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# County of Berks, Pennsylvania

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## Annual Financial Report

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for the Year Ending December 31,  
2011

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Commissioners:

Christian Y. Leinbach, Chair

Kevin S. Barnhardt, Vice Chair

Mark C. Scott, Esq.

Prepared by the

Office of the Controller

# Annual Financial Report

Year ended December 31, 2011

County of Berks

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## **INDEPENDENT AUDITOR'S REPORT**

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



## INDEPENDENT AUDITOR'S REPORT

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

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, as of and for the year ended December 31, 2011, 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 of Berks management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Reading Regional Airport Authority and the Reading Area Community College as of September 30, 2011 and June 30, 2011, respectively, which represent 66%, 87% and 42%, respectively, of the assets, net assets and revenues of the discretely presented component units. Those financial statements have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component units, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and, except for the discretely presented component unit, the Berks County Solid Waste Authority, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Berks as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

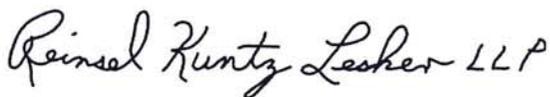
As discussed in Note 11, the County of Berks adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2012 on our consideration of the County of Berks's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The County of Berks 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 Required Supplementary Information identified in the table of contents on pages RSI 1 to 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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 an opinion on the financial statements as a whole. The accompanying financial information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements, themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



**Wyomissing, Pennsylvania**  
**August 31, 2012**



## **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	
<b>Assets</b>				
Cash and cash equivalents	\$ 81,427,869	\$ 2,411,740	\$ 83,839,609	\$ 29,411,507
Cash and cash equivalents, restricted	61,141,951	53,946	61,195,897	3,299,726
Investments	60,379,691	147,064	60,526,755	9,076,353
Investments, restricted	6,582,629	415,541	6,998,170	-
Taxes receivable, net	9,510,606	-	9,510,606	-
Accounts receivable, net	9,893,099	6,708,924	16,602,023	9,639,535
Notes receivable	400,000	-	400,000	500,000
Due from other governments	18,066,019	630,010	18,696,029	11,116,501
Due from other funds	11,527,606	(11,527,606)	-	-
Inventories	237,206	103,181	340,387	24,122
Prepaid expenses	548,975	174,166	723,141	1,171,428
Deposits	35,830	-	35,830	-
Total current assets	<u>259,751,481</u>	<u>(883,034)</u>	<u>258,868,447</u>	<u>64,239,172</u>
<b>Noncurrent assets:</b>				
Cash and cash equivalents	-	-	-	4,716
Investments	18,742,190	-	18,742,190	-
Loans receivable	9,045,000	-	9,045,000	-
Restricted assets:				
Employee pay advance	104,808	96,166	200,974	-
Interest receivable	1,112,504	-	1,112,504	-
Liens receivable	8,642,265	-	8,642,265	4,710,468
Investments	2,070,545	-	2,070,545	1,864,862
Land held for development	-	-	-	22,056,733
Deferred charges	1,065,176	243,669	1,308,845	1,429,278
Net pension asset	1,271,850	-	1,271,850	-
Capital assets:				
Land and improvements, net	10,489,224	-	10,489,224	9,150,638
Aglan easements	71,453,155	-	71,453,155	103,002
Infrastructure, net	2,501,806	-	2,501,806	12,744,459
Buildings and improvements, net	85,723,400	37,103,123	122,826,523	54,312,888
Furniture, fixtures, equipment and vehicles, net	4,067,630	4,340,141	8,407,771	3,666,654
Leasehold improvements	-	-	-	2,029,517
Historical treasures	1,915,631	-	1,915,631	909,433
Construction in progress	12,147,989	2,131,673	14,279,662	11,758,672
Total noncurrent assets	<u>230,353,173</u>	<u>43,914,772</u>	<u>274,267,945</u>	<u>124,741,320</u>
Total assets	<u>490,104,654</u>	<u>43,031,738</u>	<u>533,136,392</u>	<u>188,980,492</u>

	Primary Government			Component Units
	Governmental	Business-type	Total	
<b>Liabilities</b>				
Accounts payable	12,477,014	1,598,949	14,075,963	7,968,944
Accrued liabilities	5,302,207	2,047,110	7,349,317	2,628,890
Due to other governments	317,109	-	317,109	-
Unearned revenue	14,241,132	59,564	14,300,696	6,447,087
Due to third parties	1,252,938	-	1,252,938	-
Accrued interest payable	1,606,031	167,661	1,773,692	280,370
Advance/Line of Credit	-	-	-	5,948,275
Compensated absences	758,067	354,081	1,112,148	1,586,020
Deposits	-	-	-	40,349
Accrued claims health insurance	1,368,819	367,345	1,736,164	-
Accrued claims other	6,705,337	-	6,705,337	-
Accrued claims liability	179,982	188,482	368,464	-
Capital lease payable	-	-	-	25,958
Bonds and notes payable	16,847,720	1,401,466	18,249,186	5,343,775
Other	-	77,663	77,663	-
Total current liabilities	<u>61,056,356</u>	<u>6,262,321</u>	<u>67,318,677</u>	<u>30,269,668</u>
<b>Noncurrent liabilities:</b>				
Compensated absences	3,085,953	802,181	3,888,134	910,840
Accrued claims liability	2,017,601	2,112,886	4,130,487	300,000
Postretirement benefit liability	-	-	-	126,858
Capital lease payable	-	-	-	40,811
Bonds and notes payable	228,146,210	32,766,807	260,913,017	52,281,222
Unearned revenue	-	-	-	4,218,280
Derivative swap agreement	368,371	-	368,371	-
Payable from restricted assets	6,836,850	-	6,836,850	-
Total noncurrent liabilities	<u>240,454,985</u>	<u>35,681,874</u>	<u>276,136,859</u>	<u>57,878,011</u>
Total liabilities	<u>301,511,341</u>	<u>41,944,195</u>	<u>343,455,536</u>	<u>88,147,679</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	9,109,197	9,406,663	18,515,860	64,047,130
Restricted for:				
Gift fund	4,411	-	4,411	-
Farmland preservation	222,915	-	222,915	-
Hazmat response	1,294,284	-	1,294,284	-
Graffiti abatement	27,176	-	27,176	-
Act 198 - Courts	81,337	-	81,337	-
Debt service	3,780,000	-	3,780,000	1,256,197
Program purposes - Special revenue funds	10,600,423	-	10,600,423	-
County of Berks Drug and Alcohol Prevention/Treatment Fund	-	-	-	1,895,960
County of Berks Mental Health/Mental Retardation	-	-	-	2,073,906
County of Schuylkill Mental Health/Mental Retardation	-	-	-	537,589
County of Clearfield/Jefferson Mental Health/Mental Retardation	-	-	-	288,126
County of Clarion Mental Health/Mental Retardation	-	-	-	41,891
Capital improvements, net of related debt	-	-	-	1,497,040
Foundation for Reading Area Community College	-	-	-	7,163,660
Unrestricted	163,473,570	(8,319,120)	155,154,450	22,031,314
Total net assets (deficits)	<u>\$ 188,593,313</u>	<u>\$ 1,087,543</u>	<u>\$ 189,680,856</u>	<u>\$ 100,832,813</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	\$ 33,857,288	\$ (14,499,055)	\$ 7,449,565	\$ 266,042	\$ -
Judicial	39,767,950	6,904,136	10,256,054	2,404,051	-
Public safety	51,403,133	2,567,933	5,148,579	7,786,229	-
Human services	185,211,242	2,630,036	2,071,743	176,205,371	-
Culture and recreation	6,946,361	181,255	116,685	2,615,489	1,375,259
Community and economic development	6,789,938	374,371	573,080	5,428,782	478,134
Public works	857,297	91,348	346	-	967,539
Community support	6,839,148	19,450	135,835	-	-
Debt service administrative expenses	16,893,822	25,119	1,805,461	-	-
Solid waste	1,269,812	5,823	2,911,968	54,665	-
Total governmental activities	349,835,991	(1,699,584)	30,469,316	194,760,629	2,820,932
Business-type activities:					
Department of Emergency Services	7,740,095	227,742	7,867,909	174,199	-
Youth Center	5,561,425	324,472	2,091,611	1,916,277	-
ICE Family Center	5,171,810	292,758	6,018,136	40,538	-
Berks Heim	36,903,135	854,612	40,201,168	165,071	-
Total business-type activities	55,376,465	1,699,584	56,178,824	2,296,085	-
Total primary government	\$ 405,212,456	\$ -	\$ 86,648,140	\$ 197,056,714	\$ 2,820,932
Component units:					
Total component units	\$ 125,423,672	\$ -	\$ 30,216,457	\$ 59,513,441	\$ 3,662,911

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
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ (11,642,626)	\$ -	\$ (11,642,626)	
Judicial	(34,011,981)	-	(34,011,981)	
Public safety	(41,036,258)	-	(41,036,258)	
Human services	(9,564,164)	-	(9,564,164)	
Culture and recreation	(3,020,183)	-	(3,020,183)	
Community and economic development	(684,313)	-	(684,313)	
Public works	19,240	-	19,240	
Community support	(6,722,763)	-	(6,722,763)	
Debt Service administrative expenses	(15,113,480)	-	(15,113,480)	
Solid waste	1,690,998	-	1,690,998	
Total governmental activities	<u>(120,085,530)</u>	<u>-</u>	<u>(120,085,530)</u>	
Business-type activities:				
Department Emergency Services	-	74,271	74,271	
Youth Center	-	(1,878,009)	(1,878,009)	
ICE Family Shelter	-	594,106	594,106	
Berks Heim	-	2,608,492	2,608,492	
Total business-type activities	<u>-</u>	<u>1,398,860</u>	<u>1,398,860</u>	
Total primary government	<u>(120,085,530)</u>	<u>1,398,860</u>	<u>(118,686,670)</u>	
<b>Component units:</b>				
Total component units				\$ (32,030,863)
General Revenues				
Taxes:				
Property taxes, levied for general purposes	127,133,403	-	127,133,403	-
Hotel tax	1,590,516	-	1,590,516	-
Payments in lieu of taxes	249,053	-	249,053	-
Payments from County of Berks	-	-	-	34,345,792
Payments from other governments	-	-	-	195,511
Investment earnings	1,049,014	8,658	1,057,672	1,512,725
Miscellaneous	-	-	-	4,626,292
Gain on sale of assets	18,100	-	18,100	-
Rental of space	-	21,010	21,010	-
Transfers	(14,158,452)	14,158,452	-	-
Total general revenue and transfers	<u>115,881,634</u>	<u>14,188,120</u>	<u>130,069,754</u>	<u>40,680,320</u>
Change in net assets	(4,203,896)	15,586,980	11,383,084	8,649,457
Net assets (deficits) - beginning, restated	192,797,209	(14,499,437)	178,297,772	92,183,356
Net assets (deficits) - ending	<u>\$ 188,593,313</u>	<u>\$ 1,087,543</u>	<u>\$ 189,680,856</u>	<u>\$ 100,832,813</u>

See accompanying notes to the financial statements.

	General	Children and Youth Services	Community Development
<b>Assets</b>			
Cash and cash equivalents	\$ 68,404,170	\$ 1,300	\$ 45,432
Cash and cash equivalents, restricted	2,646,064	2,097	-
Investments	55,768,141	-	-
Investments, restricted	2,588,459	-	-
Taxes receivable	9,356,609	-	-
Accounts receivable	10,149,476	8,655	49,737
Accrued interest receivable	484,185	-	558,710
Due from other governments	5,446,218	9,611,773	193,125
Due from other funds	7,670,307	-	-
Inventories	237,206	-	-
Prepaid expenses	548,975	-	-
Deposits	35,830	-	-
Liens receivable	-	-	9,042,265
Investments, non-current	17,579,542	-	-
Investments, non-current, restricted	-	-	-
Total assets	<u>\$ 180,915,182</u>	<u>\$ 9,623,825</u>	<u>\$ 9,889,269</u>
<b>Liabilities</b>			
Accounts payable	\$ 3,279,685	\$ 3,114,054	\$ 496,699
Accrued liabilities	4,237,005	515,184	19,042
Due to other funds	-	4,468,941	4,143
Due to other governments	317,109	-	-
Deferred revenue	17,458,742	1,428,138	9,602,581
Due to third parties	1,252,938	-	-
Accrued claims health insurance	808,694	84,442	3,670
Payable from restricted assets	-	-	-
Total liabilities	<u>27,354,173</u>	<u>9,610,759</u>	<u>10,126,135</u>
<b>Fund balances:</b>			
Nonspendable for:			
Conversion pay	92,169	8,655	-
Inventories and prepaid expenses	786,181	-	-
Restricted for:			
Gift fund	-	4,411	-
Farmland preservation	222,915	-	-
Hazmat response	1,294,284	-	-
Graffiti Abatement	27,176	-	-
Act 198 - Courts	81,337	-	-
Workers' compensation	239,646	-	-
Special revenue funds	-	-	-
Capital project funds	-	-	-
Assigned to:			
2012 Adopted Budget Deficit	14,613,147	-	-
222 Corridor	5,000,000	-	-
Berks Heim	5,975,475	-	-
Capital purchases	1,340,000	-	-
Debt Service guarantees	3,780,000	-	-
Encumbrances	300,000	-	-
Health care self insurance	4,000,000	-	-
Unassigned:	115,808,679	-	(236,866)
Total fund balances	<u>153,561,009</u>	<u>13,066</u>	<u>(236,866)</u>
Total liabilities and fund balances	<u>\$ 180,915,182</u>	<u>\$ 9,623,825</u>	<u>\$ 9,889,269</u>

See accompanying notes to the financial statements.

	Health Choices	Capital Projects	Nonmajor	Total Governmental
<b>Assets</b>				
Cash and cash equivalents	\$ 8,943,577	\$ -	\$ 4,033,390	\$ 81,427,869
Cash and cash equivalents, restricted	3,493,081	51,891,434	3,109,275	61,141,951
Investments	2,741,465	-	1,870,085	60,379,691
Investments, restricted	3,994,170	-	-	6,582,629
Taxes receivable	-	-	153,997	9,510,606
Accounts receivable	-	-	223,196	10,431,064
Accrued interest receivable	3,241	-	-	1,046,136
Due from other governments	-	-	2,533,783	17,784,899
Due from other funds	134,904	4,884,935	5,509,219	18,199,365
Inventories	-	-	-	237,206
Prepaid expenses	-	-	-	548,975
Deposits	-	-	-	35,830
Liens receivable	-	-	-	9,042,265
Investments, non-current	-	-	1,162,648	18,742,190
Investments, non-current, restricted	2,070,545	-	-	2,070,545
Total assets	<u>\$ 21,380,983</u>	<u>\$ 56,776,369</u>	<u>\$ 18,595,593</u>	<u>\$ 297,181,221</u>
<b>Liabilities</b>				
Accounts payable	\$ 2,340,214	\$ 1,407,326	1,557,917	\$ 12,195,895
Accrued liabilities	17,984	-	614,146	5,403,361
Due to other funds	-	-	2,198,675	6,671,759
Due to other governments	-	-	-	317,109
Deferred revenue	4,104,074	-	5,288,492	37,882,027
Due to third parties	-	-	-	1,252,938
Accrued claims other	6,443,962	-	-	7,340,768
Payable from restricted assets	6,836,850	-	-	6,836,850
Total liabilities	<u>19,743,084</u>	<u>1,407,326</u>	<u>9,659,230</u>	<u>77,900,707</u>
<b>Fund balances:</b>				
Nonspendable for:				
Conversion pay	-	-	7,236	108,060
Inventories and prepaid expenses	-	-	-	786,181
Restricted for:				
Gift fund	-	-	-	4,411
Farmland preservation	-	-	-	222,915
Hazmat response	-	-	-	1,294,284
Graffiti Abatement	-	-	-	27,176
Act 198 - Courts	-	-	-	81,337
Workers' compensation	-	-	-	239,646
Special revenue funds	1,637,899	-	8,962,524	10,600,423
Capital project funds	-	55,369,043	-	55,369,043
Assigned to:				
2012 Adopted Budget Deficit	-	-	-	14,613,147
222 Corridor	-	-	-	5,000,000
Berks Heim	-	-	-	5,975,475
Capital purchases	-	-	-	1,340,000
Debt Service guarantees	-	-	-	3,780,000
Encumbrances	-	-	-	300,000
Health care self insurance	-	-	-	4,000,000
Unassigned:	-	-	(33,397)	115,538,416
Total fund balances	<u>1,637,899</u>	<u>55,369,043</u>	<u>8,936,363</u>	<u>219,280,514</u>
Total liabilities and fund balances	<u>\$ 21,380,983</u>	<u>\$ 56,776,369</u>	<u>\$ 18,595,593</u>	<u>\$ 297,181,221</u>

See accompanying notes to the financial statements.

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets  
December 31, 2011

County of Berks  
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Total fund balances for governmental funds \$ 219,280,514

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	10,489,224	
Agland easements	71,453,155	
Infrastructure, net	2,501,806	
Building and improvements, net	85,723,400	
Furniture, fixtures, equipment and vehicles, net	4,067,630	
Historical treasures	1,915,631	
Construction in progress	12,147,989	
Total capital asset		188,298,835

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. 1,271,850

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	3,145,502	
Delinquent property taxes	4,139,593	
Clerk of Courts departmental charges and reimbursements	5,122,775	
Community Development liens receivable	9,200,975	
District Justices departmental charges and reimbursements	1,598,892	
		23,207,737

Other assets not available to pay for current period's expenditures and therefore not reported in the funds.

Deferred charges	1,065,176	
Amount due from Greater Berks Development Fund for outstanding bonds payable	9,045,000	
Accrued interest receivable from Greater Berks Development Fund	66,368	
		10,176,544

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, 2011 are:

Swap agreement	(368,371)	
Accrued interest on bonds and notes	(1,606,031)	
Compensated absences	(3,844,020)	
Accrued claims health/other insurance	(733,387)	
Accrued claims liabilities	(2,096,428)	
Bonds and notes payable	(244,993,930)	
		(253,642,167)

Total net assets of governmental activities \$ 188,593,313

See accompanying notes to the financial statements.



Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)  
 Governmental Funds  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	General Fund	Children and Youth Services	Community Development
<b>Revenues</b>			
Taxes:			
Property	\$ 127,740,394	\$ -	\$ -
Hotel	-	-	-
Court costs, fines and forfeitures	3,600,846	-	-
Intergovernmental revenue	15,112,144	30,631,266	5,428,782
Departmental charges and reimbursements	47,927,430	880,064	634,605
Payments in lieu of taxes	61,979	-	-
Rentals	224,206	-	-
Sales of property, supplies and equipment	18,100	-	-
Investment earnings	853,049	-	49
Miscellaneous	1,728,719	1,137	24,123
Total revenues	<u>197,266,867</u>	<u>31,512,467</u>	<u>6,087,559</u>
<b>Expenditures</b>			
Current:			
General government, administrative	36,996,700	-	-
General government, judicial	48,765,494	-	-
Public safety	53,426,294	-	-
Human services	570,012	35,619,082	-
Culture and recreation	11,176,693	-	-
Community and economic development	2,412,228	-	5,165,834
Public works	225,043	-	-
Community support	5,133,316	-	-
Intergovernmental expenditures - Solid waste	997,450	-	-
Debt service:			
Principal	13,537,960	-	-
Interest and fiscal charges	7,597,997	-	-
Administrative expenses	38,902	-	-
Capital outlay	-	-	-
Total expenditures	<u>180,878,089</u>	<u>35,619,082</u>	<u>5,165,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,388,778</u>	<u>(4,106,615)</u>	<u>921,725</u>
<b>Other financing costs (uses)</b>			
Transfers in	10,544,490	4,106,615	-
Transfers out	(29,438,898)	-	(914,345)
Total other financing sources (uses)	<u>(18,894,408)</u>	<u>4,106,615</u>	<u>(914,345)</u>
Special Item			
Swap termination fee	(2,876,000)	-	-
Net changes in fund balances	<u>(5,381,630)</u>	<u>-</u>	<u>7,380</u>
Fund balances, beginning, as previously reported	158,000,942	13,066	-
Prior period adjustment	941,697	-	(244,246)
Fund balances, beginning, as restated	<u>158,942,639</u>	<u>13,066</u>	<u>(244,246)</u>
Fund balances, ending	<u>\$ 153,561,009</u>	<u>\$ 13,066</u>	<u>\$ (236,866)</u>

See accompanying notes to the financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)  
 Governmental Funds  
 Year ended December 31, 2011

County of Berks  
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	Health Choices	Capital Projects	Nonmajor	Total Governmental
<b>Revenues</b>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ 127,740,394
Hotel	-	-	1,590,516	1,590,516
Court costs, fines and forfeitures	-	-	-	3,600,846
Intergovernmental revenue	79,734,541	-	67,748,769	198,655,502
Departmental charges and reimbursement	-	-	2,347,789	51,789,888
Payments in lieu of taxes	-	-	-	61,979
Rentals	-	-	-	224,206
Sales of property, supplies and equipment	-	-	-	18,100
Investment earnings	109,025	18,992	67,899	1,049,014
Miscellaneous	-	-	39	1,754,018
Total revenues	79,843,566	18,992	71,755,012	386,484,463
<b>Expenditures</b>				
Current:				
General government, administrative	-	-	1,639,915	38,636,615
General government, judicial	-	-	53,935	48,819,429
Public safety	-	-	17,270	53,443,564
Human services	82,224,391	-	71,925,303	190,338,788
Culture and recreation	-	-	-	11,176,693
Community and economic development	-	-	-	7,578,062
Public works	-	-	985,486	1,210,529
Community support	-	-	-	5,133,316
Intergovernmental expenditures - Solid waste	-	-	-	997,450
Debt Service:				
Principal	-	589,793	-	14,127,753
Interest and fiscal charges	-	2,336,096	-	9,934,093
Administrative expenses	-	-	-	38,902
Capital outlay	-	8,702,465	-	8,702,465
Total expenditures	82,224,391	11,628,354	74,621,909	390,137,659
Excess (deficiency) of revenues over (under) expenditures	(2,380,825)	(11,609,362)	(2,866,897)	(3,653,196)
<b>Other financing costs (uses)</b>				
Transfers in	-	-	4,313,767	18,964,872
Transfer out	-	-	(2,770,081)	(33,123,324)
Issuance of refunding bonds	-	-	-	-
Issuance of long term debt	-	-	-	-
Total other financing sources (uses)	-	-	1,543,686	(14,158,452)
Special Item				
Swap termination fee	-	-	-	(2,876,000)
Net changes in fund balances	(2,380,825)	(11,609,362)	(1,323,211)	(20,687,648)
Fund balances, beginning, as previously reported	11,630,384	66,978,405	11,101,633	247,724,430
Prior period adjustment	(7,611,660)	-	(842,059)	(7,756,268)
Fund balances, beginning, as restated	4,018,724	66,978,405	10,259,574	239,968,162
Fund balances, ending	\$ 1,637,899	\$ 55,369,043	\$ 8,936,363	\$ 219,280,514

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, 2011

County of Berks  
2011 Annual Financial Report

Net change in fund balances - total governmental funds \$ (20,687,648)

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	13,181,714	
Depreciation expense	<u>(6,923,228)</u>	
Net adjustment		6,258,486

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	2,677,240	
Bond principal repayments	14,127,753	
Bond premium/discounts/refunding gains	<u>(65,238)</u>	
Net adjustment		16,739,755

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: (5,961,263)

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	(513,687)	
Grants	<u>22,304</u>	
Combined adjustment		(491,383)

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	16,966	
Net pension obligation	(69,609)	
Capital asset transferred to business-type activities	<u>(9,200)</u>	
Combined adjustment		<u>(61,843)</u>

Change in net assets of governmental activities \$ (4,203,896)

See accompanying notes to the financial statements.

Statement of Net Assets (Deficits)  
Proprietary Funds - Enterprise Funds  
December 31, 2011

County of Berks  
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	Department of Emergency Services	Youth Center	ICE Family Shelter	Berks Heim	Totals
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 2,174,279	\$ 500	\$ 500	\$ 236,461	\$ 2,411,740
Cash and cash equivalents, restricted	50,304	1,010	-	2,632	53,946
Investments	-	-	-	147,064	147,064
Investments, restricted	20,000	109,724	-	285,817	415,541
Accounts receivable, net	211,156	437,887	996,828	5,063,053	6,708,924
Due from other governments	174,199	449,466	6,345	-	630,010
Inventories	-	9,006	9,005	85,170	103,181
Prepaid expenses	121,237	-	-	52,929	174,166
Total current assets	<u>2,751,175</u>	<u>1,007,593</u>	<u>1,012,678</u>	<u>5,873,126</u>	<u>10,644,572</u>
Noncurrent assets:					
Employee pay advance	704	2,832	528	92,102	96,166
Deferred charges	-	36,509	-	207,160	243,669
Capital Assets:					
Buildings and improvements, net	389,476	5,392,676	317,400	31,003,571	37,103,123
Furniture, fixtures, equipment and vehicles, net	3,165,045	22,477	20,594	1,132,025	4,340,141
Construction in progress	2,119,053	-	-	12,620	2,131,673
Total noncurrent assets	<u>5,674,278</u>	<u>5,454,494</u>	<u>338,522</u>	<u>32,447,478</u>	<u>43,914,772</u>
Total assets	<u>8,425,453</u>	<u>6,462,087</u>	<u>1,351,200</u>	<u>38,320,604</u>	<u>54,559,344</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	179,306	45,714	96,007	1,277,922	1,598,949
Accrued liabilities	305,632	209,780	203,636	1,328,062	2,047,110
Unearned revenue	-	2,000	-	57,564	59,564
Due to other funds	2,720,972	-	-	8,806,634	11,527,606
Accrued interest payable	-	24,363	-	143,298	167,661
Compensated absences	23,285	29,867	21,330	279,599	354,081
Accrued claims health insurance	53,930	41,034	39,934	232,447	367,345
Accrued claims liability	9,583	7,300	7,034	164,565	188,482
Bonds payable, net	-	188,021	-	1,213,445	1,401,466
Payable from restricted assets	77,663	-	-	-	77,663
Total current liabilities	<u>3,370,371</u>	<u>548,079</u>	<u>367,941</u>	<u>13,503,536</u>	<u>17,789,927</u>
Noncurrent liabilities:					
Compensated absences	88,102	68,823	110,773	534,483	802,181
Accrued claims liability	107,429	81,829	78,857	1,844,771	2,112,886
Bonds payable, net	-	4,353,518	-	28,413,289	32,766,807
Total noncurrent liabilities	<u>195,531</u>	<u>4,504,170</u>	<u>189,630</u>	<u>30,792,543</u>	<u>35,681,874</u>
Total liabilities	<u>3,565,902</u>	<u>5,052,249</u>	<u>557,571</u>	<u>44,296,079</u>	<u>53,471,801</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	5,673,574	1,211,608	-	2,521,481	9,406,663
Unrestricted (deficits)	(814,023)	198,230	793,629	(8,496,956)	(8,319,120)
Total net assets (deficits)	<u>\$ 4,859,551</u>	<u>\$ 1,409,838</u>	<u>\$ 793,629</u>	<u>\$ (5,975,475)</u>	<u>\$ 1,087,543</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, 2011

County of Berks  
 2011 Annual Financial Report

	Department of Emergency Services	Youth Center	ICE Family Shelter	Berks Heim	Totals
<b>Operating revenues</b>					
Charges of services	\$ 7,867,909	\$ 2,084,504	\$ 5,089,705	\$ 38,228,755	\$ 53,270,873
Other operating revenue	-	7,107	928,431	1,972,413	2,907,951
Total operating revenues	<u>7,867,909</u>	<u>2,091,611</u>	<u>6,018,136</u>	<u>40,201,168</u>	<u>56,178,824</u>
<b>Operating expenses</b>					
Program services	5,721,095	5,332,625	5,406,824	30,861,708	47,322,252
Administrative expenses	1,871,170	-	-	4,771,668	6,642,838
Depreciation and amortization	375,572	369,647	37,744	1,313,057	2,096,020
Capital outlay	-	-	20,000	-	20,000
Total operating expenses	<u>7,967,837</u>	<u>5,702,272</u>	<u>5,464,568</u>	<u>36,946,433</u>	<u>56,081,110</u>
Operating income (loss)	<u>(99,928)</u>	<u>(3,610,661)</u>	<u>553,568</u>	<u>3,254,735</u>	<u>97,714</u>
<b>Nonoperating revenues (expenses)</b>					
Grants	174,199	1,916,277	40,538	165,071	2,296,085
Investment earnings	5,730	801	-	2,127	8,658
Interest expense	-	(181,369)	-	(799,128)	(980,497)
Bond issuance costs	-	(2,256)	-	(12,186)	(14,442)
Rental of space	21,010	-	-	-	21,010
Total nonoperating revenues (expenses)	<u>200,939</u>	<u>1,733,453</u>	<u>40,538</u>	<u>(644,116)</u>	<u>1,330,814</u>
Income (loss) before transfers	<u>101,011</u>	<u>(1,877,208)</u>	<u>594,106</u>	<u>2,610,619</u>	<u>1,428,528</u>
Transfers in	-	23,085,200	-	-	23,085,200
Transfers out	-	(1,409,093)	(7,517,655)	-	(8,926,748)
Change in net assets	<u>101,011</u>	<u>19,798,899</u>	<u>(6,923,549)</u>	<u>2,610,619</u>	<u>15,586,980</u>
Total net assets (deficits), beginning	<u>4,758,540</u>	<u>(18,389,061)</u>	<u>7,717,178</u>	<u>(8,586,094)</u>	<u>(14,499,437)</u>
Total net assets (deficits), ending	<u>\$ 4,859,551</u>	<u>\$ 1,409,838</u>	<u>\$ 793,629</u>	<u>\$ (5,975,475)</u>	<u>\$ 1,087,543</u>

See accompanying notes to the financial statements.

	Department of Emergency Services	Youth Center	ICE Family Shelter	Berks Heim	Totals
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ 7,884,382	\$ 1,964,485	\$ 6,408,240	\$ 41,115,447	\$ 57,372,554
Payments to suppliers	(5,408,319)	(958,927)	(1,328,985)	(25,541,211)	(33,237,442)
Payments to employees	(2,180,265)	(4,456,333)	(3,980,353)	(10,039,911)	(20,656,862)
Net cash provided (used) by operating activities	<u>295,798</u>	<u>(3,450,775)</u>	<u>1,098,902</u>	<u>5,534,325</u>	<u>3,478,250</u>
<b>Cash flows from noncapital financing activities</b>					
Receipts from other governments	-	1,870,088	37,063	165,071	2,072,222
Receipts from rental of space	21,010	-	-	-	21,010
Amounts due to other funds	937,059	1,966,625	(1,135,965)	(3,023,985)	(1,256,266)
Net cash provided (used) by noncapital financing activities	<u>958,069</u>	<u>3,836,713</u>	<u>(1,098,902)</u>	<u>(2,858,914)</u>	<u>836,966</u>
<b>Cash flows from capital and related financing activities</b>					
Principal paid on bonds	-	(203,870)	-	(1,571,091)	(1,774,961)
Interest expense	-	(182,069)	-	(803,589)	(985,658)
Construction in progress	(744,712)	-	-	(12,620)	(757,332)
Purchase of capital assets	-	-	-	(289,453)	(289,453)
Net cash used by capital and related financing activities	<u>(744,712)</u>	<u>(385,939)</u>	<u>-</u>	<u>(2,676,753)</u>	<u>(3,807,404)</u>
<b>Cash flows from investing activities</b>					
Decrease (increase) in investments	229,000	(23,401)	-	(60,986)	144,613
Investment earnings received	5,730	801	-	2,127	8,658
Net cash provided (used) by investing activities	<u>234,730</u>	<u>(22,600)</u>	<u>-</u>	<u>(58,859)</u>	<u>153,271</u>
Net increase (decrease) in cash and cash equivalents	743,885	(22,601)	-	(60,201)	661,083
Cash and cash equivalents, beginning	1,480,698	24,111	500	299,294	1,804,603
Cash and cash equivalents, ending	<u>\$ 2,224,583</u>	<u>\$ 1,510</u>	<u>\$ 500</u>	<u>\$ 239,093</u>	<u>\$ 2,465,686</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (99,928)	\$ (3,610,661)	\$ 553,568	\$ 3,254,735	\$ 97,714
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	375,572	369,647	37,744	1,313,057	2,096,020
Change in assets and liabilities:					
Accounts receivable, net	20,852	(129,126)	390,104	862,425	1,144,255
Employee pay advance	1,328	(886)	(528)	9,358	9,272
Inventories	712	4,925	(3,128)	14,149	16,658
Prepaid expenses	-	-	-	(52,930)	(52,930)
Accounts payable and accrued liabilities	20,517	(1,316)	101,844	211,926	332,971
Unearned revenue	(4,379)	2,000	-	51,854	49,475
Compensated absences	(8,577)	(52,460)	8,090	(66,075)	(119,022)
Accrued claims health insurance	23,017	6,262	15,493	82,279	127,051
Accrued claims liability	2,962	(39,160)	(4,285)	(146,453)	(186,936)
Due to other governments	(36,278)	-	-	-	(36,278)
Net cash provided (used) by operating activities	<u>\$ 295,798</u>	<u>\$ (3,450,775)</u>	<u>\$ 1,098,902</u>	<u>\$ 5,534,325</u>	<u>\$ 3,478,250</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, 2011

County of Berks  
 2011 Annual Financial Report

	<b>Berks County Employees' Retirement</b>	<b>Agency</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 132,611	\$ 7,587,317
Investments, at fair value:		
Mutual funds	261,177,435	-
Accounts receivable	392,230	-
Interest and dividends receivable	220,084	-
Total assets	<u>261,922,360</u>	<u>7,587,317</u>
<b>Liabilities</b>		
Accounts payable	646,575	-
Due to third parties	15,318	7,587,317
Total liabilities	<u>661,893</u>	<u>\$ 7,587,317</u>
<b>Net assets</b>		
Held in trust for pension benefits	<u>\$ 261,260,467</u>	

**See accompanying notes to the financial statements.**

Statement of Changes in Fiduciary Net Assets  
 Fiduciary Funds  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

**Berks County  
 Employees'  
 Retirement**

**Additions**

Contributions:

Employee	\$ 5,667,918
Employer	8,002,599
Total contributions	<u>13,670,517</u>

Investment income:

Net depreciation in fair value of investments	(2,665,786)
Interest and dividends	6,321,221
Miscellaneous	49,924
Total investment earnings	<u>3,705,359</u>
Less investment expenses	<u>947,987</u>
Net income from investing activities	<u>2,757,372</u>
Total additions	<u>16,427,889</u>

**Deductions**

Benefit payments	11,940,632
Administrative expenses	69,915
Total deductions	<u>12,010,547</u>
Change in net assets	4,417,342
Net assets held in trust for pension benefits, beginning	<u>256,843,125</u>
Net assets held in trust for pension benefits, ending	<u>\$ 261,260,467</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
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 2,103,684	\$ 8,923,303	\$ 476,853	\$ 233,678
Cash and cash equivalents, restricted	-	-	-	11,787
Investments	-	-	-	1,383,106
Accounts receivable, net	2,005	1,927,838	84,052	-
Note and loan receivable	-	-	-	-
Due from other governments	610,219	2,178,856	-	512,618
Inventories	-	-	-	-
Prepaid expenses	-	500,120	8,144	763
Total current assets	<u>2,715,908</u>	<u>13,530,117</u>	<u>569,049</u>	<u>2,141,952</u>
<b>Noncurrent assets:</b>				
<b>Restricted assets:</b>				
Investments	-	-	1,330,840	534,022
Note and loan receivable	-	-	-	4,710,468
Cash and cash equivalents	-	-	-	-
Land held for development	-	-	-	22,056,733
Deferred charges	-	-	78,031	162,662
<b>Capital Assets:</b>				
Land and improvements, net	-	529,897	91,751	-
Easements	-	-	-	-
Infrastructure, net	-	-	-	-
Buildings and improvements, net	-	5,165,709	-	-
Furniture, fixtures, equipment and vehicles, net	34,110	331,983	173,205	-
Leasehold improvements	2,250	744,693	-	-
Historical treasures	-	-	-	-
Construction in progress	-	-	-	-
Total noncurrent assets	<u>36,360</u>	<u>6,772,282</u>	<u>1,673,827</u>	<u>27,463,885</u>
Total assets	<u>2,752,268</u>	<u>20,302,399</u>	<u>2,242,876</u>	<u>29,605,837</u>
<b>Liabilities</b>				
Line of credit	-	-	-	4,491,538
Accounts payable	568,982	4,407,366	13,314	207,140
Accrued liabilities	-	1,305,628	2,974	-
Due to other governments	-	-	-	-
Unearned revenue	250,966	-	-	150,000
Advance	-	1,456,737	-	-
Accrued interest payable	-	-	25,900	254,470
Compensated absences	-	1,586,020	-	-
Deposits	-	-	-	-
Capital lease payable	-	-	-	-
Bonds and notes payable	-	-	905,000	1,421,000
Total current liabilities	<u>819,948</u>	<u>8,755,751</u>	<u>947,188</u>	<u>6,524,148</u>
<b>Noncurrent liabilities:</b>				
Compensated absences	73,978	-	-	-
Accrued claims liability	-	-	-	-
Postretirement benefit liability	-	-	-	-
Capital lease payable	13,252	-	-	-
Bonds and notes payable	-	5,679,940	3,412,522	15,780,000
Unearned revenue	-	-	-	-
Total noncurrent liabilities	<u>87,230</u>	<u>5,679,940</u>	<u>3,412,522</u>	<u>15,780,000</u>
Total liabilities	<u>907,178</u>	<u>14,435,691</u>	<u>4,359,710</u>	<u>22,304,148</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	23,108	1,092,341	264,956	-
<b>Restricted for:</b>				
Debt service	-	-	1,256,197	-
County of Berks, Drug and Alcohol Prevention/ Treatment Fund	1,895,960	-	-	-
County of Berks Mental Health/Mental Retardation	-	2,073,906	-	-
County of Schuylkill Mental Health/Mental Retardation	-	537,589	-	-
County of Clearfield/Jefferson Mental Health/Mental Retardation	-	288,126	-	-
County of Clarion Mental Health/Mental Retardation	-	41,891	-	-
Capital improvements, net of related debt	-	-	-	-
Foundation for Reading Area Community College	-	-	-	-
Unrestricted	<u>(73,978)</u>	<u>1,832,855</u>	<u>(3,637,987)</u>	<u>7,301,689</u>
Total net assets (deficits)	<u>\$ 1,845,090</u>	<u>\$ 5,866,708</u>	<u>\$ (2,116,834)</u>	<u>\$ 7,301,689</u>

\* Presented as of June 30, 2011

\*\* Presented as of September 30, 2011

See accompanying notes to the financial statements.

	Redevelopment Authority of the County of Berks	Reading Regional Airport Authority **	Reading Area Community College *	Total
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 28,704	\$ 462,333	\$ 17,182,952	\$ 29,411,507
Cash and cash equivalents, restricted	1,547,107	1,740,832	-	3,299,726
Investments	-	-	7,693,247	9,076,353
Accounts receivable, net	-	134,008	7,491,632	9,639,535
Note and loan receivable	-	500,000	-	500,000
Due from other governments	6,968,659	846,149	-	11,116,501
Inventories	-	-	24,122	24,122
Prepaid expenses	8,950	44,896	608,555	1,171,428
Total current assets	<u>8,553,420</u>	<u>3,728,218</u>	<u>33,000,508</u>	<u>64,239,172</u>
<b>Noncurrent assets:</b>				
<b>Restricted assets:</b>				
Investments	-	-	-	1,864,862
Note and loan receivable	-	-	-	4,710,468
Cash and cash equivalents	-	4,716	-	4,716
Land held for development	-	-	-	22,056,733
Deferred charges	246,282	236,277	706,026	1,429,278
<b>Capital Assets:</b>				
Land and improvements, net	-	7,447,434	1,081,556	9,150,638
Easements	-	103,002	-	103,002
Infrastructure, net	-	12,744,459	-	12,744,459
Buildings and improvements, net	-	8,727,951	40,419,228	54,312,888
Furniture, fixtures, equipment and vehicles, net	-	723,286	2,404,070	3,666,654
Leasehold improvements	-	1,282,574	-	2,029,517
Historical treasures	-	-	909,433	909,433
Construction in progress	-	11,758,672	-	11,758,672
Total noncurrent assets	<u>246,282</u>	<u>43,028,371</u>	<u>45,520,313</u>	<u>124,741,320</u>
Total assets	<u>8,799,702</u>	<u>46,756,589</u>	<u>78,520,821</u>	<u>188,980,492</u>
<b>Liabilities</b>				
Line of credit	-	-	-	4,491,538
Accounts payable	705,471	406,793	1,659,878	7,968,944
Accrued liabilities	13,880	17,131	1,289,277	2,628,890
Unearned revenue	1,369,653	77,138	4,599,330	6,447,087
Advance	-	-	-	1,456,737
Accrued interest payable	-	-	-	280,370
Compensated absences	-	-	-	1,586,020
Deposits	-	40,349	-	40,349
Capital lease payable	-	-	25,958	25,958
Bonds and notes payable	1,155,756	-	1,862,019	5,343,775
Total current liabilities	<u>3,244,760</u>	<u>541,411</u>	<u>9,436,462</u>	<u>30,269,668</u>
<b>Noncurrent liabilities:</b>				
Compensated absences	-	-	836,862	910,840
Accrued claims liability	-	-	300,000	300,000
Postretirement benefit liability	-	-	126,858	126,858
Capital lease payable	-	-	27,559	40,811
Bonds and notes payable	4,996,764	6,340,000	16,071,996	52,281,222
Unearned revenue	-	4,218,280	-	4,218,280
Total noncurrent liabilities	<u>4,996,764</u>	<u>10,558,280</u>	<u>17,363,275</u>	<u>57,878,011</u>
Total liabilities	<u>8,241,524</u>	<u>11,099,691</u>	<u>26,799,737</u>	<u>88,147,679</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	-	36,695,886	25,970,839	64,047,130
<b>Restricted for:</b>				
Debt service	-	-	-	1,256,197
County of Berks Drug and Alcohol Prevention/ Treatment Fund	-	-	-	1,895,960
County of Berks Mental Health/Mental Retardation	-	-	-	2,073,906
County of Schuylkill Mental Health/Mental Retardation	-	-	-	537,589
County of Clearfield/Jefferson Mental Health/Mental Retardation	-	-	-	288,126
County of Clarion Mental Health/Mental Retardation	-	-	-	41,891
Capital improvements, net of related debt	-	1,497,040	-	1,497,040
Foundation for Reading Area Community College	-	-	7,163,660	7,163,660
Unrestricted	558,178	(2,536,028)	18,586,585	22,031,314
Total net assets (deficits)	<u>\$ 558,178</u>	<u>\$ 35,656,898</u>	<u>\$ 51,721,084</u>	<u>\$ 100,832,813</u>

\* Presented as of June 30, 2011

\*\* Presented as of September 30, 2011

See accompanying notes to the financial statements.

Statement of Activities  
Component Units  
Year ended December 31, 2011

County of Berks  
2011 Annual Financial Report

	<b>Council on Chemical Abuse, Inc.*</b>	<b>Service Access and Management Inc.*</b>	<b>Berks County Solid Waste Authority</b>	<b>Berks County Industrial Development Authority</b>
Expenses	\$ 8,181,523	\$ 59,131,874	\$ 715,724	\$ 2,112,273
Program revenues:				
Charges for services	-	11,971,711	445,071	63,895
Operating grants and contributions	-	27,803,334	-	1,726,476
Capital grants and contributions	-	-	-	-
Total program revenues	<u>-</u>	<u>39,775,045</u>	<u>445,071</u>	<u>1,790,371</u>
Net (Expense) Revenue	<u>(8,181,523)</u>	<u>(19,356,829)</u>	<u>(270,653)</u>	<u>(321,902)</u>
General revenues:				
Payments from County of Berks	8,326,712	21,214,225	1,207,450	497,405
Payments from other governments	-	-	-	-
Investment earnings	9,261	31,235	5,488	116,380
Miscellaneous	28,918	264,163	4,215	-
Total general revenues	<u>8,364,891</u>	<u>21,509,623</u>	<u>1,217,153</u>	<u>613,785</u>
Change in net assets	183,368	2,152,794	946,500	291,883
Net assets (deficits) - beginning	1,661,722	3,713,914	(3,063,334)	7,009,806
Net assets (deficits) - ending	<u>\$ 1,845,090</u>	<u>\$ 5,866,708</u>	<u>\$ (2,116,834)</u>	<u>\$ 7,301,689</u>

\* Presented for the year ended June 30, 2011

\*\* Presented for the year ended September 30, 2011

See accompanying notes to the financial statements.

Statement of Activities  
Component Units  
Year ended December 31, 2011

County of Berks  
2011 Annual Financial Report

	<b>Redevelopment Authority of the County of Berks</b>	<b>Reading Regional Airport Authority **</b>	<b>Reading Area Community College *</b>	<b>Total</b>
Expenses	\$ 2,530,490	\$ 3,666,156	\$ 49,085,632	\$ 125,423,672
Program revenues:				
Charges for services	-	1,898,226	15,837,554	30,216,457
Operating grants and contributions	2,772,607	-	27,211,024	59,513,441
Capital grants and contributions	-	936,663	2,726,248	3,662,911
Total program revenues	<u>2,772,607</u>	<u>2,834,889</u>	<u>45,774,826</u>	<u>93,392,809</u>
Net (Expense) Revenue	<u>242,117</u>	<u>(831,267)</u>	<u>(3,310,806)</u>	<u>(32,030,863)</u>
General revenues:				
Payments from County of Berks	-	-	3,100,000	34,345,792
Payments from other governments	195,511	-	-	195,511
Investment earnings	3,226	18,966	1,328,169	1,512,725
Miscellaneous	-	3,368,415	960,581	4,626,292
Total general revenues	<u>198,737</u>	<u>3,387,381</u>	<u>5,388,750</u>	<u>40,680,320</u>
Change in net assets	440,854	2,556,114	2,077,944	8,649,457
Net assets (deficits) - beginning	117,324	33,100,784	49,643,140	92,183,356
Net assets (deficits) - ending	<u>\$ 558,178</u>	<u>\$ 35,656,898</u>	<u>\$ 51,721,084</u>	<u>\$ 100,832,813</u>

\* Presented for the year ended June 30, 2011

\*\* Presented for the year ended September 30, 2011

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 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 of the revenues of the Council. The Council on Chemical Abuse, Inc. operates on a fiscal year ending June 30.
- Service Access & Management, Inc. is a nonprofit corporation organized to provide state mandated mental health/mental retardation services. The County contracts with Service Access & 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 & 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.

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

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

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

Service Access & Management, Inc.  
19 North 6<sup>th</sup> Street, Suite 300  
Reading, PA 19601

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

Berks County Industrial Development Authority  
Berks County Services Center – 14<sup>th</sup> Floor  
633 Court Street  
Reading, PA 19601

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

Reading Regional Airport Authority  
2501 Bernville Road  
Reading, PA 19605

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

## **2. Related organizations**

The Board of County Commissioners is also responsible for appointing the members of the governing boards of other organizations, but the County's accountability for these

organizations generally does not extend beyond making the appointments. These organizations include:

- Berks Area Regional Transportation Authority
- Berks County Conservation District
- Berks County Housing Authority
- Berks County 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 expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as 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 expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the yearly

contributions made to the component units from the County's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned. The County chooses to allocate indirect costs in a separate column in the government-wide financial statements.

## **2. Fund financial statements**

The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

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

- **Governmental funds**

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

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources".

Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

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

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

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

- **Proprietary funds**

The County’s enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net 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 2011:

### **1. Governmental fund types**

- **General**

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

- **Children and Youth Services**

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

- **Community Development**

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

- **Health Choices**

The Health Choices Fund accounts for the proceeds of specific revenue sources relating to the provision of a behavioral health managed care program for medical assistance recipients.

- **Capital Projects**

The Capital Projects Fund accounts for the proceeds of debt used to finance various capital expenditures of the County, as well as to pay the cost and expenses related to the issuance of the bonds.

### **2. Proprietary fund types**

- **Enterprise: 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: ICE Family Shelter

The ICE Family Shelter Fund accounts for the operations of the County's family shelter for immigrants placed by the Federal Government, financed and operated in a manner similar to private business enterprise – where the intent of the governing body is that cost of providing service to the Federal Government on a continuing basis be financed or recovered primarily through cost reimbursement plans.

- Enterprise: 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 2011 property tax levy outstanding at December 31, 2011. The allowance for court fines, fees and costs is equal to 90 percent of the outstanding accounts receivable at December 31, 2011. The allowance for district justices' fines and court costs is equal to 50 percent of the outstanding accounts receivable at December 31, 2011. The allowance for liens for the closing cost assistance program is equal to 100 percent of the outstanding balance at December 31, 2011. 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, 2011.

## **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**

The County adopted GASB Statement No. 54 (GASB 54), "*Fund Balance Reporting and Governmental Fund Type Definitions*," for the year ended December 31, 2011. GASB 54 establishes accounting and financial standards for all governments that report governmental funds. It establishes criteria for classifying funds balances into specifically defined classifications and clarifies definitions as follows:

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

*Restricted* – This classification consists of amounts that are restricted to specific purposes either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments, or (2) law through constitutional provisions or enabling

legislation. The restriction is binding unless removed with the consent of the resource provider.

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

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

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

Fund balances of the County's governmental funds at January 1, 2011 have been restated to reflect the above classifications as follows:

	<b>Nonspendable</b>	<b>Restricted</b>	<b>Committed</b>	<b>Assigned</b>	<b>Unassigned</b>	<b>Total Fund Balance</b>
General Fund	\$ 783,851	\$ 2,514,988	\$ -	\$ 25,187,582	\$ 130,456,218	\$ 158,942,639
Children and Youth Services Fund	8,655	4,411	-	-	-	13,066
Community Development Fund	-	-	-	-	(244,246)	(244,246)
Health Choices Fund	-	4,018,724	-	-	-	4,018,724
Capital Projects Fund	-	66,978,405	-	-	-	66,978,405
Other Governmental	7,236	10,252,338	-	-	-	10,259,574
	<u>\$ 799,742</u>	<u>\$ 83,768,866</u>	<u>\$ -</u>	<u>\$ 25,187,582</u>	<u>\$ 130,211,972</u>	<u>\$ 239,968,162</u>

#### M. Net Assets

GASB Statement No. 34 requires the classification of net assets into the three components shown below, which are defined as follows:

*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.

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

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

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

**O. Compensated absences**

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

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

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

**P. Self insurance**

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

**Q. Estimates**

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

**R. Long-term obligations**

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, 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 Refunding of Debt Reported by Proprietary Activities,”* the County has adopted the following policy for current refundings and advance refundings resulting in the defeasance of debt reported in proprietary funds.

The difference between the reacquisition price and the net carrying amount of the old debt, 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. Intergovernmental revenues**

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

#### **T. Allowable Expenses under Grants**

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

#### **U. Deficit fund balance**

The Community Development Fund has deficit fund balance of \$236,866 as of December 31, 2011. The Fund has incurred the deficit due to expenses incurred in 2011 without having access to the grant revenue because of a loan to Berks County Redevelopment Authority. The Fund plans to eliminate this deficit by recognizing the revenue in 2012 upon repayment of the loan in May 2012.

The Drug and Alcohol Special Revenue Fund has a deficit fund balance of \$33,397 as of December 31, 2011. The fund incurred the deficit because of a reclassification of prior year revenue during 2011. The Fund plans to eliminate this deficit by recognizing an operating transfer to the General Fund in 2012.

## V. Restatement of Government Funds Financial Statements

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

### General Fund:

Beginning fund balance, as previously reported	\$ 158,000,942
Prior period adjustment	<u>941,697</u>
Fund balances, beginning, as restated	<u>\$ 158,942,639</u>

Prior period adjustment includes transfer of capital assets from General Fund to Berks Heim (Enterprise Fund), restatement of expenses for the years 2005-2011, restatement of interest earnings for years 1997-2009, restatement of conversion pay and Employment and Training Special Revenue Fund.

### Community Development Special Revenue Fund:

Beginning fund balance, as previously reported	\$ -
Prior period adjustment	<u>(244,246)</u>
Fund balances, beginning, as restated	<u>\$ (244,246)</u>

Prior period adjustment includes reimbursement of county match dollars provided to the Community Development in previous years.

### Health Choices Special Revenue Fund:

Beginning fund balance, as previously reported	\$ 11,630,384
Prior period adjustment	<u>(7,611,660)</u>
Fund balances, beginning, as restated	<u>\$ 4,018,724</u>

Prior period adjustments include set up of IBNR and reclassification of IBNR from long term to current liability.

### Employment & Training Special Revenue Fund:

Beginning fund balance, as previously reported	\$ 725,815
Prior period adjustment	<u>(808,662)</u>
Fund balances, beginning, as restated	<u>\$ (82,847)</u>

Prior period adjustments include restatement of expenses for years 2005-2011 and restatement of interest earning for years 1997-2009. It also includes adjustment of operating transfer for the year 2003.

### Drug and Alcohol Special Revenue Fund:

Beginning fund balance, as previously reported	\$ -
Prior period adjustment	<u>(33,397)</u>
Fund balances, beginning, as restated	<u>\$ (33,397)</u>

Prior period adjustment made to reclassify contribution from general fund in prior year.

**W. Restatement of Entity-Wide Financial Statements**

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

Beginning fund balance, as previously reported	\$ 197,510,667
Prior period adjustment	<u>(4,713,458)</u>
Fund balances, beginning, as restated	<u><u>\$ 192,797,209</u></u>

In addition to the reasons noted for the Fund Financial Statements, these adjustments include an adjustment to state beginning net assets for swaps under GASB 53.

**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, 2011 consist of the following:

Cash and cash equivalents	\$ 152,738,129
Petty cash	17,305
Investments	<u>349,515,095</u>
	<u>\$ 502,270,529</u>

Classification per financial statement:

Statement of net assets:

Current assets, cash and cash equivalents	\$ 83,839,609
Current assets, cash and cash equivalents, restricted	61,195,897
Current assets, investments	60,526,755
Current assets, investments, restricted	6,998,170
Noncurrent assets, investments	18,742,190
Noncurrent assets, investments, restricted	2,070,545

Statement of fiduciary net assets:

Retirement fund, cash and cash equivalents	132,611
Retirement fund, investments	261,177,435
Agency fund, cash and cash equivalents	<u>7,587,317</u>

\$ 502,270,529

**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, 2011, the carrying amounts of the County's bank deposits were \$152,738,129 and the bank balances were \$157,433,995, of which \$1,593,972 was covered by Federal Depository Insurance, \$83,474,985 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, \$51,891,434 was invested in an external investment pool, described in more detail below, \$8,677,926 was invested in an open-ended U.S. Treasury obligation mutual fund, and the remaining balance of \$11,795,678 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, 2011, PLGIT carried an AAA rating and had an average maturity of less than one year.

The County invests in various money market funds, in the amount of \$21,600,394, 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 an AAA rating and has an average maturity of less than one year.

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

As of December 31, 2011, 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>
<b>Governmental Funds</b>					
General Fund					
Negot. certif. of deposit	\$ 2,738,459	\$ 2,738,459	\$ -	\$ -	\$ -
U.S. Govt agency securities	73,197,683	55,618,141	17,579,542	-	-
Health Choices Fund					
Negot. certif. of deposit	797,427	797,427	-	-	-
U.S. Govt agency securities	8,008,753	5,938,208	2,070,545	-	-
Other Governmental Funds					
U.S. Govt agency securities	<u>3,032,733</u>	<u>1,870,085</u>	<u>1,162,648</u>	<u>-</u>	<u>-</u>
Total Governmental Funds	<u>87,775,055</u>	<u>66,962,320</u>	<u>20,812,735</u>	<u>-</u>	<u>-</u>
<b>Enterprise Funds</b>					
Berks Heim					
Negot. certif. of deposit	285,817	285,817	-	-	-
Mutual fund	147,064	147,064	-	-	-
Dept. of Emergency Services					
Negot. certif. of deposit	20,000	20,000	-	-	-
Youth Center					
Negot. certif. of deposit	<u>109,724</u>	<u>109,724</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Enterprise Funds	<u>562,605</u>	<u>562,605</u>	<u>-</u>	<u>-</u>	<u>-</u>

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<b>Fiduciary Funds</b>					
Retirement Fund					
Mutual Funds					
SEI Core Fixed Income	55,055,492	55,055,492	-	-	-
SEI Core Property Collective Trust	25,000,000	25,000,000	-	-	-
SEI Emerging Mkts Debt	7,877,680	7,877,680	-	-	-
SEI High Yield Bond	7,902,655	7,902,655	-	-	-
SEI Lg Cap Disc. Equity	97,815,623	97,815,623	-	-	-
SEI Sm/Mid Cap Equity	16,343,991	16,343,991	-	-	-
SEI World Equity Ex US	27,154,891	27,154,891	-	-	-
SEI Special Situations	24,027,103	24,027,103	-	-	-
<b>Total Fiduciary Funds</b>	<u>261,177,435</u>	<u>261,177,435</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Investments</b>	<u>\$ 349,515,095</u>	<u>\$ 328,702,360</u>	<u>\$ 20,812,735</u>	<u>\$ -</u>	<u>\$ -</u>

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

*Credit risk:* State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The County has no investment policy that would further limit its investment choices. The County invested in certificates of deposit in 2011. Total investments were \$3,951,427. Of this total, \$3,154,000 was covered by Federal Depository Insurance, and \$797,427 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, 2011:

	<u>Fair Value</u>	<u>Rating</u>
U.S. Government agency obligations	\$ 84,239,169	Aaa
Negotiable certificates of deposit	3,951,427	Unrated
Mutual funds - Money Market	147,064	Aaa
Mutual funds - Core fixed income	55,055,492	Aa2
Mutual funds - High Yield Bonds	7,902,655	B1
Mutual funds - Emerging Mkts Debt	7,877,680	Baa3

*Concentration in credit risk:* The County places no limit on the amount the County may invest in any one issuer, with the exception of its Pension Funds. The County Pension Fund Investment policy limits the amount of any managers' portfolio at cost to be invested in any single issue or issuer to no more than five percent of the portfolio except obligations guaranteed by the full faith and credit of the U.S. government or issued by U.S. government agencies. The Pension Investment policy also limits the investing into "Yankee" bonds with a minimum investment grade rating at purchase to no more than ten percent of the portfolio. At December 31, 2011, 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, 2011, \$349,515,095 of the County's investments is held by the investment counterparties, not in the name of the County.

*Foreign currency risk:* The County does not have a formal policy to limit foreign currency risk with the exception of its Pension Funds. The County Pension Fund Investment policy prohibits the buying and selling of foreign securities not registered through an SEC filing or not denominated in US dollars, except for managers hired specifically for international investments. Risk of loss arises from changes in currency exchange rates. The County had no exposure to foreign currency risk as of December 31, 2011.

## **B. Component units**

### **1. Council on Chemical Abuse, 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.

As of June 30, 2011, the carrying amount of the Organization's cash deposits was \$2,102,369 and the bank balance was \$2,269,177 of which \$1,021,425 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 \$1,315 in petty cash funds.

### **2. Service Access & 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, 2011 the carrying amount of the Organization's bank deposits was \$8,923,303 and the bank balance was \$9,625,603, of which \$500,000 was covered by Federal Depository Insurance. The remaining \$9,125,603 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, 2011 consist of the following:

Demand deposits	\$ 476,853
Cash	60,740
Money market funds	<u>1,270,100</u>
 Total	 <u>\$ 1,807,693</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, 2011, the carrying amount of the Authority's cash deposits was \$476,853 and the bank balance was \$477,429, of which \$0 was uninsured and uncollateralized.

At December 31, 2011, 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>1,270,100</u>	<u>1,270,100</u>
	<u>\$ 1,330,840</u>	<u>\$ 1,330,840</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, 2011, \$1,330,840 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, 2011 consist of the following:

Cash deposits	\$ 245,465
Investments	<u>1,917,128</u>
	<u>\$ 2,162,593</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, 2011, the carrying amount of the Authority's bank deposit was \$245,465 and the bank balance was \$285,771 of which all was covered by Federal Depository Insurance.

At December 31, 2011, the Authority had the following investments:

	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity - Less than One Year</u>
Certificates of deposit	\$ 83,537	\$ 83,537	\$ 83,537
U.S. Treasury money Market Fund	773,990	773,990	773,990
U.S. Treasury bills and GNMA Pools	<u>984,005</u>	<u>1,059,601</u>	<u>1,059,601</u>
	<u>\$ 1,841,532</u>	<u>\$ 1,917,128</u>	<u>\$ 1,917,128</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, 2011, the Authority held \$0 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, 2011, \$1,059,601 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, 2011 consists of the following:

Cash, operating accounts	\$	28,704
Cash, restricted		<u>1,547,107</u>
	\$	<u><u>1,575,811</u></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, 2011, the carrying amount of the Authority’s bank deposits was \$1,575,811 and the bank balances were \$1,599,935 of which \$603,988 was directly covered by Federal Depository Insurance. The remaining \$995,947 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 at September 30, 2011 is as follows:

Petty cash	\$	250
Unrestricted cash		462,083
Settlement fund cash		4,716
Capital improvements accounts		<u>1,740,832</u>
	\$	<u><u>2,207,881</u></u>

*Custodial credit risk – deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. At September 30, 2011, \$1,962,286 of the Authority’s bank balance of \$2,212,286 was exposed to custodial credit risk because it was uninsured and the collateral held by the depositing agent was not in the Authority’s name.

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

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

## 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. Cash and cash equivalents at June 30, 2011 consist of the following:

Cash on hand	\$	1,100
Cash		<u>16,692,301</u>
		<u>\$ 16,693,401</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, 2011, the carrying amount of the College's deposits was \$16,692,301 and the bank balance was \$17,105,372. Of the bank balance, \$250,000 was covered by federal depository insurance and \$16,855,372 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, 2011, the cash and cash equivalents for the College Foundation were \$489,551. Investments of \$7,693,247 are comprised of mutual funds carried at market value in the Common Fund – Equity Fund of \$5,391,681, the Common Fund - Bond Fund of \$2,300,595 and the Common Fund – Realty Fund of \$971.

**NOTE 3: RESTRICTED ASSETS**

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

	Cash and cash equivalents	Investments
<b>Governmental funds</b>		
General funds		
Antietam Lake	\$ 2,116,270	\$ 1,016,000
Children and Youth Services Fund	2,097	-
Environmental Litigation	182,918	249,000
Hazmat Response Fund	341,186	1,086,000
Inmate Pay	3,504	-
Worker's Compensation Trust	2,187	237,459
Special Legislation Fund		
Adult Probation Fund	1,941,489	-
Coroner Record Improvement Fund	68,024	-
Courts Automation Fund	192,238	-
Hotel Tax Account	70,842	-
Prothonotary Automation Fund	254,190	-
Register of Wills Records Improvement Fund	120,888	-
Recorder of Deeds Record Improvement Fund	315,328	-
Treasurer Record Improvement Fund	146,275	-
Health Choices special revenue		
Reinvestment account	1,301,173	2,680,276
Risk & Contingency account	2,191,908	2,587,012
Appendix V - Jumbo Auto Renew CD	-	797,427
Capital Projects Fund		
Unspent bond proceeds Series B of 2009	3,885,684	-
Unspent bond proceeds Series A of 2010	1,678,361	-
Unspent bond proceeds Series B of 2010	3,189,352	-
Unspent bond proceeds Series C of 2010	36,786,780	-
Unspent bond proceeds Series D of 2010	6,351,256	-
Total governmental funds	<u>\$ 61,141,951</u>	<u>\$ 8,653,174</u>
<b>Business-Type Activities</b>		
Berks Heim		
Worker's Compensation Trust	\$ 2,632	\$ 285,817
Youth Center		
Worker's Compensation Trust	1,010	109,724
Dept. of Emergency Services		
MCT Trust	50,304	20,000
Total business-type activities	<u>\$ 53,946</u>	<u>\$ 415,541</u>

**NOTE 4: REAL ESTATE TAXES**

Real estate taxes attach an enforceable lien on property on January 1. Taxes are billed on or about March 1, payable under the following terms: 2% discount, March 1 through April 30; face amount, May 1 through June 30, and 10% penalty between July 1 and January 15 of the subsequent year. After January 15 of the subsequent year, the levy is sent to the Berks County Tax Claim Bureau for collection. The County bills these taxes that are collected by elected local tax collectors. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities. The rate of taxation in 2011 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, 2011 are as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Governmental funds:		
General fund	\$ 7,670,307	\$ -
Children and Youth Services	-	4,468,941
Health Choices	134,904	-
Capital Projects	4,884,935	-
Community Development	-	4,143
Other governmental funds	<u>5,509,219</u>	<u>2,198,675</u>
	<u>18,199,365</u>	<u>6,671,759</u>
Proprietary funds:		
Dept. of Emergency Services	-	2,720,972
Berks Heim	<u>-</u>	<u>8,806,634</u>
	<u>-</u>	<u>11,527,606</u>
Total	<u>\$ 18,199,365</u>	<u>\$ 18,199,365</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 2011 are as follows:

	Transfers In	Transfers Out
Governmental funds:		
General fund	\$ 10,544,490	\$ 29,438,898
Children and Youth Services	4,106,615	-
Community Development	-	914,345
Other governmental funds	<u>4,313,767</u>	<u>2,770,081</u>
	<u>18,964,872</u>	<u>33,123,324</u>
Proprietary funds:		
Youth Center	23,085,200	1,409,093
ICE Family Shelter	<u>-</u>	<u>7,517,655</u>
Total	<u>\$ 42,050,072</u>	<u>\$ 42,050,072</u>

**NOTE 6: CAPITAL ASSETS**

**A. Primary government**

**1. Capital asset**

Capital asset activity for the year ended December 31, 2011 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	1,042,631	-	1,915,631
Agricultural easements	70,520,705	932,450	-	71,453,155
Software-in-progress	164,664	51,562	-	216,226
Construction-in-progress	<u>9,179,864</u>	<u>11,446,138</u>	<u>(8,478,013)</u>	<u>12,147,989</u>
Total capital assets, not being depreciated	<u>90,164,161</u>	<u>13,472,781</u>	<u>(8,478,013)</u>	<u>95,158,929</u>
Capital assets, being depreciated/amortized:				
Land improvements	1,770,993	22,518	-	1,793,511
Buildings and improvements	174,933,441	7,484,049	-	182,417,490
Furniture, fixtures, equipment, vehicles	24,391,449	1,150,109	(3,728,047)	21,813,511
Infrastructure	<u>3,997,678</u>	<u>119,179</u>	<u>-</u>	<u>4,116,857</u>
Total capital assets, being depreciated	<u>205,093,561</u>	<u>8,775,855</u>	<u>(3,728,047)</u>	<u>210,141,369</u>
Total capital assets, historical cost	<u>295,257,722</u>	<u>22,248,636</u>	<u>(12,206,060)</u>	<u>305,300,298</u>
Less accumulated depreciation/amortization for:				
Land improvements	631,859	98,356	-	730,215
Building and improvements	91,734,537	4,959,553	-	96,694,090
Furniture, fixtures, equipment, vehicles	19,824,437	1,762,398	(3,624,728)	17,962,107
Infrastructure	<u>1,512,130</u>	<u>102,921</u>	<u>-</u>	<u>1,615,051</u>
Total accumulated depreciation	<u>113,702,963</u>	<u>6,923,228</u>	<u>(3,624,728)</u>	<u>117,001,463</u>
Total capital assets, net of accumulated depreciation/amortization	<u>\$ 181,554,759</u>	<u>\$ 15,325,408</u>	<u>\$ (8,581,332)</u>	<u>\$ 188,298,835</u>

- **Business-type activities:**

	Beginning balance	Additions/ Transfers in	Retirements/ Transfers out	Ending balance
Capital assets, not being depreciated:				
Construction-in-progress	\$ 1,374,341	\$ 757,332	\$ -	\$ 2,131,673
Total capital assets, not being depreciated	<u>1,374,341</u>	<u>757,332</u>	<u>-</u>	<u>2,131,673</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	47,806,345	-	-	47,806,345
Furniture, fixtures, equipment, vehicles	<u>14,362,814</u>	<u>289,456</u>	<u>-</u>	<u>14,652,270</u>
Total capital assets, being depreciated	<u>62,169,159</u>	<u>289,456</u>	<u>-</u>	<u>62,458,615</u>
Total capital assets, historical cost	<u>63,543,500</u>	<u>1,046,788</u>	<u>-</u>	<u>64,590,288</u>
Less accumulated depreciation for:				
Building and improvements	9,360,164	1,343,058	-	10,703,222
Furniture, fixtures, equipment, vehicles	<u>9,559,166</u>	<u>752,963</u>	<u>-</u>	<u>10,312,129</u>
Total accumulated depreciation	<u>18,919,330</u>	<u>2,096,021</u>	<u>-</u>	<u>21,015,351</u>
Total capital assets, net of accumulated depreciation	<u>\$ 44,624,170</u>	<u>\$ (1,049,233)</u>	<u>\$ -</u>	<u>\$ 43,574,937</u>

## 2. Depreciation / amortization expense

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

- **Governmental activities:**

Judicial	\$ 187,607
Public safety	1,162,119
Public works	294,702
Human services	27,709
General government	4,794,743
Community and economic	
Development	54,496
Culture and recreation	<u>401,852</u>
Total	<u>\$ 6,923,228</u>

- **Business-type activities:**

911	\$ 375,572
Berks Heim	1,313,057
Youth Center	369,647
ICE Family Shelter	<u>37,744</u>
Total	<u>\$ 2,096,020</u>

### 3. Capital projects commitments

The Services Center Parking Garage renovations are in the development phase with 2011 expenditures totaling \$114,792. Management anticipates this project will be completed by November 2012 with a projected final cost of \$2.4 million.

The Anthony's Mill Bridge project is in the development phase with 2011 expenditures totaling \$17,812. Management expects this project to be completed by December 31, 2013 with a projected final cost of approximately \$700 thousand.

The Bern Street Bridge project is in the development phase with 2011 expenditures totaling \$15,438. Management believes this project will be completed by December 31, 2013, with a projected final cost of approximately \$2.8 million.

The Antietam Dam Repair Project is in the development phase with 2011 expenditures totaling \$2,406,712. Management believes this project will be completed on or by March 31, 2012 with a projected final cost of approximately \$3.08 million.

The 911 Countywide Radio Project is in the development phase with 2011 expenditures totaling \$5,247,087. Management anticipates this project to be completed by June 30, 2013 with a projected final cost of approximately \$45 million.

The Christman Road Bridge project is in the development phase with 2011 expenditures totaling \$43,303. Management expects this project to be completed by December 31, 2013 with a projected final cost of approximately \$1.5 to \$2 million.

The Buttonwood St Bridge project is an ongoing construction in progress with 2011 expenditures totaling \$32,644. Management anticipates that this project will be completed in 2014 with a projected final cost of approximately \$2 to \$3 million.

The Wireless 911 (CAD) project with 2011 expenditures totaling \$744,711 is expected to be completed in the 4<sup>th</sup> Quarter of 2012, with a projected final cost of approximately \$2.66 million.

**B. Component units**

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

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets:				
Furniture and equipment	\$ 220,783	\$ -	\$ (4,941)	\$ 215,842
Leasehold improvements	<u>22,500</u>	<u>-</u>	<u>-</u>	<u>22,500</u>
Total capital assets	<u>243,283</u>	<u>-</u>	<u>(4,941)</u>	<u>238,342</u>
Less accumulated depreciation for:				
Furniture and equipment	176,891	8,464	(3,623)	181,732
Leasehold improvements	<u>18,000</u>	<u>2,250</u>	<u>-</u>	<u>20,250</u>
Total accumulated depreciation	<u>194,891</u>	<u>10,714</u>	<u>(3,623)</u>	<u>201,982</u>
Total capital assets, net	<u>\$ 48,392</u>	<u>\$ (10,714)</u>	<u>\$ (1,318)</u>	<u>\$ 36,360</u>

## 2. Service Access & Management, Inc.

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 395,000	\$ 134,897	\$ -	\$ 529,897
Construction-in-progress	<u>25,490</u>	<u>-</u>	<u>(25,490)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>420,490</u>	<u>134,897</u>	<u>(25,490)</u>	<u>529,897</u>
Capital assets, being depreciated:				
Building	3,744,961	2,086,580	-	5,831,541
Furniture and equipment	1,620,381	111,722	-	1,732,103
Leasehold improvements	1,306,106	259,121	-	1,565,227
Vehicles	122,786	145,569	(122,786)	145,569
Computer software	<u>297,761</u>	<u>-</u>	<u>-</u>	<u>297,761</u>
Total capital assets being depreciated	<u>7,091,995</u>	<u>2,602,992</u>	<u>(122,786)</u>	<u>9,572,201</u>
Total capital assets, historical cost	<u>7,512,485</u>	<u>2,737,889</u>	<u>(148,276)</u>	<u>10,102,098</u>
Less accumulated depreciation for:				
Building	509,514	156,318	-	665,832
Furniture and equipment	1,406,040	94,231	-	1,500,271
Leasehold improvements	745,247	75,287	-	820,534
Vehicles	53,696	47,977	(56,255)	45,418
Computer software	<u>289,011</u>	<u>8,750</u>	<u>-</u>	<u>297,761</u>
Total accumulated depreciation	<u>3,003,508</u>	<u>382,563</u>	<u>(56,255)</u>	<u>3,329,816</u>
Total capital assets, net	<u>\$ 4,508,977</u>	<u>\$ 2,355,326</u>	<u>\$ (92,021)</u>	<u>\$ 6,772,282</u>

### 3. Berks County Solid Waste Authority

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Capital assets:				
Site improvements	\$ 94,033	\$ 13,511	\$ -	\$ 107,544
Furniture and office equipment	9,021	-	-	9,021
Recycling equipment	<u>101,033</u>	<u>92,065</u>	<u>-</u>	<u>193,098</u>
Total capital assets	<u>204,087</u>	<u>105,576</u>	<u>-</u>	<u>309,663</u>
Less accumulated depreciation for:				
Site improvements	1,600	14,193	-	15,793
Furniture and office equipment	9,021	-	-	9,021
Recycling equipment	<u>1,400</u>	<u>18,493</u>	<u>-</u>	<u>19,893</u>
Total accumulated depreciation	<u>12,021</u>	<u>32,686</u>	<u>-</u>	<u>44,707</u>
Total capital assets, net	<u>\$ 192,066</u>	<u>\$ 72,890</u>	<u>\$ -</u>	<u>\$ 264,956</u>

### 4. Berks County Industrial Development Authority

#### Capital asset activity

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Capital assets:				
Furniture and equipment	\$ 89,502	\$ -	\$ -	\$ 89,502
Less accumulated depreciation for:				
Furniture and equipment	<u>89,326</u>	<u>176</u>	<u>-</u>	<u>89,502</u>
Total capital assets, net	<u>\$ 176</u>	<u>\$ (176)</u>	<u>\$ -</u>	<u>\$ -</u>

#### Land held for development

The Authority has purchased 323 acres of land in Bethel Township, Berks County, Pennsylvania to be used in the Berks Park 78. The purchase price was funded by proceeds of the loan described in Note 10.

The total cost of the land held for development and capitalized interest included in the cost at December 31, 2011 is as follows:

	Airport Land	Berks Park 78	Total
Cost	\$ 4,556,550	\$ 17,500,183	\$ 22,056,733
Capitalized interest, included above	\$ 457,059	\$ 2,832,735	\$ 3,289,794

## 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, 2011, these commitments are outstanding as follows:

Birdsboro/Union Township Project	\$ 717,268
Fleetwood Project	359,553
Colebrookdale Project	28,246
	<u>\$ 1,105,067</u>

## 6. Reading Regional Airport Authority

### Capital asset activity

Capital asset activity for the year ended September 30, 2011 was as follows:

	Balance October 1, 2010	Additions	Transfers/ Deletions	Balance September 30, 2011
Capital assets, not being depreciated:				
Land	\$ 4,636,399	\$ -	\$ -	\$ 4,636,399
Air easement rights	103,002			103,002
Construction in progress	<u>14,128,097</u>	<u>1,158,302</u>	<u>(3,527,727)</u>	<u>11,758,672</u>
Total capital assets, not being depreciated	<u>18,867,498</u>	<u>1,158,302</u>	<u>(3,527,727)</u>	<u>16,498,073</u>
Capital assets, being depreciated:				
Land improvements	8,517,543	-	-	8,517,543
Infrastructure	21,349,832	3,534,929	-	24,884,761
Buildings and improvements	17,335,310	-	-	17,335,310
Furniture and equipment	3,211,169	78,114	-	3,289,283
Leasehold improvements	<u>2,198,700</u>	<u>-</u>	<u>-</u>	<u>2,198,700</u>
Total capital assets being depreciated	<u>52,612,554</u>	<u>3,613,043</u>	<u>-</u>	<u>56,225,597</u>
Total capital assets, historical cost	<u>71,480,052</u>	<u>4,771,345</u>	<u>(3,527,727)</u>	<u>72,723,670</u>
Less accumulated depreciation for:				
Land improvements	5,274,153	432,355	-	5,706,508
Infrastructure	11,260,663	879,639	-	12,140,302
Buildings and improvements	8,120,467	486,892	-	8,607,359
Furniture and equipment	2,471,079	94,918	-	2,565,997
Leasehold improvements	<u>824,514</u>	<u>91,612</u>	<u>-</u>	<u>916,126</u>
Total accumulated depreciation	<u>27,950,876</u>	<u>1,985,416</u>	<u>-</u>	<u>29,936,292</u>
Total capital assets, net	<u>\$ 43,529,176</u>	<u>\$ 2,785,929</u>	<u>\$ (3,527,727)</u>	<u>\$ 42,787,378</u>

## 7. Reading Area Community College

### Capital asset activity:

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Transfers/ Deletions	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 1,081,556	\$ -	\$ -	\$ 1,081,556
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,081,556</u>	<u>-</u>	<u>-</u>	<u>1,081,556</u>
Capital assets, being depreciated:				
Buildings and improvements	60,575,902	-	(4,496)	60,571,406
Equipment, furnishings, and library books	<u>8,668,831</u>	<u>298,414</u>	<u>(231,689)</u>	<u>8,735,556</u>
Total capital assets being depreciated	<u>69,244,733</u>	<u>298,414</u>	<u>(236,185)</u>	<u>69,306,962</u>
Total capital assets, historical cost	<u>70,326,289</u>	<u>298,414</u>	<u>(236,185)</u>	<u>70,388,518</u>
Less accumulated depreciation for:				
Buildings and improvements	18,633,299	1,523,375	(4,496)	20,152,178
Equipment, furnishings, and library books	<u>5,986,275</u>	<u>558,162</u>	<u>(212,951)</u>	<u>6,331,486</u>
Total accumulated depreciation	<u>24,619,574</u>	<u>2,081,537</u>	<u>(217,447)</u>	<u>26,483,664</u>
Total capital assets, net	<u>\$ 45,706,715</u>	<u>\$ (1,783,123)</u>	<u>\$ (18,738)</u>	<u>\$ 43,904,854</u>

Depreciation expense for the College for the year ended June 30, 2011 was \$2,081,537.

### 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, 2011:

Retirees and beneficiaries receiving benefits	943
Terminated plan members entitled to but not yet receiving benefits	188
Active plan members	<u>2,096</u>
Total members	<u><u>3,227</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 2011, 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 2011 was determined as part of the January 1, 2012, actuarial valuation as follows:

Annual required contribution	\$ 8,002,599
Interest on net pension asset	(100,609)
Adjustment to annual required contribution	<u>170,218</u>
Annual pension cost	8,072,208
Contributions made	<u>(8,002,599)</u>
Decrease in net pension asset	69,609
Net pension asset beginning of year	<u>(1,341,459)</u>
Net pension asset end of year	<u><u>\$ (1,271,850)</u></u>

Annual pension cost - three-year trend information

Year ended	Annual pension cost	Annual pension cost contributed	Net pension asset
December 31, 2009	\$ 11,143,250	99%	\$ (1,415,296)
December 31, 2010	\$ 11,673,584	99%	\$ (1,341,459)
December 31, 2011	\$ 8,072,208	99%	\$ (1,271,850)

**7. Funded status and funding progress**

The funded status of the County's Plan as of December 31, 2011, the most recent actuarial valuation date, and December 31, 2010 and 2009, 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)
12/31/2009	\$ 223,375,934	\$ 288,252,409	\$ 64,876,475	77.5%	\$ 93,697,475	69.2%
12/31/2010	\$ 259,296,265	\$ 307,794,954	\$ 48,498,689	84.2%	\$ 96,728,405	50.1%
12/31/2011	\$ 265,385,348	\$ 328,529,409	\$ 63,144,061	80.8%	\$ 98,644,764	64.0%

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, 2012 actuarial valuation follows:

Valuation Date	December 31, 2011
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, 2011 totaled \$33,407 for direct program services and \$23,260 for management and general.

**2. Service Access & Management, Inc.**

The Organization has 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. Beginning July 1, 2010, the Organization provided a 1% match to employees who contribute a minimum of 4% to their 401(k) plan. Contributions made to the plan were charged to operations for the year ended June 30, 2011 were \$95,577.

**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, 2011.

#### **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 \$426 at September 30, 2011. The Authority's contributions for each employee are fully vested when made. The pension contribution for the year ended September 30, 2011 was \$30,525.

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, 2011 was \$4,824.

#### **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, 2011 was \$30,983, which consisted of \$12,292 from the College and \$18,691 from employees. The contribution to PSERS for the year ended June 30, 2011 was \$276,629, which consisted of \$76,613 from the College and \$200,016 from employees. The contribution to TIAA-CREF for the year ended June 30, 2011 was \$1,530,227 which consisted of \$761,879 from the College and \$768,348 from employees.

The College's total payroll for the year ended June 30, 2011 was \$18,417,112; total covered employees' salaries in SERS, PSERS and TIAA-CREF were \$303,601, \$2,716,770 and \$12,632,691, 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, 2011:

Future lease rentals receivable applicable to retirement of debt	<u>\$ 161,054,941</u>
Related debt:	
Bonds	\$ 157,429,982
Mortgage notes	<u>3,624,959</u>
	<u>\$ 161,054,941</u>

**2. Service Access & 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 2016, with monthly rentals varying from \$428 to \$10,343. The leases provide for renewal options; termination provisions; use restrictions; improvements; minimum insurance coverage; as well as other conditions.

At June 30, 2011, the minimum future lease income under operating leases described above is as follows:

Year ending June 30:	
2012	\$ 219,982
2013	144,398
2014	148,467
2015	135,288
2016	35,550
Thereafter	<u>3,066</u>
 Total	 <u>\$ 686,751</u>

Rental income recognized for the year ended June 30, 2011 was \$264,163.

### 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, 2011, \$7,499,336 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, 2011, future minimum lease payments receivable under significant non-cancelable long-term operating leases are as follows:

Year ending September 30:

2012	\$ 753,096
2013	643,658
2014	630,866
2015	625,947
2016	596,346
Thereafter	<u>7,047,017</u>
	<u>\$ 10,296,930</u>

Included in deferred revenue is a \$75,000 deposit for a rental lease that was effective January 1, 2009. The deposit is being amortized over the initial term of the lease, which is 25 years. The deferred revenue relating to this lease at September 30, 2011 is \$66,750.

## NOTE 9: RISK MANAGEMENT

### A. Primary government

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

**1. Self-insured workers' compensation**

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

The County maintains workers' compensation reserves for claims incurred and claims incurred but not reported in the funds to which, per the County's estimate, they apply. Liabilities are reported on the government-wide and proprietary fund statements. Based on history of claims paid and the County's Aa1 Moody's rating, the required balance in the Workers Compensation Trust Fund maintained by the County has been increased from \$500,391 in 2010 to \$638,829 for 2011.

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, 2011, are summarized as follows:

Business-type activities	Governmental activities	Total
\$2,301,368	\$2,197,584	\$4,498,952

The following summary provides aggregate information on workers' compensation self-insurance liabilities; incurred claims and payments during the years ended December 31, 2009, 2010 and 2011. The increase in 2011 is due to the settlement of three major claims.

Year	January 1 liability	Incurred claims	Payments	December 31 liability
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
2011	\$ 4,820,927	\$ 1,621,571	\$ 1,943,546	\$ 4,498,952

**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 2011, the County has incurred and processed healthcare claims of \$21.3 million.

All accrued incurred but not recorded (IBNR) healthcare claims liabilities at December 31, 2011, are summarized as follows:

Business-type activities	Government activities	Total
\$ 367,346	\$ 1,001,473	\$ 1,368,819

The following summary provides aggregate information on healthcare self-insurance liabilities, incurred claims and payments during the years ended December 31, 2009, 2010 and 2011.

Year	January 1 liability	Incurred claims	Payments	December 31 liability
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
2011	\$ 1,793,684	\$ 21,347,406	\$ 21,772,271	\$ 1,368,819

### 3. Health Choices self-insured healthcare

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

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

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

The actuary issued a Statement of Actuarial Opinion certifying the total June 30, 2011 RBUC and IBNR on October 17, 2011. The County contracts with an independent actuary to review the medical expense amounts reported by Community Care to ensure the amounts are actuarially sound.

The amount of accrued incurred but not recorded (IBNR) healthcare claims liabilities at December 31, 2011 is \$6,466,824, and is included in accrued claims other in the accompanying governmental funds balance sheet.

**B. Component units**

**1. Reading Area Community College**

The College funds health insurance claims up to \$65,000 individually and \$3,528,313 in the aggregate for the year ended June 30, 2011. 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, 2011. This liability is entirely funded.

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

	<u>2011</u>
Balance at July 1	\$ 300,000
Claims incurred	2,815,832
Claims paid	<u>(2,815,832)</u>
Balance at June 30	<u>\$ 300,000</u>

**NOTE 10: LONG-TERM DEBT**

**A. Primary government**

**1. General obligation bonds**

- **Governmental activities**

At December 31, 2011, general obligation bonds consisted of the following:

	Balance outstanding January 1, 2011	Additions/ Transfers	Accretion in capital appreciation bonds	Reductions	Balance outstanding December 31, 2011
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	\$ 42,339,076	\$ -	\$ 2,673,105	\$ -	\$ 45,012,181
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	48,051,338	-	2,633,431	3,310,000	47,374,769
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.	4,679,369	-	-	9,275	4,670,094

2002 Series B General Obligation Bonds, \$56,805,000, varying interest rates ranging from 5.40% to 5.75% through 2012, to refund a portion of principal and interest on 1992 Second Series General Obligation Bonds.	21,355,000	-	-	10,420,000	10,935,000
2005 General Obligation Bonds, \$9,415,000, varying interest rates ranging from 5.10% to 5.90% through 2021, to refund a portion of principal and interest on the Series 1995 General Obligation Bonds.	9,115,000	-	-	70,000	9,045,000
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	966,221	-	-	42,742	923,479
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	28,200,000	-	-	1,035,000	27,165,000
2009 General Obligation Bonds Series B Build America, \$15,050,000, varying interest rates ranging from 1.234% to 6.133% through 2029, to fund County Capital Projects.	14,870,000	-	-	180,000	14,690,000

2010 General Obligation Bonds Series A, \$30,000,000, varying interest rates ranging from 1% to 4.15% through 2029, to refund the Series 2006 General Obligation Note and to pay a swap termination fee.	29,995,000	-	-	500,000	29,495,000
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	-	-	5,000	7,785,000
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	-	-	5,000	42,400,000
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.	<u>6,550,000</u>	<u>-</u>	<u>-</u>	<u>570,000</u>	<u>5,980,000</u>
	256,316,004	-	5,306,536	16,147,017	245,475,523

Unamortized premium 2008	22,640	-	-	2,009	20,631
Unamortized refunding loss 2008	(207,812)	-	-	(18,441)	(189,371)
Unamortized premium 2009A	100,084	-	-	8,609	91,475
Unamortized refunding loss 2009A	(549,587)	-	-	(47,273)	(502,314)
Unamortized discount 2002 Second Series	(52,453)	-	-	(4,035)	(48,418)
Unamortized discount 2010A	(116,026)	-	-	(6,107)	(109,919)
	<u>255,512,850</u>	<u>-</u>	<u>5,306,536</u>	<u>16,081,779</u>	<u>244,737,607</u>
Total	\$	\$	\$	\$	\$
Less: Current Maturities					(16,847,720)
Add: Agricultural Easement Purchases					256,323
					<u>\$ 228,146,210</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
2012	\$ 16,827,770	\$ 7,396,751	\$ 24,224,521
2013	17,519,124	6,697,659	24,216,783
2014	18,182,569	6,621,926	24,804,495
2015	18,647,787	6,491,831	25,139,618
2016	18,904,777	6,348,499	25,253,276
2017-2021	85,229,752	28,939,580	114,169,332
2022-2026	54,119,113	20,508,139	74,627,252
2027-2030	<u>46,717,681</u>	<u>5,547,268</u>	<u>52,264,949</u>
	\$ 276,148,573	\$ 88,551,653	\$ 364,700,226
Unaccreted principal	(30,673,050)		
Unamortized refunding loss	(691,685)		
Unamortized premium	112,106		
Unamortized discount	<u>(158,337)</u>		
Bonds payable	\$ 244,737,607		
Agricultural easement installment purchases	<u>256,323</u>		
Bonds and notes payable at December 31, 2011	<u>\$ 244,993,930</u>		

- **Business-type activities**

	Balance outstanding January 1, 2011	Additions	Accretion in capital appreciation bonds	Reductions	Balance outstanding December 31, 2011
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.	\$ 365,632	\$ -	\$ -	\$ 726	\$ 364,906
2008 General Obligation Bonds, \$33,980,000, (governmental activities \$1,022,798, business - type activities \$32,957,202) varying interest rates ranging from 2.15% to 5.00% through 2028, to refund the principal and interest on the Series 1998 General Obligation Bonds and 2002 General Obligation Variable Rate Demand Bonds	31,103,778	-	-	1,377,258	29,726,520
	31,469,410	-	-	1,377,984	30,091,426
Unamortized premium 2008	728,838	-	-	64,611	664,227
Unamortized refunding gain 2008	3,749,085	-	-	332,682	3,416,403
Unamortized discount 2002 Second Series	(4,099)	-	-	(316)	(3,783)
Total	<u>\$ 35,943,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,774,961</u>	\$ 34,168,273
Less: Current Maturities					(1,401,466)
					<u>\$ 32,766,807</u>

Debt service requirements to maturity are as follows:

Year ending	Principal	Interest	Total Debt Service
2012	\$ 1,401,466	\$ 1,341,291	\$ 2,742,757
2013	1,445,876	1,299,216	2,745,092
2014	912,431	1,252,219	2,164,650
2015	597,214	1,222,558	1,819,772
2016	500,224	1,201,652	1,701,876
2017-2021	8,490,252	5,720,615	14,210,867
2022-2026	13,625,889	1,976,608	15,602,497
2027-2028	<u>3,118,074</u>	<u>212,117</u>	<u>3,330,191</u>
	<u>\$ 30,091,426</u>	<u>\$ 14,226,276</u>	<u>\$ 44,317,702</u>
Unaccreted premium	664,227		
Unamortized refunding gain	3,416,403		
Unamortized discount	<u>(3,783)</u>		
Bonds and notes payable at December 31, 2011	<u>\$ 34,168,273</u>		

## 2. Derivatives

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 County entered into an agreement to terminate this swap on February 24, 2011 and paid a termination fee in the amount of \$69,000.

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

Associated Bond Issue	Notional Amount	Balance		December 31, 2011
		January 1, 2011	Increase/ (Decrease)	
1999 Series	<u>\$ 25,630,000</u>	<u>\$ (93,568)</u>	<u>\$ 93,568</u>	<u>\$ -</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 swap was terminated on February 24, 2011 and the County paid a termination fee in the amount of \$712,000.

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

Associated Bond Issue	Notional Amount	January 1, 2011	Increase/ (Decrease)	December 31, 2011

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 swap was terminated on February 24, 2011 and County paid a termination fee to the counterparty in the amount of \$2,095,000.

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

Associated Bond Issue	Notional Amount	January 1, 2011	Increase/ (Decrease)	December 31, 2011

Interest rate basis swap – In May 2011, the County entered into an interest rate basis swap agreement with a financial institution in connection with the Series C of 2010

General Obligation Bonds. The agreement effective date is May 11, 2011 and terminates on November 15, 2030. The financial institution is a floating rate payor based on 67% of 30-day LIBOR. The County is a floating rate payor based upon the BMA Municipal Bond Index as published by Municipal Market Data.

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

Associated Bond Issue	Notional Amount	Balance January 1, 2011	Increase/ (Decrease)	Balance December 31, 2011
Series C of 2010 GOB	<u>\$ 42,405,000</u>	<u>\$ -</u>	<u>\$ (368,371)</u>	<u>\$ (368,371)</u>

The valuations shown are not actual market prices at which an offer would be made for unwinding any transactions, but rather calculated mathematical approximations of market values derived from proprietary models as of a given date. As these basis swaps are considered to be investment type derivative instruments per accounting standards, they are reported as a derivative asset and as a borrowing on the governmental activities column of the statement of net assets. The change in fair market value of during the year ended December 31, 2011, 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.

### **3. Letter of Credit**

The County has a standby letter of credit in the amount of \$625,000 at December 31, 2011. 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, 2011, the County has not drawn down funds on this letter of credit.

### **4. Prior year defeasance of debt**

In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2011, \$34,600,000 of bonds outstanding is considered defeased.

### **5. Reimbursement agreement**

In connection with the issuance of the 1995 General Obligation Bonds in the amount of \$9,840,000, the County entered into a reimbursement agreement with the Greater Berks Development Fund. Under the terms of the agreement, the County is reimbursed for the debt service requirements of the 1995 General Obligation Bonds. The 2005 General Obligation Bonds in accordance with the negotiated Option Agreement of September 2002 refunded the 1995 General Obligation bonds in November 2005. The reimbursement agreement with the Greater Berks Development Fund remains in place as of December 31, 2011.

### **6. Federal arbitrage regulations**

The County is subject to federal arbitrage regulations on its non-taxable general obligation bonds and notes. There was no outstanding liability for federal arbitrage due and payable in the governmental funds or the accrual-based government wide financial statements at December 31, 2011.

### **7. Other changes in long term liabilities**

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

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011	Due within one year
<b>Governmental activities:</b>					
Agricultural easement installment purchases	\$ 200,402	\$ 236,375	\$ 180,454	\$ 256,323	\$ 19,950
Workers compensation accrued liabilities	2,332,624	1,314,286	1,449,327	2,197,583	179,982
Compensated absences payable	<u>3,725,945</u>	<u>7,026,386</u>	<u>6,908,311</u>	<u>3,844,020</u>	<u>758,067</u>
<b>Total governmental activities</b>	<u>\$ 6,258,971</u>	<u>\$ 8,577,047</u>	<u>\$ 8,538,092</u>	<u>\$ 6,297,926</u>	<u>\$ 957,999</u>
<b>Business-type activities:</b>					
Workers compensation accrued liabilities	\$ 2,488,303	\$ 578,525	\$ 765,460	\$ 2,301,368	\$ 188,482
Compensated absences payable	<u>1,275,284</u>	<u>2,620,303</u>	<u>2,739,325</u>	<u>1,156,262</u>	<u>354,081</u>
<b>Total business-type activities</b>	<u>\$ 3,763,587</u>	<u>\$ 3,198,828</u>	<u>\$ 3,504,785</u>	<u>\$ 3,457,630</u>	<u>\$ 542,563</u>

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

## 8. Guaranteed debt of others

The following revenue bonds and note are guaranteed by the County, with balances outstanding as of December 31, 2011 (except for Reading Area Community College with the outstanding balance as of June 30, 2011 and Reading Regional Airport Authority with the outstanding balance as of September 30, 2011).

### Revenue Bonds/Note

Series of 2009, Berks County Solid Waste Authority Bonds	\$ 4,695,000
Series of 2003, Reading Area Community College Bonds	\$ 11,355,000
Series of 2008, Reading Regional Airport Authority Notes	\$ 6,340,000
Series of 2007, Redevelopment Authority of the County of Berks Note	\$ 4,050,885

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, 2011, revenue bonds payable consisted of the following:

Bonds	December 31, 2010	Additions (payments)	December 31, 2011
County Guarantee Revenue Bonds, Series of 2009, varying interest rates from 2.00% to 2.75% through 2017, initial issue \$6,290,000	\$ 5,580,000	\$ (885,000)	\$ 4,695,000
Less:			
Current maturities			(905,000)
Unamortized deferred refunding loss			(398,934)
Unamortized bond premium			21,456
			<u>\$ 3,412,522</u>

Aggregate sinking fund installments required on bonded debt at December 31, 2011 are as follows:

Year ending	Principal	Interest	Total Debt service
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	975,000	13,407	988,407
	<u>\$ 4,695,000</u>	<u>\$ 279,513</u>	<u>\$ 4,974,513</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, 2011 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, 2011 was as follows:

	Balance outstanding July 1, 2010	Additions (payments)	Balance outstanding June 30, 2011
College Revenue Bonds, Series of 2002, original issue \$7,170,000, weighted average interest rate 3.73 % final maturity April 2014.	\$ 2,045,000	\$ (485,000)	\$ 1,560,000
College Revenue Bonds, Series of 2003, original issue \$12,490,000, weighted average interest rate 4.90 % final maturity April 2029.	11,675,000	(320,000)	11,355,000
College Revenue Bonds, Series of 2004, original issue \$2,500,000, weighted average interest rate 3.55 % final maturity April 2020.	2,418,000	(156,000)	2,262,000
College Revenue Bonds, Series of 2005, original issue \$1,860,000, weighted average interest rate 3.90 % final maturity April 2016.	1,169,000	(176,000)	993,000
College Revenue Bonds, Series of 2007, original issue \$2,713,000, weighted average interest rate 4.23 % final maturity May 2014.	<u>1,265,000</u>	<u>(374,000)</u>	<u>891,000</u>
	<u>\$ 18,572,000</u>	<u>\$ (1,511,000)</u>	17,061,000
Less: Current maturities			<u>(1,561,000)</u>
			<u>\$ 15,500,000</u>

Principal and interest requirements to maturity are as follows:

Year ending June 30	Principal	Interest	Total Debt service
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	878,000	552,776	1,430,776
2017-2021	4,308,000	2,191,666	6,499,666
2022-2026	3,760,000	1,266,000	5,026,000
2027-2029	<u>2,735,000</u>	<u>277,750</u>	<u>3,012,750</u>
	<u>\$ 17,061,000</u>	<u>\$ 6,714,794</u>	<u>\$ 23,775,794</u>

## 2. Long-Term Liabilities

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

Long-term debt activity for the year ended June 30, 2011 consisted of the following:

	Balance outstanding July 1, 2010	Additions (payments)	Balance outstanding June 30, 2011
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, assignment of leases and all organization assets	\$ 2,748,176	\$ (117,823)	\$ 2,630,353

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, assignment of leases and all organization assets	384,000	(25,000)	359,000
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, assignment of leases and all organization assets	54,000	(4,000)	50,000
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, assignment of leases and all organization assets	352,397	(11,810)	340,587
Revenue Note, payable to a bank, original amount of \$2,300,000, interest payable at 4.5% through November 2020 and thereafter at 5.50%, due in annual installments ranging from \$131,075 to \$431,550 to November 2030, collateralized by real estate	-	2,300,000	2,300,000
Total	<u>\$ 3,538,573</u>	<u>\$ 2,141,367</u>	<u>\$ 5,679,940</u>

Future maturities of the notes payable are as follows:

Year ending	Principal	Interest	Total Debt service
2012	\$ 193,126	\$ 244,613	\$ 437,739
2013	201,722	235,794	437,516
2014	210,304	226,628	436,932
2015	506,728	208,445	715,173
2016	213,824	183,909	397,733
2017-2021	1,163,118	750,200	1,913,318
2022-2026	1,412,118	571,807	1,983,925
2027-2031	1,779,000	233,925	2,012,925
	<u>\$ 5,679,940</u>	<u>\$ 2,655,321</u>	<u>\$ 8,335,261</u>

- **Berks County Industrial Development Authority**

The Authority has a \$10,000,000 note payable, at 5.3%, with a bank, to be used for the funding of the Berks Park 78. 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 \$3,850,000 was received through December 31, 2011. Grant funds distributed are contingent upon the availability of appropriated federal funds.

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, subject to a prepayment penalty.

The Authority has a \$500,000 non-interest bearing note payable with the Reading Airport Authority, issued subject to the terms and conditions of the agreement of Sale, as amended. The total amount of the note is current and due in full on March 15, 2012.

At December 31, 2011, changes in long term debt consisted of the following:

	Balance outstanding December 31, 2010	Additions (payments)	Balance outstanding December 31, 2011
\$10,000,000 Section 108 Loan	\$ 8,169,000	\$ (491,000)	\$ 7,678,000
\$3,500,000 Section 108 Loan	3,359,000	(148,000)	3,211,000
\$6,299,000 Exeter TIF Note	<u>6,061,000</u>	<u>(249,000)</u>	<u>5,812,000</u>
Total	<u>\$ 17,589,000</u>	<u>\$ (888,000)</u>	<u>\$ 16,701,000</u>

Aggregate maturities required on the notes payable at December 31, 2011 are as follows:

Year ending	Principal	Interest	Total Debt service
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	1,083,000	645,113	1,728,113
2017-2021	6,173,000	2,362,580	8,535,580
2022-2026	5,049,000	752,762	5,801,762
2027	<u>481,000</u>	<u>19,534</u>	<u>500,534</u>
	<u>\$ 16,701,000</u>	<u>\$ 6,836,542</u>	<u>\$ 23,537,542</u>

**Redevelopment Authority of the County of Berks**

At December 31, 2011, notes payable consisted of the following:

	Balance outstanding January 1, 2011	Additions (payments)	Balance outstanding December 31, 2011
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	\$ 4,651,850	\$ (600,965)	\$ 4,050,885
Note payable to a bank, original amount \$1,300,000 at 4.65%, interest monthly through February 2027, fixed annual principal and interest payments of \$66,667 to November 2026, and a final principal and interest payment of \$66,667 due February 2027, to be repaid through real estate tax revenues from a tax increment district established for the project.	1,133,333	(66,666)	1,066,667
Note payable to the Commonwealth of Pennsylvania, Department of Transportation, original amount \$700,000, at 1.625% fixed annual principal and interest payments of \$76,407 starting September 2011 to September 2020, to be repaid through real estate tax revenues from a tax increment district established for the project	700,000	(65,032)	634,968
Note payable to the County of Berks, original amount \$400,000, at .25% per annum, to December 2015, principal and interest due December 2015. Proceeds to be used for the Second Street Redevelopment Area Project in the Borough of Hamburg, County of Berks, Pennsylvania	-	400,000	400,000
	<u>\$ 6,485,183</u>	<u>\$ (332,663)</u>	<u>\$ 6,152,520</u>
Less: current maturities			<u>(1,155,756)</u>
			<u>\$ 4,996,764</u>

Aggregate maturities required on note payable at December 31, 2011 are as follows:

Year ending	Principal	Interest	Total Debt service
2012	\$ 1,155,756	\$ 234,118	\$ 1,389,874
2013	782,830	203,052	985,882
2014	807,921	174,855	982,776
2015	840,030	139,640	979,670
2016	870,158	106,509	976,667
2017-2021	1,295,825	178,919	1,474,744
2022-2026	333,333	60,874	394,207
2027	66,667	528	67,195
	<u>\$ 6,152,520</u>	<u>\$ 1,098,495</u>	<u>\$ 7,251,015</u>

- **Reading Regional Airport Authority**

September 30,  
2011

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. During the year ended September 30, 2011, the Authority used proceeds from the land sale (see this note) to pay down \$1,215,000 of principal on this note. \$ 2,490,000

Revenue Note, Series B of 2008 - On November 20, 2008, the Authority issued the Guaranteed Revenue Note, Series B of 2008 (non-AMT) in the amount \$3,850,000. The proceeds were used to refund the 2004B Bonds. The Note will mature on October 1, 2033. The Note bears interest at fixed rate of 4.43% through October 2015. Thereafter, the interest rate shall be adjusted from time to time to equal 67% of the 1-Month London Interbank Offered Rate, plus 215 basis points. However, the maximum interest rate on the Note shall never exceed 6.50% per annum. Interest is paid semi-annually. 3,850,000

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. During the year ended September 30, 2011, the Authority used proceeds from the land sale (see this note) to pay off this note in full. -

Total \$ 6,340,000

Less: Amount due within one year and classified as current -

\$ 6,340,000

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

There is no principal payment due within one year due to the significant principal payments made during the year ended September 30, 2011.

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

	Beginning Balance	Additions	Reductions/ Refunding	Ending Balance	Amount Due Within One Year
Revenue Note:					
Series A of 2008	\$3,705,000	\$ -	\$(1,215,000)	\$2,490,000	\$ -
Series B of 2008	3,850,000	-	-	3,850,000	-
Series C of 2008	<u>745,000</u>	<u>-</u>	<u>(745,000)</u>	<u>-</u>	<u>-</u>
	<u>\$8,300,000</u>	<u>\$ -</u>	<u>\$(1,960,000)</u>	<u>\$6,340,000</u>	<u>\$ -</u>

The following schedule summarizes debt service requirements to maturity:

Year ending Sept 30	Revenue Bonds, Series 2008		Total Debt service
	Principal	Interest	
2012	\$ -	\$ 281,360	\$ 281,360
2013	-	281,360	281,360
2014	-	281,360	281,360
2015	-	281,360	281,360
2016	-	281,360	281,360
2017-2021	965,000	1,377,090	2,342,090
2022-2026	1,695,000	1,050,689	2,745,689
2027-2031	2,325,000	592,513	2,917,513
2032-2034	<u>1,355,000</u>	<u>91,369</u>	<u>1,446,369</u>
	<u>\$ 6,340,000</u>	<u>\$ 4,518,461</u>	<u>\$ 10,858,461</u>

During the year ended September 30, 2011, the Reading Regional Airport Authority (seller) settled the land sale with the Berks County Industrial Development Authority (BCIDA). The property being sold was all non-aviation related property and the agreed upon sales price was \$2,655,000. The sale was settled June 27, 2011 after being extended several times. Over the past 5 years, the BCIDA paid the Authority four \$150,000 payments to extend the sale settlement date. Under the terms of the sales agreement, these extension payments were not applicable to the purchase price and were nonrefundable except in the case of seller's default or inability to convey title. Under terms of the contract, in certain circumstances a reversionary interest existed whereby BCIDA could have been entitled to all deposits and extension payments. As a result of those terms, all payments received were reported as deposits on agreement of sale (deferred revenue) as of September 30, 2010.

At the settlement date, the Authority received a promissory note for \$500,000 of the sales price and cash for the remaining net sales price. The \$500,000 note receivable is due to be paid in full by the BCIDA on or before March 12, 2012, and at September 30, 2011, is reported in as a current asset on the related Statements of Net Assets. For the year ended September 30, 2011, the Authority recognized nonoperating revenue for the sale of land in the amount of \$3,254,669, which consists of the sales price net of settlement charges, and the extension payments that were previously reported as deferred revenue. \$1,960,000 of cash from the sale was used to pay down existing debt.

### 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. Lines of Credit

- **Service Access & 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%, secured by real estate. No amounts were outstanding at June 30, 2011.

- **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, 2011 was \$4,208,393. The line of credit is guaranteed by the County of Berks.

The Authority has an \$800,000 unsecured line of credit with a bank at variable rate of 0.50% under the bank's prime rate, with a floor of 3.5%. A financial covenant exists in which the Authority is required to obtain written consent from the bank if their unencumbered liquid assets fall below \$800,000. The balance at December 31, 2011 was \$283,145.

- **Reading Area Community College**

As of June 30, 2011, 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, 2011. There is no outstanding balance on this line of credit at June 30, 2011.

### 5. Long-term liabilities

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

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Balance, Beginning	Additions	Reductions	Balance, Ending
Obligation under capital leases	\$ 20,251	\$ -	\$ 6,999	\$ 13,252
Compensated absences payable	<u>78,106</u>	<u>8,154</u>	<u>12,282</u>	<u>73,978</u>
	<u>\$ 98,357</u>	<u>\$ 8,154</u>	<u>\$ 19,281</u>	<u>\$ 87,230</u>

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

Other long-term liability activity for the year ended June 30, 2011 was as follows:

	Balance, Beginning	Additions	Reductions	Balance, Ending
Compensated absences payable	<u>\$ 1,337,241</u>	<u>\$ 514,606</u>	<u>\$ 265,827</u>	<u>\$ 1,586,020</u>

- **Reading Area Community College**

Bonds	Balance outstanding December 31, 2011
On March 5, 2010, the College entered into an agreement to borrow up to \$1,500,000 to finance the purchase and related costs of property in proximity to the College. The agreement requires semi-annual payments of \$160,520, including interest at 2.50% per annum. Final payment is due in March 2014. The College has pledged its full faith and credit for the repayment of the loan.	\$ 873,015
Portion payable within one year and classified as current.	<u>(301,019)</u>
Total long term debt	<u>\$ 571,996</u>

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

2012	\$ 301,019
2013	308,657
2014	<u>263,339</u>
	<u>\$ 873,015</u>

Accrued compensated absences for the year ending June 30, 2011 was \$836,862.

**NOTE 11: FUND BALANCE POLICY**

**A. Primary government**

Fund balances of the County’s governmental funds at December 31, 2011 consist of the following:

	<b>Nonspendable</b>	<b>Restricted</b>	<b>Committed</b>	<b>Assigned</b>	<b>Unassigned</b>	<b>Total Fund Balance</b>
General Fund	\$ 878,350	\$ 1,865,358	\$ -	\$ 35,008,622	\$ 115,808,679	\$ 153,561,009
Children and Youth Services Fund	8,655	4,411	-	-	-	13,066
Community Development Fund	-	-	-	-	(236,866)	(236,866)
Health Choices Fund	-	1,637,899	-	-	-	1,637,899
Capital Projects Fund	-	55,369,043	-	-	-	55,369,043
Other Governmental	7,236	8,962,524	-	-	(33,397)	8,936,363
	<u>\$ 894,241</u>	<u>\$ 67,839,235</u>	<u>\$ -</u>	<u>\$ 35,008,622</u>	<u>\$ 115,538,416</u>	<u>\$ 219,280,514</u>

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

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

**Spending policy:**

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

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

**Minimum fund balance policy:**

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

**Committed fund balance:**

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

**Assigned fund balance:**

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

**Reservations of fund balance:**

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

Gift fund

This restriction represents funds donated by individuals to be used to provide gifts or special services to children under the care of Children and Youth Services Fund. \$ 4,411

Farmland preservation

This restriction represents funds raised to purchase farmland as part of the agricultural preservation program in the General Fund. 222,915

Hazmat response

This restriction represents fees and other charges to be used to fund the clean up of hazardous materials incidents in the General Fund. 1,294,284

Graffiti Abatement

This restriction represents grant funds in the Court Administration area being used for the eradication and prevention of graffiti that defaces public buildings, bridges and walkways in the General Fund. 27,176

Act 198 - Courts

This restriction represents fines and costs collected by the Clerk of Courts from defendants in Drug & Alcohol court cases, and can only be spent on drug and alcohol prevention programs in the General Fund. 81,337

Workers compensation

This restriction represents funds restricted to pay future workers compensation claims in the General Fund. 239,646

Program purposes

This restriction represents amounts restricted to fund the operations of certain special revenue funds. 10,600,423

Capital Projects

This restriction represents amounts restricted to fund the operations of certain special revenue funds in the Capital Projects Fund. 55,369,043

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

2012 Adopted Budget Deficit

This assignment represents the anticipated 2012 budget deficit in the 2012 Adopted Budget in the General Fund. 14,613,147

222 Corridor

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

Berks Heim

This reservation reflects the negative net assets in Berks Heim Enterprise fund, which potentially may become a liability of the General Fund 5,975,475

Capital Purchases

This assignment represents capital purchases in 2012 in the General Fund. 1,340,000

Debt Service Guarantees

This assignment represents debt service guarantees made by the County of Berks in the General Fund. 3,780,000

Encumbrances

These reservations represent the outstanding contractual obligations for goods and services not yet received. 300,000

Health care self insurance

This reservation represents the estimated obligation for the Health care self insurance program due within the 2012 year 4,000,000

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

Employee pay advance

This reservation represents long term receivable from employees resulting from a change in payroll records. This receivable is not available to meet current expenditures. 108,060

Inventories and prepaid expenses

This reservation represents inventories and prepaid expenses. These items are not available to meet current expenditures. 786,181

**Disbursement of fund balance reserves:**

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

**Annual review and determination of fund balance reserve amounts:**

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

**B. Component Units**

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

The Organization has established and will maintain reservations of fund balance in accordance with GASB 54. Fund balance is composed on nonspendable, restricted, committed, assigned and unassigned amounts.

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

**Spending policy:**

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

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

**Minimum fund balance policy:**

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

**Reservations of fund balance:**

*Nonspendable, Special Revenue Fund:*

The Organization has no amounts in this classification.

*Restricted, Special Revenue Fund:*

The Organization’s restricted fund balance consists of funds for use in the County of Berk’s Drug and Alcohol Prevention/Treatment Program.

*Committed, Special Revenue Fund:*

The Organization has no amounts in this classification.

*Assigned, Special Revenue Fund:*

The Organization has no amounts in this classification.

**Annual review and determination of fund balance reserve amounts:**

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

**2. Service Access & Management, Inc.**

The Organization has established and will maintain reservations of fund balance in accordance with GASB 54. Fund balance is composed on nonspendable, restricted, committed, assigned and unassigned amounts.

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

**Spending policy:**

The Organization's policy is to first use restricted fund balance when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

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

**Minimum fund balance policy:**

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

**Reservations of fund balance:**

*Nonspendable:*

The Organization has no amounts in this classification.

*Restricted:*

The Organization's restricted fund balance consists of funds for use in the Mental Health/Mental Retardation Programs in Berks County, Schuylkill County, Clearfield-Jefferson County and Clarion County.

*Committed:*

The Organization has no amounts in this classification.

*Unassigned:*

The Organization has profits earned from state funded programs with no restrictions and are reflected as unassigned fund balance.

**Annual review and determination of fund balance reserve amounts:**

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

**NOTE 12: 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, 2011, with a balance of \$13,252, 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, 2011:

Year ending June 30:	
2012	\$ 5,750
2013	5,750
2014	<u>2,634</u>
	14,134
Less the amount representing interest	<u>882</u>
Present value of net minimum lease payments	<u>\$ 13,252</u>

**2. Reading Area Community College**

Following is a summary of property held under capital leases:

Computer equipment and copiers	\$ 86,086
Less: Accumulated depreciation	<u>(6,711)</u>
	<u>\$ 79,375</u>

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

2012	\$ 28,113
2013	26,935
2014	<u>1,854</u>
Total minimum lease payments	56,902
Less amount representing interest	<u>3,385</u>
Present value of lease payments	<u>\$ 53,517</u>

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

**NOTE 13: COMMITMENTS AND CONTINGENCIES**

**A. Primary government**

Approximately 68% of the County's employees are covered by collective bargaining agreements as of December 31, 2011. Five of the six contracts have expiration dates of December 31, 2012 and 2015. The Pennsylvania Social Services Unit employees are working to ratify a new contract, which expired on December 31, 2011.

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 \$1,627,653 for the year ended December 31, 2011.

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

2012	\$ 1,070,074
2013	633,309
2014	494,082
2015	411,403
2016	347,372
2017-2018	<u>551,389</u>
Total	<u>\$ 3,507,629</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 June 2016. 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:	
2012	\$ 73,693
2013	14,478
2014	6,343
2015	1,800
2016	<u>1,650</u>
Total	<u>\$ 97,964</u>

Total rental expense for the year ended June 30, 2011 was \$100,862.

### **2. Service Access & 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 \$1,404 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, 2011 is not material.

At June 30, 2011, the minimum future lease payments under the above operating leases are as follows:

Year ended June 30:	
2012	\$ 704,884
2013	410,894
2014	335,642
2015	239,164
2016	202,017
Thereafter	<u>404,034</u>
Total	<u>\$ 2,296,635</u>

Total rental expense for the year ended June 30, 2011 was \$867,922.

Title to furnishings and equipment purchased in whole or in part with funds provided by the Commonwealth of Pennsylvania, Department of Public Welfare, rests with the Commonwealth of Pennsylvania or the Counties. The Organization acts only as a repository for these assets.

The grants received by the Organization are subject to audit by federal, state, and local governments. As of March 26, 2012, the Organization is not aware of any material adjustments that will be required as a result of any such audits.

Approximately 24% of the Organization's employees are covered by collective bargaining agreements as of June 30, 2011. The three contracts have expiration dates of June 30, 2013, June 30, 2014, and June 30, 2016.

### **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, 2011.

The Authority has an existing agreement with Blue Rock Construction, Inc. to provide site management for the Bethel Park 78 project. Fees incurred for the years ended December 31, 2011 were \$660,431.

The Authority entered into an agreement with Bethel Township Municipal Authority ("BTMA") in order to assist BTMA in meeting its debt service requirements for the construction of sewage facilities to certain property owned by the Authority. The financial contribution will be advanced in the amount of \$15,000 per month for 40 months, beginning January 2, 2012. The BTMA will pay the Authority \$3,000 from each tapping fee when collected, until the total amount of \$600,000 has been reimbursed to the Authority. There were no payments made or reimbursements received in 2011.

### **4. Berks County Solid Waste Authority**

The Authority has employment agreements with the Executive Director and the Recycling Center Operator, effective through March 31, 2013 and July 31, 2012,

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 \$23,991 for the year ended December 31, 2011.

The Authority entered into an agreement for professional services relating to a revitalization plan for the Birdsboro/Union Township 'Armorcast' Project at an amount not to exceed \$32,900. At December 31, 2011, the remaining cost under the terms of the agreement is approximately \$23,821.

The Authority entered into an agreement for professional services relating to bridge inspections and a ratings study at an amount not to exceed \$40,000. At December 31, 2011, the remaining cost under the terms of the agreement is approximately \$31,000.

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

The Authority has incurred expenditures related to the Exeter Project, which were funded by proceeds of the County Guaranteed Revenue Note, Series of 2007. The Authority will recover these funds through a grant from the Berks County Industrial Development Authority, who has obtained a state Infrastructure and Facilities Improvement Fund Grant of \$796,476 per year for ten years. Amounts that are due from this grant equal \$3,665,873 as of December 31, 2011. During the year ended December 31, 2011, the Berks County Industrial Development Authority paid debt principal of \$600,965 and interest expense of \$195,511 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, 2011:

Borough of West Reading, Pennsylvania	\$ 10,535
County of Berks, Pennsylvania	13,284
Wyomissing School District	<u>45,666</u>
	<u>\$ 69,485</u>

The amount receivable under the agreement as of December 31, 2010 was \$1,089,913.

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, 2011. The amount receivable under the agreement as of December 31, 2011 was \$2,019,000.

#### **6. Reading Regional Airport Authority**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverage from the 2011 year. Settlement amounts have not exceeded insurance coverage for the current year.

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

During the year ended September 30, 2011, the federal government reviewed expenditures on a certain grant and it was determined that certain claims in the amount of \$99,962 were disallowed. The Authority repaid these funds plus interest to the federal government. The Authority is allowed to resubmit subsequent expenses incurred on this grant against this amount for reimbursement. The Authority submitted some additional claims during the current year, but did not incur enough expenses to make up the total amount repaid to the federal government, which resulted in this grant reporting negative revenue and expense for the year ended September 30, 2011.

The Authority was involved in a lawsuit related to a construction contract that was settled during the year ended September 30, 2011. The lawsuit went to arbitration and the parties agreed to a settlement to spare the time and expense of further litigation. The settlement resulted in the Authority having to pay \$81,000, which is reported as a nonoperating expense on the Statements of Revenue, Expenses and Changes in Net Assets.

#### **7. Reading Area Community College**

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

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

Year ending June 30:	
2012	\$ 925,716
2013	853,328
2014	864,221
2015	900,800
2016	567,279
2017-2018	<u>682,156</u>
Total	<u>\$ 4,793,500</u>

Rent expense for the year ended June 30, 2011 approximated \$957,000.

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. The lease was extended through June 30, 2012. Annual rental amount is \$45,560.

Effective November 1, 2010, the College entered into an agreement to lease space to a second commercial entity. Terms of the agreement are for one year through October 31, 2011 with an automatic one-year extension until June 30, 2012, unless terminated by either party 60 days prior to October 31, 2011. Annual rental amount is \$81,763.

**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, 2011:

Purchased program services expenses	<u>\$7,193,997</u>
Less revenues:	
Client fees	288,865
Other income	<u>442,320</u>
	<u>731,185</u>
Purchased program services, net of revenues	<u>\$6,462,812</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, 2011, the Authority had \$310,760 in total eligible expenditures for this project, of which \$277,848 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 \$210,000 for the 2011 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 2011, the Authority received \$997,450 in host fees from the County.

#### **Reading Area Community College**

The College entered into a contract with Follett Higher Education Group, Inc. effective November 2007 for a period of five years to operate the College's bookstore. Terms of the contract require Follett to pay the College a one-time fee of \$200,000, which is being amortized over the term of the contract and provides for payments of the greater of \$250,000 or 11.25 percent of sales up to \$2,500,000, 12.25 percent of sales from \$2,500,000 to \$5,000,000 and 13.25 percent of sales over \$5,000,000. In addition, Follett will spend up to

\$155,000 to renovate the facility and up to \$40,000 in new technology. Revenue from this agreement was \$438,483 for the year ended June 30, 2011.

**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 \$14,776,400. Although revenues and expenditures were both under budget in 2011, total revenues still exceeded expenditures.

Expenditures, excluding transfers, at the legal level of budgetary control exceeded budgeted appropriations in the Youth Center Enterprise Fund by \$147,745. Additional revenues were received for special legislation programs and provided all of the funds to cover these expenditures.

**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, 2011, 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, 2011
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>84,940</u>
Net OPEB obligation - end of year	<u><u>\$ 126,858</u></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, 2011 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 90,698	53.8%	\$ 126,858
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. Closure of the Berks County Youth Detention Center**

At the April 5, 2012 Commissioners' Board Meeting, Resolution number 113.12 was adopted to close the Berks County Youth Detention Center ("YDC") within 60 days. The YDC closed on June 5, 2012. Forty three employees lost their jobs as a result of the closing, with severance payments totaling approximately \$486,000 being paid during 2012. The due to the general fund from YDC of approximately \$21.7 million was satisfied through a transfer from the General Fund. The General Fund will assume all liabilities remaining for the YDC as of June 5, 2012.

#### **2. Bond issuance**

The County of Berks issued \$9,870,000 in new bonds during 2012. The proceeds of the bond issuance will refund all of the outstanding principal and interest due on the Second Series of 2002 and finance various capital projects including but not limited to the 911 Radio System and improvements to the Service Center and Courthouse and pay the related costs and expenses associated with the issuance of the bonds. The maturity of the bonds is November 15, 2022.

### **B. Component units**

#### **1. Service Access & Management, Inc.**

In September 2011, the Organization entered into an agreement to purchase real estate in Lewistown, Pennsylvania, in the amount of \$670,000.

In January 2012, the Organization contracted with Lehigh County to provide supports coordination services. Expected revenues for the year ended June 30, 2012 are \$1,100,000.

In February 2012, the Organization entered into an agreement for site development and construction of an office building in Pottsville, Pennsylvania for approximately \$1,900,000. The Organization anticipates purchasing land in Pottsville, Pennsylvania, at a cost of \$450,000.

In February 2012, the Organization received approval for financing in the amount of \$3,060,000 for the acquisition and renovation of land and buildings in Lewistown, Pennsylvania, and for acquisition and construction of land and buildings in Pottsville, Pennsylvania.

## **2. Berks County Industrial Development Authority**

The Authority was approved to receive a \$3,000,000 grant in 2012. Grant monies received from this grant at April 30, 2012 total \$2,730,601.

## **3. Redevelopment Authority of the County of Berks**

In March 2012, the Authority authorized borrowing \$1,319,000 under a U.S. HUD Section 108 Loan Guarantee Program for the purpose of financing activities in the Second Street Redevelopment Area of the Borough of Hamburg, County of Berks, Pennsylvania.

In March 2012, the Authority entered into a grant agreement with a Foundation for \$10,000 for the geothermal well system for the apartment building on Ninth St. The grant has a matching requirement that stipulates that the Authority must expend at least the grant amount for this project.

The Authority executed an amendment during 2012 with the County of Berks Community Development Office to increase the Youth Housing funding for the development of affordable rental units for medical assistance eligible adults, ages 18-23 years old with diagnoses of any mental illness, substance abuse, or co-occurring disorders' project allocation by \$100,000.

In April 2012, the Authority executed an amendment with the County of Berks Mental Health/Development Disabilities/Health Choices Program to increase the Youth Housing allocation by \$22,000, and to extend the term of the original agreement to include January 1, 2013 through June 30, 2015.

In April 2012, the Authority signed a grant agreement with the County of Berks, Community Development Office, for \$157,395 from the Federal HOME program for the rehabilitation of single family homes occupied by low and moderate income persons in redevelopment areas, Main Street areas or Elm Street areas in West Reading. The agreement commenced March 1, 2012.

In April 2012, the Authority entered into an agreement to purchase real estate at 233 West Buttonwood Street, Reading, Pennsylvania, for the Acquisition, Demolition and Disposition Program of the County of Berks for \$21,000.

The Authority entered into a verbal agreement with a local contractor for the demolition of 413 Miltimore Street, Reading, Pennsylvania, for the Acquisition, Demolition, and Disposition Program of the County of Berks for \$11,479.

In May 2012, the Authority repaid in full to the County of Berks, Pennsylvania, proceeds of a CDBG float loan of \$400,000, plus interest of \$750.

In June 2012, the Authority signed a grant amendment with the County of Berks, Community Development Office for \$25,000 for the Next Step program. This amendment also provided for an additional term from October 1, 2012 through September 30, 2014.

In June 2012, the Authority signed an engagement letter with a local law firm for special counsel to provide advice on liquidating trust assets that collateralized the mortgage revenue bonds, Series of 1986.

In June 2012, the Authority entered into an agreement with a professional consulting firm for the Colebrookdale Redevelopment Area for a project known as “Colebrookdale Line Excursion Train (with track design option)”, for an amount not to exceed \$46,428.

In June 2012, the Authority made an offer to the owners of a property to purchase 439 Tulpehocken Street, Reading, Pennsylvania, for the Acquisition, Demolition and Disposition Program of the County of Berks, for \$22,000.

#### **NOTE 20: NEW ACCOUNTING PRONOUNCEMENTS**

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 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, 2011

County of Berks  
2011 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, 2002	\$ 3,228,982	100
December 31, 2003	6,845,517	100
December 31, 2004	7,501,938	100
December 31, 2005	8,612,680	100
December 31, 2006	7,675,390	100
December 31, 2007	6,902,040	100
December 31, 2008	5,039,939	100
December 31, 2009	11,064,607	100
December 31, 2010	11,599,747	100
December 31, 2011	8,002,599	100

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 General Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Revenues</b>				
Property taxes	\$ 127,650,000	\$ 127,650,000	\$ 127,740,394	\$ 90,394
Court cost, fines and forfeitures	3,904,000	3,904,000	3,600,846	(303,154)
Investment earnings	1,791,787	1,815,787	853,049	(962,738)
Intergovernmental revenue	16,665,595	16,836,026	15,112,144	(1,723,882)
Departmental charges and reimbursements	49,722,767	50,268,652	47,927,430	(2,341,222)
Payments in lieu of taxes	80,701	80,701	61,979	(18,722)
Rentals	223,412	252,378	224,206	(28,172)
Sale of property, supplies and equipment	15,500	15,500	18,100	2,600
Miscellaneous	1,132,027	1,051,633	1,728,719	677,086
<b>Total revenues</b>	<u>201,185,789</u>	<u>201,874,677</u>	<u>197,266,867</u>	<u>(4,607,810)</u>
<b>Expenditures</b>				
General government, administrative:				
Commissioners	2,225,772	2,127,358	1,658,285	469,073
Solicitors	1,188,212	1,332,958	1,211,390	121,568
Maintenance	10,677,398	11,900,488	10,216,759	1,683,729
Courthouse Security	1,169,048	1,202,967	1,211,255	(8,288)
Engineering	88,364	63,320	44,364	18,956
Fleet Maintenance	546,331	39,580	(129)	39,709
Election Services	1,690,830	1,902,260	1,725,404	176,856
Real Estate Assessment	3,566,947	3,566,947	2,610,740	956,207
Treasurer	760,012	784,012	837,628	(53,616)
Tax Collectors	440,321	440,321	444,308	(3,987)
Tax Claim Bureau	1,105,730	1,052,930	932,455	120,475
Controller	2,526,318	2,573,858	2,532,396	41,462
Recorder of Deeds	1,629,945	1,629,945	1,550,694	79,251
Mailroom/Printing	519,816	519,816	382,603	137,213
Information Systems	6,840,855	7,052,713	5,337,198	1,715,515
Purchasing	644,706	644,596	567,485	77,111
Budget	1,146,211	1,220,895	1,213,245	7,650
Human Resources	2,723,918	2,697,433	2,661,612	35,821
Insurance	1,542,206	1,542,206	1,604,152	(61,946)
Telecommunications	352,278	373,678	254,856	118,822
<b>Total general government, administrative</b>	<u>41,385,218</u>	<u>42,668,281</u>	<u>36,996,700</u>	<u>5,671,581</u>
General government, judicial:				
Register of Wills	1,031,800	1,031,800	1,000,080	31,720
Sheriff	8,041,851	8,258,316	8,458,384	(200,068)
Coroner	1,374,559	1,426,678	1,528,452	(101,774)
Prothonotary	2,259,411	2,420,205	2,290,225	129,980
Clerk of Courts	2,361,512	2,361,512	2,282,222	79,290
Public Defender	3,064,299	3,075,599	2,996,741	78,858
District Attorney	9,290,178	9,486,412	9,302,242	184,170
Law Library	654,640	654,640	625,586	29,054
Court Administration	9,084,418	9,205,566	8,867,900	337,666
District Justices	10,165,633	10,131,861	9,398,330	733,531
Court Reporters	2,013,015	2,013,015	2,015,332	(2,317)
<b>Total general government, judicial</b>	<u>49,341,316</u>	<u>50,065,604</u>	<u>48,765,494</u>	<u>1,300,110</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 General Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Public Safety:</b>				
Adult probation	6,835,753	6,853,482	6,645,936	207,546
Juvenile probation	14,837,843	14,657,714	13,395,431	1,262,283
Prison	30,564,204	30,612,787	30,424,339	188,448
Community corrections	2,311,055	2,068,183	1,668,029	400,154
Department Emergency Services	1,609,662	1,684,343	1,292,559	391,784
Total public safety	<u>56,158,517</u>	<u>55,876,509</u>	<u>53,426,294</u>	<u>2,450,215</u>
<b>Human Services:</b>				
Veterans Affairs	532,685	549,826	570,012	(20,186)
<b>Culture and recreation:</b>				
Berks county public libraries	5,612,543	5,662,397	5,329,989	332,408
Parks	7,303,430	8,045,176	5,556,141	2,489,035
Heritage center	316,565	326,225	290,563	35,662
Total culture and recreation	<u>13,232,538</u>	<u>14,033,798</u>	<u>11,176,693</u>	<u>2,857,105</u>
<b>Community and economic development:</b>				
Planning	1,543,207	1,595,692	1,412,343	183,349
Community and economic development	139,149	139,150	139,303	(153)
Agricultural extension service	537,656	537,656	532,172	5,484
Ag land preservation	349,011	354,276	328,410	25,866
Total community and economic development	<u>2,569,023</u>	<u>2,626,774</u>	<u>2,412,228</u>	<u>214,546</u>
<b>Public Works:</b>				
Recycling	235,926	235,926	225,043	10,883
<b>Community Support:</b>				
<b>Contributions:</b>				
Community Bail Program	586,663	586,663	587,540	(877)
Berks Area Regional Transportation Authority	407,772	407,776	407,776	-
Contingency General	3,733,728	1,950,414	-	1,950,414
Community Organizations	742,000	942,500	938,000	4,500
Reading Area Community College	3,200,000	3,200,000	3,200,000	-
Total community support	<u>8,670,163</u>	<u>7,087,353</u>	<u>5,133,316</u>	<u>1,954,037</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 General Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Debt service:</b>				
Principal	13,547,478	13,547,478	13,537,960	9,518
Interest and fiscal charges	7,924,389	7,924,389	7,597,997	326,392
Administrative expenses	40,326	41,101	38,902	2,199
Total debt service	<u>21,512,193</u>	<u>21,512,968</u>	<u>21,174,859</u>	<u>338,109</u>
<b>Intergovernmental:</b>				
Solid Waste debt service	<u>997,450</u>	<u>997,450</u>	<u>997,450</u>	<u>-</u>
<b>Total expenditures for general fund</b>	<u>194,635,029</u>	<u>195,654,489</u>	<u>180,878,089</u>	<u>14,776,400</u>
<b>Excess of revenue over expenditures</b>	<u>6,550,760</u>	<u>6,220,188</u>	<u>16,388,778</u>	<u>10,168,590</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,949,723	2,094,406	10,544,490	8,450,084
Transfers out	(8,493,202)	(8,496,217)	(29,438,898)	(20,942,681)
Total other financing sources (uses)	<u>(6,543,479)</u>	<u>(6,401,811)</u>	<u>(18,894,408)</u>	<u>(12,492,597)</u>
<b>Special item:</b>				
Swap termination fee	<u>-</u>	<u>-</u>	<u>(2,876,000)</u>	<u>(2,876,000)</u>
Net change in fund balances	7,281	(181,623)	(5,381,630)	5,200,007
Fund balance, beginning, as restated	153,478,566	153,478,566	158,942,639	5,464,073
Fund balance, ending	<u>\$ 153,485,847</u>	<u>\$ 153,296,943</u>	<u>\$ 153,561,009</u>	<u>\$ 10,664,080</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Children and Youth Special Revenue Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Revenues</b>				
Intergovernmental revenue	\$ 29,891,445	\$ 30,329,202	\$ 30,631,266	\$ 302,064
Departmental charges and reimbursements	986,850	986,850	880,064	(106,786)
Miscellaneous	-	-	1,137	1,137
Total revenues	<u>30,878,295</u>	<u>31,316,052</u>	<u>31,512,467</u>	<u>196,415</u>
<b>Expenditures</b>				
Current:				
Human services	<u>35,417,815</u>	<u>35,857,241</u>	<u>35,619,082</u>	<u>238,159</u>
Total expenditures	<u>35,417,815</u>	<u>35,857,241</u>	<u>35,619,082</u>	<u>238,159</u>
Deficiency of revenues under expenditures	<u>(4,539,520)</u>	<u>(4,541,189)</u>	<u>(4,106,615)</u>	<u>434,574</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>4,539,520</u>	<u>4,541,189</u>	<u>4,106,615</u>	<u>(434,574)</u>
Total other financing sources (uses)	<u>4,539,520</u>	<u>4,541,189</u>	<u>4,106,615</u>	<u>(434,574)</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning	<u>12,566</u>	<u>12,566</u>	<u>13,066</u>	<u>500</u>
Fund balances, ending	<u>\$ 12,566</u>	<u>\$ 12,566</u>	<u>\$ 13,066</u>	<u>\$ 500</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)  
 Community Development Special Revenue Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Revenues</b>				
Intergovernmental revenue	\$ 5,955,791	\$ 6,523,703	\$ 5,428,782	\$ (1,094,921)
Departmental charges and reimbursements	620,000	642,409	634,605	(7,804)
Investment earnings	-	-	49	49
Miscellaneous	-	-	24,123	24,123
Total revenues	<u>6,575,791</u>	<u>7,166,112</u>	<u>6,087,559</u>	<u>(1,078,553)</u>
<b>Expenditures</b>				
Current:				
Community and economic development	<u>5,878,179</u>	<u>7,123,762</u>	<u>5,165,834</u>	<u>1,957,928</u>
Total expenditures	<u>5,878,179</u>	<u>7,123,762</u>	<u>5,165,834</u>	<u>1,957,928</u>
Excess (deficiency) of revenues over (under) expenditures	<u>697,612</u>	<u>42,350</u>	<u>921,725</u>	<u>879,375</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(911,371)</u>	<u>(332,496)</u>	<u>(914,345)</u>	<u>(581,849)</u>
Total other financing sources (uses)	<u>(911,371)</u>	<u>(332,496)</u>	<u>(914,345)</u>	<u>(581,849)</u>
Net change in fund balances	<u>(213,759)</u>	<u>(290,146)</u>	<u>7,380</u>	<u>297,526</u>
Fund balances (deficits), beginning, as previously reported	290,146	290,146	-	(290,146)
Prior period adjustment	-	-	(244,246)	(244,246)
Fund balances (deficits), beginning, as restated	<u>290,146</u>	<u>290,146</u>	<u>(244,246)</u>	<u>(534,392)</u>
Fund balances (deficits), ending	<u>\$ 76,387</u>	<u>\$ -</u>	<u>\$ (236,866)</u>	<u>\$ (236,866)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Health Choices Special Revenue Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget positive (negative)</b>
<b>Revenues</b>				
Intergovernmental revenue	\$ 78,366,000	\$ 82,107,425	\$ 79,734,541	\$ (2,372,884)
Departmental charges and reimbursements	80,000	80,000	-	(80,000)
Investment earnings	-	-	109,025	109,025
Total revenues	<u>78,446,000</u>	<u>82,187,425</u>	<u>79,843,566</u>	<u>(2,343,859)</u>
<b>Expenditures</b>				
Current:				
Human services	<u>78,446,000</u>	<u>82,295,065</u>	<u>82,224,391</u>	<u>70,674</u>
Total expenditures	<u>78,446,000</u>	<u>82,295,065</u>	<u>82,224,391</u>	<u>70,674</u>
Net change in fund balances	<u>-</u>	<u>(107,640)</u>	<u>(2,380,825)</u>	<u>(2,273,185)</u>
Fund balances (deficits), beginning, as previously reported	12,225,843	12,225,843	11,630,384	(595,459)
Prior period adjustment	-	-	(7,611,660)	(7,611,660)
Fund balances, beginning, as restated	<u>12,225,843</u>	<u>12,225,843</u>	<u>4,018,724</u>	<u>(8,207,119)</u>
Fund balances (deficits), ending	<u>\$ 12,225,843</u>	<u>\$ 12,118,203</u>	<u>\$ 1,637,899</u>	<u>\$ (10,480,304)</u>

**Note 1: Budgets and budgetary accounting**

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

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

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

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



## **OTHER SUPPLEMENTAL INFORMATION**

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



	<b>Special Revenue</b>		
	<b>Liquid Fuels</b>	<b>Domestic Relations</b>	<b>Employment &amp; Training</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,675,173	\$ 550	\$ 357,442
Cash and cash equivalents - restricted	-	-	-
Investments	1,870,085	-	-
Taxes receivable	-	-	-
Accounts receivable	-	44,180	77,590
Due from other governments	47,449	633,735	355,241
Due from other funds	-	-	-
Non-current assets, investments	1,162,648	-	-
Total assets	<u>\$ 6,755,355</u>	<u>\$ 678,465</u>	<u>\$ 790,273</u>
<b>Liabilities and fund balances</b>			
Accounts payable	457,941	9,259	257,975
Accrued liabilities	653	304,008	87,037
Deferred revenue	174,901	-	14,085
Due to other funds	990,115	361,030	428,871
Total liabilities	<u>1,623,610</u>	<u>674,297</u>	<u>787,968</u>
Fund balances:			
Nonspendable for:			
Employee pay advance	-	4,168	2,305
Assigned:			
Special Revenue funds	5,131,745	-	-
Unassigned:	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>5,131,745</u>	<u>4,168</u>	<u>2,305</u>
Total liabilities and fund balances	<u>\$ 6,755,355</u>	<u>\$ 678,465</u>	<u>\$ 790,273</u>

(Continued on the next page)

	<b>Special Revenue</b>		
	<b>Office of Aging</b>	<b>Special Legislation</b>	<b>MH/DD</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 225	\$ -	\$ -
Cash and cash equivalents, restricted	-	3,109,275	-
Investments	-	-	-
Taxes receivable	-	153,997	-
Accounts receivable	71,422	21,773	8,231
Due from other governments	260,487	507,900	640,483
Due from other funds	788,365	-	4,626,183
Non-current assets, investments	-	-	-
Total assets	<u>\$ 1,120,499</u>	<u>\$ 3,792,945</u>	<u>\$ 5,274,897</u>
<b>Liabilities and fund balances</b>			
Accounts payable	328,362	231,205	167,724
Accrued liabilities	191,376	-	27,047
Deferred revenue	-	-	5,080,126
Due to other funds	-	385,262	-
Total liabilities	<u>519,738</u>	<u>616,467</u>	<u>5,274,897</u>
Fund balances:			
Nonspendable for:			
Employee pay advance	763	-	-
Assigned:			
Special Revenue funds	599,998	3,176,478	-
Unassigned:	-	-	-
Total fund balances	<u>600,761</u>	<u>3,176,478</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,120,499</u>	<u>\$ 3,792,945</u>	<u>\$ 5,274,897</u>

(Continued on the next page)

	<b>Special Revenue</b>			<b>Total nonmajor governmental</b>
	<b>Human Services</b>	<b>Drug &amp; Alcohol</b>	<b>Child Care Info Services</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 4,033,390
Cash and cash equivalents, restricted	-	-	-	3,109,275
Investments	-	-	-	1,870,085
Taxes receivable	-	-	-	153,997
Accounts receivable	-	-	-	223,196
Due from other governments	88,488	-	-	2,533,783
Due from other funds	94,671	-	-	5,509,219
Non-current assets, investments	-	-	-	1,162,648
Total assets	<u>\$ 183,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,595,593</u>
<b>Liabilities and fund balances</b>				
Accounts payable	105,451	-	-	1,557,917
Accrued liabilities	4,025	-	-	614,146
Deferred revenue	19,380	-	-	5,288,492
Due to other funds	-	33,397	-	2,198,675
Total liabilities	<u>128,856</u>	<u>33,397</u>	<u>-</u>	<u>9,659,230</u>
Fund balances:				
Nonspendable for:				
Employee pay advance	-	-	-	7,236
Assigned:				
Special Revenue funds	54,303	-	-	8,962,524
Unassigned:	-	(33,397)	-	(33,397)
Total fund balances	<u>54,303</u>	<u>(33,397)</u>	<u>-</u>	<u>8,936,363</u>
Total liabilities and fund balances	<u>\$ 183,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,595,593</u>



	<b>Special Revenue</b>				
	<b>Liquid Fuels</b>	<b>Domestic Relations</b>	<b>Employment &amp; Training</b>	<b>Office of Aging</b>	<b>Special Legislation</b>
<b>Revenues</b>					
Hotel tax	\$ -	\$ -	\$ -	\$ -	\$ 1,590,516
Intergovernmental revenue	967,539	4,048,256	5,600,149	9,011,319	942,860
Departmental charges and reimbursements	-	357,022	266,347	464,405	1,157,325
Investment earnings	23,933	(57)	351	17,831	7,393
Miscellaneous	346	-	(307)	-	-
Total revenues	<u>991,818</u>	<u>4,405,221</u>	<u>5,866,540</u>	<u>9,493,555</u>	<u>3,698,094</u>
<b>Expenditures</b>					
Current:					
General government, administrative	-	-	-	-	1,639,915
General government, judicial	-	-	-	-	53,935
Public safety	-	-	-	-	17,270
Human services	-	6,057,128	5,798,083	10,406,804	-
Public works	985,486	-	-	-	-
Total expenditures	<u>985,486</u>	<u>6,057,128</u>	<u>5,798,083</u>	<u>10,406,804</u>	<u>1,711,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,332</u>	<u>(1,651,907)</u>	<u>68,457</u>	<u>(913,249)</u>	<u>1,986,974</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	1,651,907	16,695	171,656	3,014
Transfers out	-	-	-	(118,686)	(2,494,389)
Total other financing sources (uses)	<u>-</u>	<u>1,651,907</u>	<u>16,695</u>	<u>52,970</u>	<u>(2,491,375)</u>
Net changes in fund balances	6,332	-	85,152	(860,279)	(504,401)
Fund balances (deficits), beginning, as restated	5,125,413	4,168	(82,847)	1,461,040	3,680,879
Fund balances, ending	<u>\$ 5,131,745</u>	<u>\$ 4,168</u>	<u>\$ 2,305</u>	<u>\$ 600,761</u>	<u>\$ 3,176,478</u>

	<b>Special Revenue</b>				<b>Total</b>
	<b>MH/DD</b>	<b>Human Services</b>	<b>Drug and Alcohol</b>	<b>Child Care Info Services</b>	
<b>Revenues</b>					
Hotel tax	\$ -	\$ -	\$ -	\$ -	\$ 1,590,516
Intergovernmental revenue	20,516,945	2,963,658	4,834,535	18,863,508	67,748,769
Departmental charges and reimbursements	66,228	4,456	-	32,006	2,347,789
Investment earnings	17,286	1,162	-	-	67,899
Miscellaneous	-	-	-	-	39
Total revenues	<u>20,600,459</u>	<u>2,969,276</u>	<u>4,834,535</u>	<u>18,895,514</u>	<u>71,755,012</u>
<b>Expenditures</b>					
Current:					
General government, administrative	-	-	-	-	1,639,915
General government, judicial	-	-	-	-	53,935
Public safety	-	-	-	-	17,270
Human services	21,384,256	2,812,543	6,569,809	18,896,680	71,925,303
Public works	-	-	-	-	985,486
Total expenditures	<u>21,384,256</u>	<u>2,812,543</u>	<u>6,569,809</u>	<u>18,896,680</u>	<u>74,621,909</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(783,797)</u>	<u>156,733</u>	<u>(1,735,274)</u>	<u>(1,166)</u>	<u>(2,866,897)</u>
<b>Other financing sources (uses)</b>					
Transfers in	734,055	-	1,735,274	1,166	4,313,767
Transfers out	-	(157,006)	-	-	(2,770,081)
Total other financing sources (uses)	<u>734,055</u>	<u>(157,006)</u>	<u>1,735,274</u>	<u>1,166</u>	<u>1,543,686</u>
Net changes in fund balances	(49,742)	(273)	-	-	(1,323,211)
Fund balances, beginning	49,742	54,576	(33,397)	-	10,259,574
Fund balances, ending	<u>\$ -</u>	<u>\$ 54,303</u>	<u>\$ (33,397)</u>	<u>\$ -</u>	<u>\$ 8,936,363</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Liquid Fuels Special Revenue Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Revenues</b>				
Intergovernmental revenue	\$ 4,560,233	\$ 4,560,233	\$ 967,539	\$ (3,592,694)
Departmental charges and reimbursements	135,000	135,000	-	(135,000)
Investment earnings	100,000	100,000	23,933	(76,067)
Miscellaneous	-	-	346	346
Total revenues	<u>4,795,233</u>	<u>4,795,233</u>	<u>991,818</u>	<u>(3,803,415)</u>
<b>Expenditures</b>				
Current:				
Public works	4,453,941	4,830,776	985,486	3,845,290
Total expenditures	<u>4,453,941</u>	<u>4,830,776</u>	<u>985,486</u>	<u>3,845,290</u>
Net change in fund balances	341,292	(35,543)	6,332	41,875
Fund balances, beginning	4,548,071	4,548,071	5,125,413	577,342
Fund balances, ending	<u>\$ 4,889,363</u>	<u>\$ 4,512,528</u>	<u>\$ 5,131,745</u>	<u>\$ 619,217</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Domestic Relations Special Revenue Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Revenues</b>				
Intergovernmental revenue	\$ 4,475,719	\$ 4,475,719	\$ 4,048,256	\$ (427,463)
Departmental charges and reimbursements	425,000	425,000	357,022	(67,978)
Investment earnings	-	-	(57)	(57)
Total revenues	<u>4,900,719</u>	<u>4,900,719</u>	<u>4,405,221</u>	<u>(495,498)</u>
<b>Expenditures</b>				
Current:				
Human services	<u>6,337,032</u>	<u>6,343,692</u>	<u>6,057,128</u>	<u>286,564</u>
Total expenditures	<u>6,337,032</u>	<u>6,343,692</u>	<u>6,057,128</u>	<u>286,564</u>
Deficiency of revenues under expenditures	<u>(1,436,313)</u>	<u>(1,442,973)</u>	<u>(1,651,907)</u>	<u>(208,934)</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>1,436,313</u>	<u>1,442,973</u>	<u>1,651,907</u>	<u>208,934</u>
Total other financing sources (uses)	<u>1,436,313</u>	<u>1,442,973</u>	<u>1,651,907</u>	<u>208,934</u>
Net change in fund balances	-	-	-	-
Fund balances (deficits), beginning	<u>5,004</u>	<u>5,004</u>	<u>4,168</u>	<u>(836)</u>
Fund balances (deficits), ending	<u>\$ 5,004</u>	<u>\$ 5,004</u>	<u>\$ 4,168</u>	<u>\$ (836)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)  
 Employment and Training Special Revenue Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Revenues</b>				
Intergovernmental revenue	\$ 7,834,000	\$ 8,196,747	\$ 5,600,149	\$ (2,596,598)
Departmental charges and reimbursements	-	-	266,347	266,347
Investment earnings	-	-	351	351
Miscellaneous	160,000	207,001	(307)	(207,308)
Total revenues	<u>7,994,000</u>	<u>8,403,748</u>	<u>5,866,540</u>	<u>(2,537,208)</u>
<b>Expenditures</b>				
Current:				
Human services	8,022,000	8,432,728	5,798,083	2,634,645
Total expenditures	<u>8,022,000</u>	<u>8,432,728</u>	<u>5,798,083</u>	<u>2,634,645</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(28,000)</u>	<u>(28,980)</u>	<u>68,457</u>	<u>97,437</u>
<b>Other financing sources (uses):</b>				
Transfers in	28,000	28,000	16,695	(11,305)
Total other financing sources (uses)	<u>28,000</u>	<u>28,000</u>	<u>16,695</u>	<u>(11,305)</u>
Net change in fund balances	-	(980)	85,152	86,132
Fund balances (deficits), beginning, as previously reported	889,172	889,172	725,815	(163,357)
Prior period adjustment	-	-	(808,662)	(808,662)
Fund balances (deficits), beginning, as restated	<u>889,172</u>	<u>889,172</u>	<u>(82,847)</u>	<u>(972,019)</u>
Fund balances (deficits), ending	<u>\$ 889,172</u>	<u>\$ 888,192</u>	<u>\$ 2,305</u>	<u>\$ (885,887)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances  
Office of Aging Special Revenue Fund - Budget and Actual (Deficits)  
Year ended December 31, 2011

County of Berks  
2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Revenues</b>				
Intergovernmental revenue	\$ 9,457,259	\$ 9,610,612	\$ 9,011,319	\$ (599,293)
Departmental charges and reimbursements	550,000	550,000	464,405	(85,595)
Investment earnings	2,258,740	2,258,740	17,831	(2,240,909)
Total revenues	<u>12,265,999</u>	<u>12,419,352</u>	<u>9,493,555</u>	<u>(2,925,797)</u>
<b>Expenditures</b>				
Current:				
Human services	12,553,999	13,617,847	10,406,804	3,211,043
Total expenditures	<u>12,553,999</u>	<u>13,617,847</u>	<u>10,406,804</u>	<u>3,211,043</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(288,000)</u>	<u>(1,198,495)</u>	<u>(913,249)</u>	<u>285,246</u>
<b>Other financing sources (uses):</b>				
Transfers in	200,584	200,584	171,656	(28,928)
Transfers out	(137,584)	(137,584)	(118,686)	18,898
Total other financing sources (uses)	<u>63,000</u>	<u>63,000</u>	<u>52,970</u>	<u>(10,030)</u>
Net change in fund balances	(225,000)	(1,135,495)	(860,279)	275,216
Fund balances, beginning	292,453	292,453	1,461,040	1,168,587
Fund balances (deficits), ending	<u>\$ 67,453</u>	<u>\$ (843,042)</u>	<u>\$ 600,761</u>	<u>\$ 1,443,803</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Special Legislation Special Revenue Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Revenues</b>				
Hotel tax	\$ 1,500,000	\$ 1,500,000	\$ 1,590,516	\$ 90,516
Investment earnings	25	-	7,393	7,393
Intergovernmental revenue	1,635,000	1,635,000	942,860	(692,140)
Departmental charges and reimbursements	240,000	322,007	1,157,325	835,318
Total revenues	<u>3,375,025</u>	<u>3,457,007</u>	<u>3,698,094</u>	<u>241,087</u>
<b>Expenditures</b>				
Current:				
General government, administrative	1,740,000	1,750,929	1,639,915	111,014
General government, judicial	-	-	53,935	(53,935)
Public safety	-	-	17,270	(17,270)
Total expenditures	<u>1,740,000</u>	<u>1,750,929</u>	<u>1,711,120</u>	<u>39,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,635,025</u>	<u>1,706,078</u>	<u>1,986,974</u>	<u>280,896</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	3,014	3,014
Transfers out	(1,423,852)	(1,502,844)	(2,494,389)	(991,545)
Total other financing sources (uses)	<u>(1,423,852)</u>	<u>(1,502,844)</u>	<u>(2,491,375)</u>	<u>(988,531)</u>
Net change in fund balances	211,173	203,234	(504,401)	(707,635)
Fund balances, beginning	3,453,354	3,453,354	3,680,879	227,525
Fund balances (deficits), ending	<u>\$ 3,664,527</u>	<u>\$ 3,656,588</u>	<u>\$ 3,176,478</u>	<u>\$ (480,110)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances  
Mental Health/Developmental Disabilities Special Revenue Fund - Budget and Actual  
Year ended December 31, 2011

County of Berks  
2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Revenues</b>				
Intergovernmental revenue	\$ 19,263,969	\$ 21,601,473	\$ 20,516,945	\$ (1,084,528)
Departmental charges and reimbursements	66,722	66,722	66,228	(494)
Investment earnings	100,000	100,000	17,286	(82,714)
Total revenues	<u>19,430,691</u>	<u>21,768,195</u>	<u>20,600,459</u>	<u>(1,167,736)</u>
<b>Expenditures</b>				
Current:				
Human services	20,308,544	22,695,790	21,384,256	1,311,534
Total expenditures	<u>20,308,544</u>	<u>22,695,790</u>	<u>21,384,256</u>	<u>1,311,534</u>
Deficiency of revenues under expenditures	<u>(877,853)</u>	<u>(927,595)</u>	<u>(783,797)</u>	<u>143,798</u>
<b>Other financing sources (uses):</b>				
Transfers in	877,853	927,595	734,055	(193,540)
Total other financing sources (uses)	<u>877,853</u>	<u>927,595</u>	<u>734,055</u>	<u>(193,540)</u>
Net change in fund balances	-	-	(49,742)	(49,742)
Fund balances, beginning	-	-	49,742	49,742
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Human Services Special Revenue Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Revenues</b>				
Intergovernmental revenue	\$ 3,467,822	\$ 3,494,967	\$ 2,963,658	\$ (531,309)
Departmental charges and reimbursements	4,956	4,956	4,456	(500)
Investment earnings	5,500	5,500	1,162	(4,338)
Total revenues	<u>3,478,278</u>	<u>3,505,423</u>	<u>2,969,276</u>	<u>(536,147)</u>
<b>Expenditures</b>				
Current:				
Human services	<u>3,288,520</u>	<u>3,318,665</u>	<u>2,812,543</u>	<u>506,122</u>
Total expenditures	<u>3,288,520</u>	<u>3,318,665</u>	<u>2,812,543</u>	<u>506,122</u>
Deficiency of revenues under expenditures	189,758	186,758	156,733	(30,025)
<b>Other financing sources (uses):</b>				
Transfers out	<u>(189,758)</u>	<u>(186,758)</u>	<u>(157,006)</u>	<u>29,752</u>
Total other financing sources (uses)	<u>(189,758)</u>	<u>(186,758)</u>	<u>(157,006)</u>	<u>29,752</u>
Net change in fund balances	-	-	(273)	(273)
Fund balances (deficits), beginning	56,893	56,893	54,576	(2,317)
Fund balances (deficits), ending	<u>\$ 56,893</u>	<u>\$ 56,893</u>	<u>\$ 54,303</u>	<u>\$ (2,590)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)  
Drug and Alcohol Special Revenue Fund - Budget and Actual  
Year ended December 31, 2011

County of Berks  
2011 Annual Financial Report

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget positive (negative)</b>
<b>Revenues</b>				
Intergovernmental revenue	\$ 4,640,161	\$ 4,953,954	\$ 4,834,535	\$ (119,419)
Total revenues	<u>4,640,161</u>	<u>4,953,954</u>	<u>4,834,535</u>	<u>(119,419)</u>
<b>Expenditures</b>				
Current:				
Human services	6,375,435	6,689,228	6,569,809	119,419
Total expenditures	<u>6,375,435</u>	<u>6,689,228</u>	<u>6,569,809</u>	<u>119,419</u>
Deficiency of revenues under expenditures	<u>(1,735,274)</u>	<u>(1,735,274)</u>	<u>(1,735,274)</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,735,274	1,735,274	1,735,274	-
Total other financing sources (uses)	<u>1,735,274</u>	<u>1,735,274</u>	<u>1,735,274</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning, as previously reported	-	-	-	
Prior period adjustments	-	-	(33,397)	
Fund balances (deficits), beginning, as restated	<u>-</u>	<u>-</u>	<u>(33,397)</u>	<u>(33,397)</u>
Fund balances (deficits), ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (33,397)</u>	<u>\$ (33,397)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Child Care Information Services Special Revenue Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Revenues</b>				
Intergovernmental revenue	\$ 19,666,828	\$ 19,666,828	\$ 18,863,508	\$ (803,320)
Departmental charges and reimbursements	33,172	33,172	32,006	(1,166)
Total revenues	<u>19,700,000</u>	<u>19,700,000</u>	<u>18,895,514</u>	<u>(804,486)</u>
<b>Expenditures</b>				
Current:				
Human services	19,700,000	19,700,000	18,896,680	803,320
Total expenditures	<u>19,700,000</u>	<u>19,700,000</u>	<u>18,896,680</u>	<u>803,320</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>(1,166)</u>	<u>(1,166)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	1,166	1,166
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,166</u>	<u>1,166</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, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Operating revenues</b>				
Charges for services				
Phone bill surcharge	\$ 2,300,000	\$ 2,300,000	\$ 2,011,495	\$ (288,505)
County wide radio	1,982,024	1,982,024	1,934,054	(47,970)
Cellular fee	3,667,313	3,667,313	3,477,001	(190,312)
Voice Over IP (VoIP)	342,000	342,000	445,359	103,359
Total operating revenue	<u>8,291,337</u>	<u>8,291,337</u>	<u>7,867,909</u>	<u>(423,428)</u>
<b>Operating expenses</b>				
Communications center				
Wages, salaries and fringe benefits	558,775	562,114	1,626,702	(1,064,588)
Administrative expenses	3,279,296	3,340,755	1,091,358	2,249,397
Materials and supplies	72,576	249,329	212,902	36,427
Depreciation	62,897	62,897	80,422	(17,525)
911 System				
Wages, salaries and fringe benefits	1,334,695	1,334,695	1,427,221	(92,526)
Administrative expenses	431,393	437,393	350,996	86,397
Materials and supplies	6,000	6,000	1,372	4,628
Depreciation	431,758	431,758	295,150	136,608
Wireless 911				
Wages, salaries and fringe benefits	2,738,086	2,738,086	2,427,154	310,932
Administrative expenses	624,569	628,647	428,816	199,831
Materials and supplies	12,982	16,804	5,680	11,124
Voice Over IP (VoIP)				
Materials and supplies	-	20,065	20,064	1
Total operating expenses	<u>9,553,027</u>	<u>9,828,543</u>	<u>7,967,837</u>	<u>1,860,706</u>
Operating income (loss)	<u>(1,261,690)</u>	<u>(1,537,206)</u>	<u>(99,928)</u>	<u>1,437,278</u>
<b>Nonoperating revenues</b>				
Grants	-	-	174,199	174,199
Investment earnings	31,000	31,000	5,730	(25,270)
Rental of space	15,500	15,500	21,010	5,510
Interest reimbursement	691,838	691,838	-	(691,838)
Total nonoperating revenue	<u>738,338</u>	<u>738,338</u>	<u>200,939</u>	<u>(537,399)</u>
Change in net assets	(523,352)	(798,868)	101,011	899,879
Total net assets, beginning	<u>5,068,887</u>	<u>5,068,887</u>	<u>4,758,540</u>	<u>(310,347)</u>
Total net assets, ending	<u>\$ 4,545,535</u>	<u>\$ 4,270,019</u>	<u>\$ 4,859,551</u>	<u>\$ 589,532</u>

Schedule of Revenues, Expenditures and Changes in Net Assets (Deficits)  
 Youth Center Enterprise Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
 2011 Annual Financial Report

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Operating revenues</b>				
Charges for services	\$ 2,421,591	\$ 2,421,591	\$ 2,084,504	\$ (337,087)
Other operating revenues	57,210	57,210	7,107	(50,103)
Total operating revenue	<u>2,478,801</u>	<u>2,478,801</u>	<u>2,091,611</u>	<u>(387,190)</u>
<b>Operating expenses</b>				
Youth detention center	5,551,609	5,558,928	5,332,625	226,303
Depreciation	386,575	386,575	369,647	16,928
Total operating expenses	<u>5,938,184</u>	<u>5,945,503</u>	<u>5,702,272</u>	<u>243,231</u>
Operating income (loss)	<u>(3,459,383)</u>	<u>(3,466,702)</u>	<u>(3,610,661)</u>	<u>(143,959)</u>
<b>Nonoperating revenues (expenses)</b>				
Grants	1,688,229	1,688,229	1,916,277	228,048
Investment earnings	500	500	801	301
Interest expense	(179,839)	(179,839)	(181,369)	(1,530)
Bond issuance costs	-	-	(2,256)	(2,256)
Total nonoperating revenues (expenses)	<u>1,508,890</u>	<u>1,508,890</u>	<u>1,733,453</u>	<u>224,563</u>
Income (loss) before transfers	<u>(1,950,493)</u>	<u>(1,957,812)</u>	<u>(1,877,208)</u>	<u>80,604</u>
Transfers in	611,370	611,571	23,085,200	22,473,629
Transfer out	-	-	(1,409,093)	(1,409,093)
Change in net assets	<u>(1,339,123)</u>	<u>(1,346,241)</u>	<u>19,798,899</u>	<u>21,145,140</u>
Total deficit, beginning	<u>(10,650,903)</u>	<u>(10,650,903)</u>	<u>(18,389,061)</u>	<u>(7,738,158)</u>
Total fund balance (deficit), ending	<u>\$ (11,990,026)</u>	<u>\$ (11,997,144)</u>	<u>\$ 1,409,838</u>	<u>\$ 13,406,982</u>

Schedule of Revenues, Expenditures and Changes in Net Assets  
 ICE Family Shelter Enterprise Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
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	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Operating revenues</b>				
Charges for services	\$ 5,281,956	\$ 5,281,956	\$ 5,089,705	\$ (192,251)
Other operating revenues	435,327	435,327	928,431	493,104
Total operating revenue	<u>5,717,283</u>	<u>5,717,283</u>	<u>6,018,136</u>	<u>300,853</u>
<b>Operating expenses</b>				
Shelter care - Immigration and naturalizations	5,485,676	5,485,475	5,406,824	78,651
Depreciation	57,476	57,476	37,744	19,732
Capital outlay	-	-	20,000	(20,000)
Total operating expenses	<u>5,543,152</u>	<u>5,542,951</u>	<u>5,464,568</u>	<u>78,383</u>
Operating income (loss)	<u>174,131</u>	<u>174,332</u>	<u>553,568</u>	<u>379,236</u>
<b>Nonoperating revenues (expenses)</b>				
Grants	48,739	48,739	40,538	(8,201)
Total nonoperating revenues (expenses)	<u>48,739</u>	<u>48,739</u>	<u>40,538</u>	<u>(8,201)</u>
Income (loss) before transfers	<u>222,870</u>	<u>223,071</u>	<u>594,106</u>	<u>371,035</u>
Transfers in	-	-	-	-
Transfer out	<u>(222,870)</u>	<u>(223,071)</u>	<u>(7,517,655)</u>	<u>(7,294,584)</u>
Change in net assets	-	-	(6,923,549)	(6,923,549)
Total net assets, beginning	<u>-</u>	<u>-</u>	<u>7,717,178</u>	<u>7,717,178</u>
Total net assets, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 793,629</u>	<u>\$ 793,629</u>

Schedule of Revenues, Expenditures and Changes in Net Assets (Deficits)  
 Berks Heim Enterprise Fund - Budget and Actual  
 Year ended December 31, 2011

County of Berks  
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	Original budget	Final budget	Actual	Variance with final budget positive (negative)
<b>Operating revenues</b>				
Charges for services	\$ 37,086,172	\$ 38,368,172	\$ 38,228,755	\$ (139,417)
Other operating revenues	617,261	799,161	1,972,413	1,173,252
Total operating revenues	<u>37,703,433</u>	<u>39,167,333</u>	<u>40,201,168</u>	<u>1,033,835</u>
<b>Operating expenses</b>				
Financial administration	2,430,910	2,882,128	2,841,572	40,556
Administrative expenses	2,033,317	1,982,935	1,930,096	52,839
Special services	142,397	146,997	138,800	8,197
Dietary	2,745,285	2,783,853	2,931,648	(147,795)
Laundry	794,942	772,022	761,302	10,720
Environmental services	1,732,566	1,733,066	1,729,690	3,376
Plant Operations	1,680,898	1,706,048	1,612,411	93,637
Nursing	18,541,418	18,599,848	17,705,835	894,013
Physician services	73,050	73,505	70,280	3,225
Pharmacy services	400,000	637,500	637,031	469
Medical services	477,372	477,372	456,113	21,259
Therapeutic activity	506,393	506,393	501,802	4,591
Social service	238,102	238,102	218,559	19,543
Physical therapy service	1,322,087	2,082,587	2,101,971	(19,384)
Staff development	489,493	489,493	485,850	3,643
Materials management	820,771	926,311	901,499	24,812
Personnel	116,253	116,448	116,866	(418)
Security	390,921	403,831	429,372	(25,541)
Volunteers	62,665	64,040	62,679	1,361
Depreciation	1,393,072	1,393,072	1,313,057	80,015
Total operating expense	<u>36,391,912</u>	<u>38,015,551</u>	<u>36,946,433</u>	<u>1,069,118</u>
Operating income (loss)	<u>1,311,521</u>	<u>1,151,782</u>	<u>3,254,735</u>	<u>2,102,953</u>
<b>Nonoperating revenue (expenses)</b>				
Grants	218,000	218,000	165,071	(52,929)
Investment earnings	3,242	3,242	2,127	(1,115)
Interest expense	(791,275)	(791,275)	(799,128)	(7,853)
Bond issuance costs	-	-	(12,186)	(12,186)
Total nonoperating revenues (expenses)	<u>(570,033)</u>	<u>(570,033)</u>	<u>(644,116)</u>	<u>(74,083)</u>
Change in net assets	741,488	581,749	2,610,619	2,028,870
Total fund balance (deficits), beginning	<u>(9,149,530)</u>	<u>(9,149,530)</u>	<u>(8,586,094)</u>	<u>563,436</u>
Total fund balance (deficits), ending	<u>\$ (8,408,042)</u>	<u>\$ (8,567,781)</u>	<u>\$ (5,975,475)</u>	<u>\$ 2,592,306</u>

Schedule of Changes in Assets and Liabilities  
 Agency Fund  
 Year ended December 31, 2011

County of Berks  
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	<b>Balance January 1, 2011</b>	<b>Net Change Incr (Decr)</b>	<b>Balance December 31, 2011</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,319,905	\$ 267,412	\$ 7,587,317
Total assets	<u>\$ 7,319,905</u>	<u>\$ 267,412</u>	<u>\$ 7,587,317</u>
<b>Liabilities</b>			
Due to third parties by department:			
Prothonotary	\$ 683,306	\$ (65,776)	\$ 617,530
Register of Wills	107,439	7,339	114,778
Berks Heim	668,342	(132,670)	535,672
District Attorney	809,775	222,211	1,031,986
Sheriff	2,095,996	(573,450)	1,522,546
Clerk of Courts	1,167,709	(492,923)	674,786
Juvenile Probation	38,344	(22,615)	15,729
Recorder of Deeds	1,295,099	64,722	1,359,821
Youth Detention Center	(247)	9,844	9,597
Domestic Relations	83,399	7,429	90,828
Prison	118,580	(39,535)	79,045
Controller	33,057	9,555	42,612
Treasurer	213,442	1,277,571	1,491,013
Aging	5,664	(4,290)	1,374
Total Liabilities	<u>\$ 7,319,905</u>	<u>\$ 267,412</u>	<u>\$ 7,587,317</u>

