 of assessed value. Of that amount, \$694 (20%) is paid to the county.

The county's millage rate did not change in 2011 and remains at 6.935. The last tax increase occurred in 2005. Each mill generated approximately \$18,400,000 in taxes.

The majority (68% of \$446.2 million) of the county's spending is funded by federal and state grants and/or charges for services. The \$133.2 million of remaining spending must be financed primarily by your county real estate taxes.



FUN FACTS

In 1752, Berks County was incorporated from parts of Lancaster, Chester, and Philadelphia Counties. In 1772, Berks gave up territory for the formation of Northumberland County, and again in 1811, for the formation of Schuylkill County.

Berks County is 56 miles northwest of Philadelphia, 97 miles north of Baltimore and 125 miles southwest of New York City.

Reading is the county's largest municipality and is the fifth largest city in Pennsylvania after Philadelphia, Pittsburgh, Allentown and Erie. A total of 29 boroughs and 44 townships comprise the other county municipalities.

Berks County boasts diverse physiographic regions that support a variety of topography, soils, vegetation, wildlife, water resources and scenery.

The Blue Mountains form the northern boundary of the County. To the west, the South Mountain ridge reaches elevations between 800 and 1200 feet above sea level. Between the Blue and South mountains is a section of the Great Valley, which is predominantly rolling farmland with rich soil. The Piedmont Lowlands are located in the southernmost part of the County and are composed of lower mountains and rolling hills.

The mean annual temperature is 54.3 degrees Fahrenheit. The fall and winter average is 38.9 degrees; the spring and summer average is 74.8 degrees. Average annual rainfall is 41.4 inches, and average annual snowfall is 30.6 inches.

The 5th Ave Candy Bar and York Peppermint Patty were invented in Greater Reading.

In 1908, Reading became home to a seven-story Pagoda constructed on nearby Mt. Penn by William Witman. It is the only Pagoda in the country and the only one in the world with a fireplace.

Daniel Boone, the first pioneer to the American West was born near Reading in 1734.

The first Amish community in the country was established in Reading. The Pennsylvania Dutch also settled in Berks County.

The first gasoline-powered practical automobile was invented here in 1900. The Duryea had the first engine capable of climbing hills and to this day Duryea Drive is part of our landscape.

The most recognizable piece of heritage is the Reading Railroad. At one time it was the largest corporation in the world, as evidenced by earning a position on the Monopoly board.

COUNTY OFFICIALS AT YOUR FINGERTIPS

<u>OFFICE</u>	<u>OFFICIAL</u>	<u>PHONE</u>
Commissioner, Chair	Christian Y. Leinbach	(610) 478-6136
Commissioner	Kevin S. Barnhardt	(610) 478-6136
Commissioner	Mark C. Scott	(610) 478-6136
Controller	Sandra M. Graffius	(610) 478-6150
Clerk of Courts	James P. Troutman	(610) 478-6550
Coroner	Dennis J. Hess	(610) 478-3280
District Attorney	John T. Adams	(610) 478-6000
Prothonotary	Marianne R. Sutton	(610) 478-6970
Recorder of Deeds	Frederick C. Sheeler	(610) 478-3380
Register of Wills	Lawrence J. Medaglia Jr.	(610) 478-6600
Sheriff	Eric J. Weaknecht	(610) 478-6240
Treasurer	Nelson H. Long	(610) 478-6640

OTHER DEPARTMENTS:

Agricultural Coordinator	(610) 898-5482
CareerLink	(610) 988-1300
Election Services	(610) 478-6490
Emergency Services	(610) 374-4800
Library System	(610) 378-5260
Parks & Recreation	(610) 372-8939
Solid Waste Authority	(610) 478-6362
Veterans Affairs	(610) 378-5601