

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 19, 2010**

**NEW ISSUE  
BOOK-ENTRY ONLY**

**Rating:** Standard & Poor's  
(See "Rating" herein)

*In the opinion of Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, upon the conditions and subject to the limitations set forth under the caption "TAX MATTERS" herein. In the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Bonds are exempt from all taxation by the State of West Virginia or any political subdivision thereof. See "TAX MATTERS" herein*

**\$51,500,000**

**The Board of Education of the  
County of Berkeley (West Virginia)  
Public School Bonds, Series 2010**

**Dated: Date of Delivery**

**Due:** May 1, as shown below

The Bonds are general obligations of The Board of Education of the County of Berkeley, West Virginia (the "Board"), which Board has the power and is obligated to levy ad valorem taxes upon all the taxable property within the Berkeley County School District to pay the Bonds and the interest thereon, without limitation as to rate or amount.

The Bonds will be issued in fully registered form only, without coupons, and, when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry form only in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds.

Pursuant to Chapter 13, Article 1 of the Code of West Virginia of 1931, as amended, both the principal of and interest on the Bonds are payable at the office of the West Virginia State Treasurer. The State Treasurer has designated the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent for payment of the Bonds and United Bank Inc., Charleston, West Virginia, as Registrar.

Interest on the Bonds will be payable November 1, 2010 and semiannually thereafter (each May 1 and November 1) in each year to maturity. The principal of and interest on the Bonds are payable by the Paying Agent to DTC, which will in turn remit such principal and interest to its Participants for subsequent distribution to the Beneficial Owners of the Bonds, as described herein.

The Bonds are subject to redemption prior to maturity as described herein.

**MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS**

Maturing (May 1)	Principal Amount (\$)	Interest Rate (%)	Yield (%)	CUSIP Base #:	Maturing (May 1)	Principal Amount (\$)	Interest Rate (%)	Yield (%)	CUSIP Base #:
2011	2,025,000				2019	3,560,000			
2012	2,660,000				2020	3,710,000			
2013	2,770,000				2021	3,865,000			
2014	2,890,000				2022	4,030,000			
2015	3,010,000				2023	4,205,000			
2016	3,140,000				2024	4,380,000			
2017	3,275,000				2025	4,565,000			
2018	3,415,000								

The Bonds are offered for delivery when, as and if issued, subject to approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the Board by Laura L. Sutton, Esq, Martinsburg, West Virginia, Counsel to the Board. It is expected that the Bonds will be available for delivery to DTC, New York, New York on or about February 17, 2010.

**Sale Date: February 3, 2010**

**\$51,500,000**  
**The Board of Education of the**  
**County of Berkeley (West Virginia)**  
**Public School Bonds, Series 2010**

**ELECTED OFFICIALS**

Dr. William F. Queen, President  
Mr. William H. Norris, Vice-President  
Mr. Todd M. Beckwith, Board Member  
Mr. Patrick Murphy, Board Member  
Mr. Richard A. Pill, Board Member

**APPOINTED OFFICIALS**

Manuel P. Arvon, Superintendent  
Frank Aliveto, Deputy Superintendent  
David R. Deuell, Assistant Superintendent  
Mr. Ken Marstiller, Business Manager and Treasurer

**BOARD'S COUNSEL**

Laura L. Sutton, Esq.  
Martinsburg, West Virginia

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Charleston, West Virginia

**FINANCIAL ADVISOR**

Raymond James & Associates, Inc.  
Charleston, West Virginia

No dealer, broker, salesman or other person has been authorized by The Board of Education of the County of Berkeley, West Virginia, to give any information or to make any representations other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Board. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds herein described by any persons in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Board from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof.

## TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>1</b>	Statement of Revenues and Expenditures –	
<b>THE BONDS .....</b>	<b>1</b>	Budget and Actual.....	14
General .....	1	Insurance Coverage .....	15
Redemption.....	2	Teachers Retirement Systems.....	15
Authority and Purpose .....	2	<b>TAX MATTERS .....</b>	<b>16</b>
Nature of Obligation, Security and Source of		<b>LITIGATION IN THE STATE CONCERNING</b>	
Payments .....	3	<b>THE SCHOOL FINANCING SYSTEM .....</b>	<b>17</b>
Debt Administration .....	3	<b>LITIGATION .....</b>	<b>19</b>
<b>BERKELEY COUNTY SCHOOL DISTRICT.....</b>	<b>4</b>	<b>CONTINUING DISCLOSURE .....</b>	<b>19</b>
General .....	4	<b>LEGAL MATTERS .....</b>	<b>19</b>
Historical School Enrollment .....	4	<b>SALE AT COMPETITIVE BIDDING .....</b>	<b>19</b>
Projected Enrollment .....	5	<b>RATINGS.....</b>	<b>20</b>
Facilities .....	5	<b>FINANCIAL ADVISOR .....</b>	<b>20</b>
Tax Collection Procedures.....	6	<b>CONCLUDING STATEMENT .....</b>	<b>20</b>
Tax Levies and Collections .....	6	<b>APPENDIX A</b>	
Assessment Procedure .....	7	Audit Report of Berkeley County Board of Education	
Property Classification .....	7	for the Fiscal Year Ended June 30, 2009	
Assessed Valuations .....	7	<b>APPENDIX B</b>	
Assessed Valuation by Property Class.....	8	Economic and Demographic Data – County of	
Assessed Valuation by Property Category .....	8	Berkeley (West Virginia)	
Largest Assessed Valuations .....	8	<b>APPENDIX C</b>	
Tax Rate Comparisons.....	9	Proposed Form of Legal Opinion	
County Tax Rates .....	9	<b>APPENDIX D</b>	
School Tax Rates .....	9	Proposed Projects	
Rates of Levy.....	10	<b>APPENDIX E</b>	
Summary of Statistical Debt Information.....	11	Book-Entry Only System	
Debt Service Requirements .....	11	<b>APPENDIX F</b>	
Overlapping Debt .....	11	Elected Officials of the Board	
<b>CERTAIN FINANCIAL INFORMATION.....</b>	<b>12</b>	Appointed Officials of the Board	
Description of Funds .....	12	<b>APPENDIX G</b>	
Investment of Certain Funds.....	12	Continuing Disclosure Agreement	
Accounting Practices .....	12	<b>APPENDIX H</b>	
Annual Audit .....	13	Official Notice of Sale	
Budgetary Procedures.....	13	Official Form of Proposal	
Internal Control .....	13		

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**OFFICIAL STATEMENT  
RELATING TO**

**\$51,500,000  
The Board of Education of the  
County of Berkeley (West Virginia)  
Public School Bonds, Series 2010**

**INTRODUCTION**

This Official Statement provides certain information in connection with the sale of \$51,500,000 in aggregate principal amount of The Board of Education of the County of Berkeley (West Virginia) Public School Bonds, Series 2010 (the “Bonds”). A brief description of The Board of Education of the County of Berkeley, West Virginia (the “Board”), the Berkeley County School District (the “School District”) and the County of Berkeley, West Virginia (the “County” or “Berkeley County”), with which the School District is coterminous, is provided, together with a description of the Bonds and sources of payment therefore.

The Bonds are general obligations of the Board, and, unless paid from other sources, are payable from ad valorem taxes levied upon all taxable property within the School District, without limitation as to rate or amount.

In addition to the Series 2010 Bonds, the Board also has outstanding its Public School Bonds, Series 2002 dated February 1, 2002, issued in the original principal amount of \$27,800,000 and currently outstanding in the amount of \$17,385,000 (the “Series 2002 Bonds”), and its Public School Refunding Bonds, Series 2003, dated July 1, 2003, issued in the original principal amount of \$9,600,000 and currently outstanding in the amount of \$1,515,000 (“the Series 2003 Bonds.”) The final maturity of the Series 2003 Bonds is May 1, 2010. The final maturity of the Series 2002 Bonds is May 1, 2017.

**THE BONDS**

General

The Bonds will be dated the date of delivery, and will be issued as fully registered bonds in \$5,000 denominations, or integral multiples thereof, and are payable on May 1, in the years and amounts as follows:

<b>Maturing (May 1)</b>	<b>Principal Amount (\$)</b>
2011	2,025,000
2012	2,660,000
2013	2,770,000
2014	2,890,000
2015	3,010,000
2016	3,140,000
2017	3,275,000
2018	3,415,000
2019	3,560,000
2020	3,710,000
2021	3,865,000
2022	4,030,000
2023	4,205,000
2024	4,380,000
2025	4,565,000

Pursuant to Chapter 13, Article 1 of the Code of West Virginia of 1931, as amended (the “Act”), both the principal of and interest on the Bonds are payable at the office of the West Virginia State Treasurer. The West Virginia State Treasurer has designated the West Virginia Municipal Bond Commission, Charleston, West Virginia, as its Paying Agent (the “Paying Agent”) for payment of the Bonds and United Bank, Inc., Charleston, West Virginia, as the Registrar.

Interest on the Bonds will be payable November 1, 2010 and semi-annually thereafter (each May 1 and November 1) in each year to maturity. Such interest will be paid by check to the registered owner on each such interest payment date at his address as shown on the registration books kept for that purpose by the Paying Agent as of the 15th day of the month preceding each such interest payment date. In the case of an owner of \$500,000 or more of the Bonds, interest may be paid to such owner by wire transfer to a domestic bank account specified in writing to the Paying Agent at least five days prior to an interest payment date.

### Redemption

The Bonds maturing on or after May 1, 2021, are subject to redemption on or after May 1, 2020, at the option of the Board, in whole at any time or in part on any interest payment date, from any moneys available for such purpose, at par plus interest, if any, accrued to the date fixed for redemption.

In the event of such optional redemption, the Board may direct the maturity or maturities of the Bonds and the amounts thereof to be redeemed, provided that the Bonds will be redeemed in whole multiples of \$5,000 in principal amount and in the minimum principal amount of \$50,000.

Notice of any redemption of Bonds shall be given by the Registrar, on behalf of the Board, to registered owners of the Bonds to be redeemed at least thirty (30) and not more than sixty (60) days prior to the date fixed for redemption, by registered or certified mail, at the address appearing in the Bond Register or at such other address as is furnished in writing by the registered owner to the Registrar. Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Bonds and failure to mail such notice shall not affect the validity of any such proceedings for any Bond with respect to which no such failure has occurred. Notice of redemption having been given in the manner described herein, and moneys necessary for their redemption of the Bonds having been deposited, the Bonds specified in such notice shall, on the date fixed for redemption, become due and payable and from and after such date (unless the Board shall default in the payment of the redemption price), such Bonds shall cease to bear interest.

### Authority and Purpose

#### *Purpose*

To provide funds for making certain improvements in the School District defined in “Proposed Projects” in Appendix D.

#### *Authority*

The issuance of the Bonds and the levy of taxes sufficient to pay the interest on the principal of such Bonds were authorized and approved at the countywide special election held on September 26, 2009 pursuant to the Act, and to orders and resolutions duly entered and adopted by the Board. The ballot questions also included a maximum term of 15 and ½ years from the date of issuance of the Bonds and an interest rate not exceeding 7% per annum. The canvass of said special election showed 4,595 “Yes” votes and 2,629 “No” votes, a 63.6% voter approval of those who participated.

In accordance with Article X, Sections 8 and 10, of the Constitution of the State of West Virginia (Section 10 is referred to as the “Better Schools Amendment”) and the Act, county boards of education may, with the consent of at least a simple majority of the voters voting at an election on such questions, issue bonds for specified purposes in an amount which, when added to the aggregate indebtedness then outstanding, will not exceed 5% of the most recent assessed valuation of taxable property in the school district. Article X, Section 8, of the Constitution, and Sections 20 and 34 of the Act, require the annual levy and collection of a tax sufficient to pay the principal of and interest on such bonds.

### Nature of Obligation, Security and Source of Payments

The Bonds will constitute valid and legally binding general obligations of the Board, and, unless paid from other sources, the principal of and interest on the Bonds will be payable from ad valorem taxes levied upon all taxable property within the School District, without limitation as to rate or amount. Pursuant to the Better Schools Amendment, the tax levy required to pay the principal of and interest on such bonds is laid separate and apart and in addition to the maximum levy rates otherwise authorized by law.

### Debt Administration

The West Virginia Municipal Bond Commission (the "Bond Commission") is charged with the administration of the interest and sinking funds created to service the debt of the State and its subdivisions. The proceeds of taxes levied for debt service by the Board are collected by the Sheriff, who remits the proceeds to the Board Treasurer, who forwards the proceeds thereof to the Bond Commission. The Bond Commission is required by law to render annually to each political subdivision having outstanding bonds a statement showing the levy required to pay the interest on and create a sinking fund for the retirement of the outstanding bonds. The Bond Commission customarily sets the levy rates at 110% of the annual principal and interest required so as to provide a margin to cover the statutory 2 1/2% discount for early payment of taxes and any attrition occasioned by delinquencies, improper assessments and exonerations. There has not been a default on the payment of principal or interest of any general obligation bond in the State of West Virginia since the Bond Commission commenced centralized supervision and administration in 1921.

Since 1933, the annual State of West Virginia Budget Bill has embodied a protective provision for certain State agency and taxing district obligations, if deficiencies should arise. The following excerpt from the 2009 Budget Bill is indicative:

Section 13: There is hereby appropriated to the governor a sufficient amount to meet any deficiencies that may arise in the mortgage finance bond insurance fund of the West Virginia housing development fund which is under the supervision and control of the state municipal bond commission as provided by Chapter 31, Article 18, Section 20-b, of the code of West Virginia, or in the funds of the state municipal bond commission because of the failure of any state agency for either general obligation or revenue bonds or any local taxing district for general obligation bonds to remit funds necessary for the payment of interest and sinking fund requirements. The Governor is authorized to transfer from time to time such amounts to the state municipal bond commission as may be necessary for these purposes.

No representation is made that subsequent Budget Bills will have such provisions or that sufficient funds will be available to satisfy any such deficiencies. There has never been a default in payment of the principal of or interest on any general obligation bonds issued by The Board of Education of the County of Berkeley. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.



## BERKELEY COUNTY SCHOOL DISTRICT

### General

All school districts in West Virginia are organized under the terms of legislation enacted in 1933. There is one school district in each county, the boundaries of which district are coterminous with those of the county. The Board is responsible for and is vested with the supervision and control of the School District and with the control and management of all public schools in the School District from kindergarten through the secondary school level. The Board is composed of five members elected by the voters of the County without reference to political party affiliation. The terms of the members are for four years and are staggered. In 2010, the terms of 3 members will expire. The process will be repeated every two years thereafter.

Board Members' duties are established by State statute with the West Virginia Board of Education having regulatory powers. The Board appoints a superintendent who acts as the chief executive officer and secretary of the Board and who administers affairs of the School District in accordance with applicable laws, regulations, and local policies. The Board is a public corporation and as such may sue, plead and be impleaded, and enter into contracts. The School District is fiscally independent of the County and all other political subdivisions.

During the fiscal year 2009-2010, the Berkeley County school system has an administrative staff of 22 with the overall responsibility to coordinate and supervise the activities of 78 school administrators, 1350 instructional staff (teachers and other professionals), and 891 service personnel. Total Full Time Equivalent positions are 2,374. The estimated pupil-teacher ratio for the 2009-2010 school year was 12.62 to 1 (combined elementary, middle and secondary schools). The total student enrollment (head count) was 17,642 students K-12.

Historical School Enrollment (School Year – Enrollments are October of each year.)

Grades	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
<b>PK-EC</b>	268	294	472	590	607	641
<b>K</b>	1167	1315	1312	1385	1345	1444
<b>1</b>	1162	1193	1324	1338	1390	1302
<b>2</b>	1129	1188	1179	1275	1336	1391
<b>3</b>	1053	1185	1225	1222	1263	1331
<b>4</b>	1193	1109	1228	1232	1238	1303
<b>5</b>	1147	1210	1152	1247	1255	1273
<b>6</b>	1226	1240	1262	1198	1338	1299
<b>7</b>	1199	1222	1285	1337	1229	1331
<b>8</b>	1189	1213	1229	1260	1331	1211
<b>9</b>	1447	1530	1537	1540	1533	1567
<b>10</b>	968	1068	1136	1142	1176	1220
<b>11</b>	984	963	1090	1157	1147	1117
<b>12</b>	<u>851</u>	<u>893</u>	<u>891</u>	<u>945</u>	<u>1027</u>	<u>1032</u>
<b>Total</b>	<b>14983</b>	<b>15623</b>	<b>16322</b>	<b>16868</b>	<b>17215</b>	<b>17462</b>

Rate of Increase (Decrease) in Enrollment	
2004-2009	16.55%
Average Annual	3.31%

Source: Berkeley County Board of Education



Projected Enrollment (School Year)

Year (October)	Enrollment
2010	17986
2011	18526
2012	19082
2013	19654
2014	20244

Source: Berkeley County Board of Education

Facilities

School	Grades	Type of Construction	Date of Construction	Renovations or Additions
Back Creek Valley Elementary	K – 3	Masonry/Frame	1955	1968/1975/1981/1984/1989/2002
Bedington Elementary	K – 2	Masonry	1929	1971/1975/1989
Berkeley Heights Elementary	K – 3	Masonry	1971	1975
Bunker Hill Elementary	K – 3	Masonry	1962	1971/1995/2006
Burke St. Elementary	K – 3	Masonry	1929	1951
Eagle School Inter.	4 - 5	Masonry	2001	---
Gerrardstown Elementary	K – 3	Masonry	1961	1971/1976/1989
Hedgesville Elementary	K – 2	Masonry	1949	1955/1976/2004/2007
Inwood Primary	K – 3	Masonry	1924	1951/1960
Marlowe Elementary	K – 2	Masonry	1922	1971/1975/1989
Mill Creek Inter.	4 - 5	Masonry	1987	1989/2005
Mt. Ridge Elementary	3 - 5	Masonry	2005	---
Opequon Elementary	K – 3	Masonry	1971	1975
Orchard View Inter	4 - 5	Masonry	2002	---
Potomack Inter.	3 - 5	Masonry	1998	---
Rosemont Elementary	K – 3	Masonry	1960	1970/1975
Tuscarora Elementary	K – 3	Masonry	1976	2004/2009
Valley View Elementary	K – 3	Masonry	1970	1975
Winchester Ave. Elementary	K – 3	Masonry	1921	1999
Tomahawk Elementary	K – 5	Masonry	1990	---
Hedgesville Middle	6 - 8	Masonry	1926	1962/1969/1989/1995
Musselman Middle	6 - 8	Masonry	1999	2004
North Middle	6 - 8	Masonry	1962	1975/1982
South Middle	6 - 8	Masonry/Metal	1955	1971/1985/2006/2007
Spring Mills Middle	6 - 8	Masonry	2004	---
Hedgesville High	9 - 12	Masonry	1977	1981/1983/1989/1995/2004/2006
Martinsburg High	9 - 12	Masonry	1927	1958/1960/1964/1971/1976/1991/1993/2006
Musselman High	9 - 12	Masonry	1998	2004
Pikeside Pre-Voc Learning Ctr.	Ungraded	Masonry	1925	1975

Source: Berkeley County Board of Education

## Tax Collection Procedures

All taxes for real estate and personal property are collected by the Berkeley County Sheriff (the "Sheriff") and are remitted by him to the State and other local levying bodies. Public utility taxes are collected directly by the State Auditor (the "Auditor") and are remitted by him to the Sheriff for distribution. Tax statements are mailed by the Sheriff's office in July, and they may be paid in two installments. The first half of the tax is subject to a 2 ½% discount if paid by September; thereafter, the amount payable is net until October 1, after which a 9% penalty is added. Likewise, the second half is subject to a 2 ½% discount if paid by March 1, net to April 1, and 9% penalty thereafter. The Sheriff, after ascertaining which taxes are delinquent, shall on or before May 1 next succeeding the year for which taxes are assessed, prepare delinquent lists, which shall be posted at the front door of the courthouse and published as a legal advertisement at least two weeks prior to the presentation to the County Commission for examination. After examination and correction, the Commissioners shall certify such lists pertaining to real property to the Auditor not later than July 1. On or before September 10, the Sheriff shall prepare a second list of delinquent taxes, as of September 1, together with a notice of sale for properties upon which such taxes are due. If not redeemed before, such properties shall be sold at public auction at the courthouse on any Monday after October 14, and before November 23. No such sale shall be made for any sum less than the total amount of taxes, interest charges then due. The former owner of any real or personal property so purchased by the State, or any other person who is entitled to pay the taxes thereon, may redeem such real or personal property from the Auditor at any time within the eighteen months after the date of such purchase. The Auditor reports monthly to the Sheriff, the County Assessor and the Clerk of the County Commission all properties in the County which were redeemed in his office during the preceding month. The Auditor, each month, draws his warrant upon the State treasury payable to the Sheriff of the County for that part of the taxes, interest and charges received by him upon the redemption of the property included in his report which was owing to any of the taxing units in the County. The Sheriff accounts for and pays over such money as if it had been paid to him before sale and redemption.

## Tax Levies and Collections\*\*

Year	Projected Gross Tax (\$) at 100%	Projected Net Tax Collected (\$) at 92-93% Less Assessors Fee	Actual Collected (\$)	Actual Collected (%)
<b><u>2003-2004</u></b>				
General Current*	28,847,918	26,572,887	28,766,239	108.25
Debt Service	4,322,489	4,017,972	4,474,353	111.36
<b><u>2004-2005</u></b>				
General Current*	31,989,070	29,466,319	32,215,655	109.33
Debt Service	4,458,225	4,051,635	4,647,143	114.70
<b><u>2005-2006</u></b>				
General Current*	36,611,969	33,760,906	36,858,180	109.17
Debt Service	4,497,701	4,087,529	4,523,752	110.67
<b><u>2006-2007</u></b>				
General Current*	46,099,642	42,514,292	45,451,688	106.91
Debt Service	4,528,078	4,119,110	4,649,979	112.89
<b><u>2007-2008</u></b>				
General Current*	56,002,400	51,655,426	58,836,737	104.22
Debt Service	4,557,713	4,142,810	4,614,536	111.39
<b><u>2008-2009</u></b>				
General Current*	60,564,268	55,863,197	60,328,916	107.99
Debt Service	4,379,708	4,172,090	4,465,997	107.04

\*Includes Excess Levy

\*\*Source: Berkeley County Board of Education

## Assessment Procedure

State statutes provide that all property must annually be assessed as of the first day of July. Assessment on this day is the basis for the following year's property taxes. The assessor must complete his compilation of the land and personal property books not later than January 30. The county commission, not later than February 1, must meet for the purpose of sitting as a board of equalization and review of such assessment books. After completion of the review and assessment the commission certifies and returns the property books to the assessor. Appeal of any assessment may be made to the circuit court of the county within 30 days after adjournment of the county commission sitting as a board of equalization and review. The assessor annually, not later than March 3, must furnish a certified statement to certain government bodies in the county, including the board of education, showing the aggregate value of all real and personal property. During the month of March the county commissions, the county boards of education and municipal governments prepare their budgets for the fiscal year which begins the following July. After these budgets are approved, these governments officially set the tax rate for the coming year sufficient to pay budgeted expenses not expected to be paid from other sources. For example, the 2009 assessment year valuations are made as of July 1, 2008, with taxes levied and collected during the fiscal year July 1, 2009, through June 30, 2010.

The State Tax Commissioner has the responsibility for preparing tentative valuations for all public utility property in the State and providing these valuations to the Board of Public Works of the State for actual assessment of such property. The Board of Public Works reviews all assessments made, makes such corrections as it deems proper, conducts hearings to entertain protests from the public utilities involved, and fixes the assessments in final form. After such assessments are made, they are allocated by the State Auditor to the various counties in which the utility property is located, such allocation being approved by the Board of Public Works.

## Property Classification

Article X, Section 1, of the Constitution of West Virginia and Chapter 11, Article 8, Section 5 of the Code of West Virginia of 1931, as amended, created four classifications of property for which the tax rates, but not the assessed values, are limited. These tax classifications are as follows: Class I - all tangible personal property employed exclusively in agriculture, all products of agriculture while owned by the producer; Class II - owner-occupied residential property and certain farm lands; Article 10, Section 1b of the Constitution of the State of West Virginia and Chapter 11, Article 6B, Section 3 of the West Virginia Code of 1931, as amended, provides that the first twenty thousand dollars of assessed valuation of any real property, or of personal property in the form of a mobile home, used exclusively for residential purposes and occupied by the owner or one of the owners thereof as his residence, who is a citizen of the State and is sixty-five years of age or older or is certified as being permanently disabled, shall be exempt from ad valorem property taxation. Only one exemption shall be allowed for each homestead used and occupied exclusively for residential purposes by the owner thereof, regardless of the number of qualified owners residing therein; Class III - all real and personal property, other than Class I and II property, situate outside of municipalities; Class IV - all real, and personal property, other than Class I and II situate within municipalities. Public utility property falls within Class III or Class IV, as appropriate.

## Assessed Valuations

The Berkeley County School District includes all of Berkeley County and has the same assessed valuation of property therein as does the entire county. Chapter 11, Article 1C of the West Virginia Code (the "Property Valuation Act") requires all assessors to appraise all property at fair market value (except for certain farm property), within three years. The State Tax Commissioner is required to monitor the assessors in the performance of their duties, and is required to perform the valuation process on industrial and natural resources property within the aforesaid three year period. The Property Valuation Act limits the increase in property taxes that could result from the new calculations to one percent per year, unless, in the case of school boards, the legislature, after a public hearing, deems a greater increase is necessary. The Property Valuation Act requires that all property except farms and managed timberlands be assessed at 60% of Fair Market Value at the end of the 3 year reappraisal cycle, which became effective July 1, 1994.

Assessed Valuation By Property Class\*

<b>Class</b>	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>
I	7,020,297	6,714,576	7,160,631	0	0
II	1,861,854,870	2,503,551,771	3,141,631,408	3,368,293,930	3,380,515,434
III	881,956,655	1,093,573,217	1,353,897,890	1,460,494,002	1,509,926,451
IV	<u>314,954,236</u>	<u>361,529,361</u>	<u>414,928,270</u>	<u>468,978,812</u>	<u>493,293,342</u>
Total	3,065,786,058	3,965,368,925	4,917,618,199	5,297,766,744	5,383,735,227

Assessed Valuation By Property Category\*

<b>Category</b>	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>
Real	2,562,345,840	3,422,776,384	4,289,716,040	4,644,792,490	4,724,568,200
Personal	375,075,071	415,481,083	485,094,734	501,201,381	497,200,013
Public Utility	<u>128,365,147</u>	<u>127,111,458</u>	<u>142,807,425</u>	<u>151,772,873</u>	<u>161,670,014</u>
Total	3,065,786,058	3,965,368,925	4,917,618,199	5,297,766,744	5,383,735,227

\*Excludes property from ad valorem property taxation pursuant to the Homestead and Taxation Amendment. The amount of Class II property so excluded amounted to:

104,517,416 in 2005-2006	110,547,207 in 2007-2008	124,706,222 in 2009-2010
106,792,653 in 2006-2007	120,260,634 in 2008-2009	

Largest Assessed Valuations (2009)\*

<b>Property Owner</b>	<b>Assessed Valuation (\$)</b>
Martinsburg Mall	19,380,300
Berkeley Business Park Assoc. (old GM Building)	17,391,260
Distribution Center of America (WV) LLC (Orgill)	14,109,940
Guardian Fiberglass, Inc.	12,304,440
Fed Ex Ground	11,858,660
Caperton WV LLC (new GM Building)	11,153,990
Walmart Real Estate Business Trust	10,979,480
Martinsburg IRS OC LLC	9,043,580
Capital Cement Corporation	7,833,330
Lowe's Home Center	7,056,600

\*The assessed valuations include real and personal property in Class III or IV.  
Non-Taxable Property was not included in this chart.  
Source: Berkeley County Assessor

### Tax Rate Comparisons\*

The following shows Berkeley County property taxes in **cents per \$100 assessed valuation** (this includes all state, county and school rates, in comparison with a few select surrounding counties, for tax year 2009; Fiscal Year 2009-2010.

County	Class I	Class II	Class III/IV
Berkeley	56.00	112.00	224.00
Jefferson	53.60	107.20	214.40
Morgan	50.96	101.92	203.84

\*Includes the total levy for State, County and schools in each County.

Source: West Virginia State Auditor

### County Tax Rates

Except as hereinafter stated, the maximum tax rates allowed by the Constitution of West Virginia for the four classifications of property are as follows: Class I - \$.50 per \$100 assessed valuation; Class II - \$1.00 per \$100 assessed valuation; Class III - \$1.50 per \$100 assessed valuation; Class IV - \$2.00 per \$100 assessed valuation.

The maximum tax rates described above are divided among the several levying bodies by statute. Under Chapter 11, Article 8 of the Code of West Virginia of 1931, as amended, the maximum levy rates available to the County without approval by the voters is as follows: Class I - 14.3 cents per \$100 assessed valuation; Class II - 28.6 cents per \$100 assessed valuation; Class III - 57.2 cents per \$100 assessed valuation; and Class IV - 57.2 cents per \$100 assessed valuation.

These rates of levy may not be exceeded except that a local levying body may provide for an election to increase such rates within the respective taxing unit at either a general or special election. If at least 60% of the voters voting in the election cast their ballots in favor, property tax levy rates may be increased by up to 50% by municipalities and counties. If at least 50% of the voters voting in the election cast their ballots in favor, property tax levy rates may be increased by up to 100% by boards of education. The increased levies may not continue for more than three years in the case of municipalities and counties, or for more than five years in the case of boards of education without resubmission to the voters.

### School Tax Rates (Source: West Virginia State Auditor)

Taxes for school purposes are uniform throughout the County. In accordance with Chapter 11, Article 8, Section 6c of the Code of West Virginia of 1931, as amended, the tax limit for school current expenses and school permanent improvement purposes combined is \$0.2295 per \$100 assessed valuation in respect to Class I, \$0.4590 per \$100 in respect to Class II, and \$0.9180 per \$100 in respect to Classes III and IV. By favorable vote of at least a simple majority of the voters in an election, the above limitations may be increased by up to 100% for a period of five years, after which an election must again be held. Further, a county board of education is required to levy outside the rates provided by Chapter 11, Article 8, Section 6c, sufficient to pay the principal and interest requirements on bonds issued by the school district not exceeding five percent of the assessed value of all taxable property in the school district, in the manner provided by the Better Schools Amendment.

*School Current Levy*

<b>Class</b>	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>
I	20.48	20.05	19.40	19.40	19.40
II	40.96	40.10	38.80	38.80	38.80
III and IV	81.92	80.20	77.60	77.60	77.60

*School Excess Levy*

<b>Class</b>	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>
I	22.50	22.50	22.50	22.50	22.50
II	45.00	45.00	45.00	45.00	45.00
III and IV	90.00	90.00	90.00	90.00	90.00

*School Bonds*

<b>Class</b>	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>
I	5.28	4.18	3.41	3.03	2.61
II	10.56	8.36	6.82	6.06	5.22
III and IV	21.12	16.72	13.64	12.12	10.44

Rates of Levy

The tax rates for citizens of the County, including those imposed by the Berkeley County Board of Education, but not including those relating to the proposed bond issue, in cents per \$100 assessed valuation for the 2009-2010 fiscal year, are as follows:

<b>Tax Type</b>	<b>Class I</b>	<b>Class II</b>	<b>Class III/IV</b>
State Current	.25	.50	1.00
County Current	11.24	22.84	44.96
School Current	19.40	38.80	77.60
School Bonds	2.61	5.22	10.44
School Excess	22.50	45.00	90.00

In addition to the rates of levy established for State, County and School purposes, the municipalities within the County have additional rates of levy in effect as shown in the following table, in cents per \$100 assessed valuation for the 2009-2010 fiscal year.

<b>Municipality</b>	<b>Class I</b>	<b>Class II</b>	<b>Class IV</b>
Hedgesville	5.30	10.60	21.20
Martinsburg	12.44	24.88	49.76

Source: West Virginia State Auditor

As heretofore stated, under Article X, Sections 8 and 10 of the Constitution of the State of West Virginia and the Act, the Board may issue bonds for certain purposes in an amount which, when added to the aggregate indebtedness then outstanding, will not exceed 5% of the most recent assessed valuation of taxable property in the School District as of the date of bond authorization. Under such constitutional and statutory standard the computation of debt limit of the School District and its debt contracting margin are as follows:



### Summary of Statistical Debt Information

Population (2007)	99,531
Assessed Valuation*	5,383,755,227
Debt Limit (5% of Assessed Valuation)	269,187,761
Outstanding Debt (Including the Series 2010 Bonds)	70,400,000
Debt Contracting Margin	198,787,610
Per Capita Debt	707.32
Outstanding Debt as percentage of Assessed Valuation	1.31%

\*Assessed Value is estimated to be approximately 60% of appraised or market value (Assessment Year 2009, Fiscal Year 2010).

### Debt Service Requirements

Upon issuance of the Bonds, based on the interest rates and yields set forth on the cover page, the Board will have the following debt:

#### *Schedule of Bond Indebtedness Public School Bonds*

<b>Year Ending June 30</b>	<b>Series 2003 Principal</b>	<b>Series 2003 Interest</b>	<b>Series 2002 Principal</b>	<b>Series 2002 Interest</b>	<b>Series 2010 Principal</b>	<b>Series 2010 Interest</b>	<b>Series 2002, 2008 and 2009 Total</b>
2010*	1,515,000	23,671.88	1,840,000	401,170.00	0	0	3,779,841.88
2011	---	---	1,925,000	726,440.00	2,025,000		
2012	---	---	2,015,000	643,665.00	2,660,000		
2013	---	---	2,110,000	556,012.50	2,770,000		
2014	---	---	2,210,000	463,700.00	2,890,000		
2015	---	---	2,315,000	364,250.00	3,010,000		
2016	---	---	2,425,000	248,500.00	3,140,000		
2017	---	---	2,545,000	127,250.00	3,275,000		
2018	---	---	---	---	3,415,000		
2019	---	---	---	---	3,560,000		
2020	---	---	---	---	3,710,000		
2021	---	---	---	---	3,865,000		
2022	---	---	---	---	4,030,000		
2023	---	---	---	---	4,205,000		
2024	---	---	---	---	4,380,000		
2025	---	---	---	---	4,565,000		
<b>TOTAL</b>	<b>1,515,000</b>	<b>23,671.88</b>	<b>17,385,000</b>	<b>3,530,987.50</b>	<b>51,500,000.00</b>		

\*Debt Service remaining in Fiscal Year 2010

### Overlapping Debt

There is no overlapping county or city general obligation debt.



## CERTAIN FINANCIAL INFORMATION

### Description of Funds

The accounts of the Board are organized on the basis of funds, each of which constitutes a separate entity for accounting procedures. For reporting purposes the various funds are organized into the following major groups:

#### *1. Debt Service Fund*

The Debt Service Fund is a separate and distinct fund used only as an “Interest and Sinking Fund” to meet the demands of maturing bonds and bond interest payments.

Taxes levied on real and personal property (other than public utility property), to be used to make Debt Service Fund payments, are collected by the Sheriff, while taxes levied on public utility property to be used to make Debt Service Fund payments are collected by the State Auditor and remitted to the Sheriff. Collections are transferred periodically to the Bond Commission. The Bond Commission, in turn, disburses funds to meet the payment of bonds and bond interest payments as well as paying agency fees. From time to time, the Commission invests amounts in the Debt Service Fund that are in excess of payment schedules and credits the interest income to the Debt Service Fund. (See “Investment of Certain Funds”).

#### *2. Bond Construction Fund*

The Bond Construction Fund is a separate and distinct fund consisting of proceeds from the sale of bonds authorized by an election, from State School Building funds and from special funds that are categorically identified and authorized to supplement local bond proceeds or State School Building funds. Expenditures are generally restricted to capital outlay purposes by the bond election call, by special funding agreements or by the State Board of Education in approving specific building projects.

#### *3. Capital Projects Fund*

The Capital Projects Fund accounts for financial resources used to acquire or construct specific major capital facilities other than by the sale of bonds or the reservation of monies in a permanent improvement fund. A separate fund may be established for each specific capital project.

#### *4. General Current Expense Fund*

The General Current Expense Fund is a separate and distinct fund and is used for all general operating purposes except for revenues and expenditures that are contained in the Debt Service Fund and the Bond Construction Fund. Revenues generally come from: (1) general and special levy taxes, (2) other local or miscellaneous revenues, (3) State aid to counties for restricted and unrestricted purposes, and (4) Federal aid received directly or through the State, usually categorical or restricted.

#### *5. Special Revenue Fund*

Accounts for the financial resources of the Board, which are restricted either legally or by the grantor.

### Investment of Certain Funds

Proceeds of tax collections relating to the Bonds which are transferred to the Bond Commission will be invested in the Consolidated Fund managed by the West Virginia State Treasurer’s Office. The West Virginia Board of Treasury Investments is governed by a Board of Trustees consisting of the Governor, the State Auditor, the State Treasurer and two members appointed by the Governor. The Bond Commission currently invests its funds in The Consolidated Fund’s Government Money Market Pool. Investments are limited to U.S. Government obligations, select U.S. Government Agency-guaranteed obligations or repurchase agreements with average maturities not to exceed 90 days.

### Accounting Practices

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and

financial reporting principles. The district-wide statements (Statement of Net Assets and the Statement of Activities) are prepared using the economic resources measurement focus and the full accrual basis of accounting. The governmental fund financial statements (Balance Sheet- Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Fund) were prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

#### Annual Audit

An annual audit of accounts is prepared by the State Auditor or an independent certified public accounting firm approved by the State Auditor. The audit is conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Budgetary Procedures

Prior to the beginning of each fiscal year, the Board develops a fiscal plan consisting of contemplated expenditures. The annual budget development process is customarily developed along the following guidelines and in accordance with a budget calendar summarized as follows:

July	Overall goals are revised and established by the Board. Implementation and valuation of Board goals are established by the superintendent.
October	Student enrollment and personnel employee numbers are gathered system wide to determine State aid funding basis for subsequent fiscal year.
November- December	All staffing reviewed. Personnel reductions and additions are determined by local school councils, the public, the administration and the superintendent.
January- February	Preliminary forecasts of revenues and expenditures are determined by administration. Non-salary items reviewed.
March	Assessed valuations and preliminary State aid calculations received on or about March 3. The Board is required to ascertain the fiscal condition of the School District and determine the amount to be raised by the levy of taxes. Proposed levy rates must be submitted to the State Tax Commissioner and State Board of Education by March 28.
April/May	On the third Tuesday in April, the Board officially enters all levies for the coming year by ordering the levy of taxes commencing July 1. The proposed budget must be made available for public inspection for ten days and must be published in local newspapers for two weeks prior to the budget hearing.  A public hearing shall be held concerning the operating budget not less than 10 days after such budget has been made available for public inspection. The Board is required to submit a budget to the State Board of Education and State Tax Commissioner no earlier than 10 days after receipt of the final State aid computations.
September	Board advised of ending balances for previous fiscal year. Board and administration evaluate status for current fiscal obligations in relation to ending balances and established budgetary changes necessitated.

#### Internal Control

The system of internal control includes budgetary control, periodic operating reports and statistical analyses. The system checks the accuracy and reliability of its accounting data, promotes operational efficiency and encourages prescribed managerial policies.

The system provides segregation of functional responsibilities and control over assets, liabilities, revenues and expenses. Responsibilities and delegations of authority are assigned by the superintendent and Board in accordance with State Board of Education policy and advice of the State Auditor.

Statement of Revenues and Expenditures -- Budget and Actual

**Revenues, Expenditures and Changes in Fund Balance – Regulatory Basis  
Budget and Actual**

**General Current Expense Fund**

**Year ended June 30**

	<b>2008 Budget</b>	<b>2008 Actual</b>	<b>2009 Budget</b>	<b>2009 Actual</b>	<b>2010 Budget</b>
<i>Revenues Collected:</i>					
Local Sources:					
Property Taxes	54,255,426	53,915,556	56,663,197	60,328,916	61,390,811
Other Local Sources	2,348,667	2,369,680	2,005,570	1,710,098	2,036,360
State Sources	73,908,117	73,938,478	77,100,102	77,185,899	77,966,231
Other Unrestricted					
Federal Sources	<u>2,115,325</u>	<u>2,803,608</u>	<u>2,230,000</u>	<u>2,909,348</u>	<u>1,685,000</u>
Total Revenues Collected	132,627,535	133,027,322	139,998,869	142,134,261	143,078,402
<i>Expenditures Paid:</i>					
Instruction	79,557,140	78,878,609	85,800,379	86,030,264	87,104,110
<i>Supporting Services:</i>					
Students	4,916,299	4,928,625	5,467,630	5,373,686	5,650,668
Instructional Staff	3,789,368	3,666,075	4,413,199	4,315,297	4,155,102
Central Administration	1,833,869	1,749,338	2,062,335	1,876,254	2,198,495
School Administration	8,118,905	7,920,587	8,421,070	8,548,804	8,593,650
Business	3,099,214	2,952,728	3,454,350	3,217,208	3,616,165
Operation & Maintenance of Facilities	15,055,719	14,535,924	13,914,385	13,822,822	14,671,033
Student Transportation	13,523,815	13,152,985	13,540,170	12,670,292	14,139,254
Food Services	1,200	806	1,400	433	1,200
Community Services	853,285	853,285	785,000	780,400	815,000
Capital Outlay	2,546,614	1,026,155	1,985,499	1,021,880	1,830,771
Reserves			2,311,960		2,248,556
<i>Debt Service:</i>	<u>76,930</u>	<u>76,924</u>	<u>76,930</u>	<u>76,924</u>	<u>76,930</u>
Principal Retirement					
Interest & Fiscal Charges					
Total Expenditures	133,372,358	129,742,041	142,234,307	137,734,264	145,100,934
Excess (Deficiency) of Revenues over Expenditures	<u>(744,823)</u>	<u>3,285,281</u>	<u>(2,235,438)</u>	<u>4,399,997</u>	<u>(2,022,532)</u>
Total Other Financing Sources (Uses)	(4,420,000)	(4,507,036)	(4,357,630)	(4,141,627)	(3,870,000)
Net change in Fund Balance	(5,164,823)	(1,221,755)	(6,593,068)	258,370	(5,892,532)
Fund Balance at July 1	<u>5,164,823</u>	<u>8,090,756</u>	<u>6,593,068</u>	<u>6,869,001</u>	<u>7,127,371</u>
Fund Balance at June 30	0	6,869,001	0	7,127,371	

Source: Berkeley County Board of Education

Insurance Coverage (Source: Berkeley County Board of Education)

1. Type	Amount in Force (FY 2010)
Fire, extended coverage/buildings & personal property	\$309,097,880
Public official position bond: Superintendent	\$ 10,000
Board President	\$ 10,000
Treasurer	\$ 600,000
Blanket Bond	\$- - - - -
Fidelity Honesty Bond (all employees)	\$ 1,000,000
Money & Securities (all employees)	\$ 1,000,000
Deductible - \$2,500 per occurrence	

Liability Insurance: The Board is insured for the coverage indicated below under a general liability policy and an automobile policy issued to the State of West Virginia by National Union Fire Insurance Co. of Pittsburgh, Pennsylvania. The Board is an Additional Insured under the policies for a coverage period July 1, 2009 to July 1, 2010. The Board is insured for the following coverages:

- Comprehensive general liability insurance
- Personal injury liability insurance
- Professional liability insurance
- Stop gap liability insurance
- Wrongful act liability insurance
- Comprehensive auto liability insurance
- Auto physical damage insurance, including comprehensive and collision, and
- Garagekeepers insurance.

2. Limits of Liability

EACH OCCURRENCE. \$1,000,000 each occurrence for all coverage combined. This limit is not increased if a claim is insured under more than one coverage or if claim is made against more than one insured.

SPECIAL LIMITS. The auto physical damage limit is the actual cash value of each vehicle subject to a deductible of \$1,000.00 for private passenger vehicles or \$1,000 for other vehicle types including mobile equipment.

DEFENSE COSTS. Defense costs are in addition to each occurrence limit of liability.

Source: Berkeley County Board of Education

Teachers Retirement Systems (Source: West Virginia Consolidated Public Retirement Board)

*Teachers Retirement System (Defined Benefit)*

The Teacher's Retirement System (TRS), established in 1941, is a multiple employer defined benefit cost sharing public employee retirement plan covering all full-time employees of the 55 county public school system, certain personnel of the 16 state-supported higher education institutions, and employees of the State Department of Education. As of July 1, 2009, there are 35,701 active members and 29,245 retirees. The plan reopened for new members as of July 1, 2005.

Members contribute 6% of annual earnings. Employers contribute 15% or 7.5% of a member's annual earnings. A member who withdraws from service for any cause other than death, retirement or disability, may request the accumulated employee contributions plus interest be refunded. TRS provides retirement benefits, as well as death and disability benefits.

The most recent actuarial valuation of TRS was performed July 1, 2009 by Buck Consultants. The asset valuation method utilizes market value to place a value on assets. The actuarial cost method valuation utilized entry age cost with individually computed accrued liabilities, including an earnings assumption of 7.5% annually,

net after expenses. As of July 1, 2009, the unfunded liability of TRS was \$5.053098 billion. The funded percentage was 41.3%. The TRS unfunded accrued liability should be extinguished on or about June 30, 2034.

#### *Teachers' Defined Contribution Retirement System*

The Teachers' Defined Contribution Retirement System (TDC) is a multiple employer defined contribution retirement system covering primarily full-time employees of the State's 55 county public school systems, the State Department of Education, and School for the Deaf and Blind hired after June 30, 1991. The system includes former TRS plan members, including higher education employees, who elected to transfer into or participate in TDC. The plan closed for new members as of July 1, 2005.

As of July 1, 2008, there were approximately 5,155 members in the TDC. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate from the date of employment. Members may choose from thirteen (13) separate investment options.

Employees contribute 4.5% of their gross compensation and employers contribute 7.5% of covered members' gross compensation from amounts allocated to the employers through the State School Aid formula. Employer contribution for each employee (and interest allocated to the employee's account) become partially vested after six (6) years and fully vested after twelve (12) years of complete service. Employer contributions and earnings thereon forfeited by employees who leave employment prior to becoming fully vested are available, in the event the employee does not return to active participant status within five (5) years, to reduce the employer's current-period contribution requirement. Benefits depend solely on the amounts contributed plus net investment earnings thereon.

#### *TDC Transfer to TRS*

In 2008, the West Virginia Legislature enacted legislation authorizing members of the TDC to elect to voluntarily transfer to TRS. For the transfer to occur the legislation required that at least 65% of members of TDC as of December 31, 2007 to elect the transfer. Over 78% of actively contributing TDC members elected to transfer to TRS. Approximately 15,152 TDC members were transferred to TRS on July 1, 2008.

### **TAX MATTERS**

In the opinion of Bond Counsel, (a) under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations upon the conditions and subject to the limitations set forth in this section, and (b) under existing West Virginia Law, the Bonds are exempt from all taxation by the State of West Virginia or any political subdivision thereof.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Board has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective purchasers of the Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds



may otherwise affect an owner's federal tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Board, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Board has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and unless separately engaged, Bond Counsel is not obligated to defend the Board or the beneficial owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Board and its counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Board legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Board or the beneficial owners to incur significant expense.

#### **LITIGATION IN THE STATE CONCERNING THE SCHOOL FINANCING SYSTEM**

The School District may be affected by litigation pending in the courts of the State of West Virginia with potential impact on local taxes for school purposes similar to the litigation which has continued in certain states, such as Serrano v. Priest in California, challenging the constitutionality of present systems of levying taxes and applying funds for public school purposes.

On May 11, 1982 in the matter entitled Pauley v. Bailey, a special judge of the Circuit Court for Kanawha County held that the West Virginia school finance system violates the West Virginia Constitution and that inequities in the levels of funding for various counties were attributable to undue reliance on excess levies which favored property-rich counties. By order of March 4, 1983, a master plan prepared by the State Board of Education and State Superintendent of Schools was filed as part of the record in the case. The court expressed its intention that the master plan be viewed as a proposal to the State Legislature for implementing, by statute, a constitutional system of financing public education. No legislation resolving the question was adopted during the 1984 legislative session, and on January 8, 1985, the plaintiffs moved the court to address the excess levy problem. On December 3, 1985, the court ordered that if the legislature did not, by July 1, 1987, replace or equalize excess levy revenues by one of the methods enumerated in such order, the court would direct a more equitable distribution. The legislature then adopted a constitutional amendment authorizing a statewide excess levy. The proposed amendment was to be submitted to the voters in a special election to be held March 5, 1988. The court entered a supplemental order on June 29, 1987, providing that if the statewide excess levy was not approved by the voters, a sum equal to 20% of each county's excess levy revenues in fiscal year 1988-89 (to be increased by an additional 20% in each of the next four fiscal years) would be withheld and distributed "on an equitable basis described by the court." The statewide excess levy amendment was defeated at the special election and the supplemental order became operative. However, on April 8, 1988, the state tax commissioner, the auditor

and 33 county boards of education petitioned the Supreme Court of Appeals of West Virginia for a writ of prohibition to bar enforcement of the supplemental order. On November 23, 1988 in State ex rel. the Boards of Education of the Counties of Upshur et al., the Supreme Court of Appeals issued the writ of prohibition, and noting that the court below had plainly exceeded its legitimate powers by the entry of an unconstitutional order, found the existing excess levy provision not violative of the State Constitution. The Supreme Court of Appeals suggested therein that it would be appropriate for the lower court to consider whether a statewide reappraisal should be ordered to be implemented to remedy the school financing problem.

In May of 1995 a Motion to join the President of the State Senate and the Speaker of the State House of Delegates as defendants in Pauley was granted by the Circuit Court. The Circuit Court later reconsidered this Motion and the President of the State Senate and the Speaker of the House of Delegates are no longer defendants. Additionally, with the motion to join defendants, the plaintiffs moved the Circuit Court for an order enforcing the judgment previously entered including establishment of a timetable for implementation of the Master Plan for Public Education and a timetable for implementation of changes to the system of financing public education in West Virginia. A trial was scheduled for July 3, 2000. However, prior to going to trial, the parties reached a settlement with regard to a number of the issues.

Finally, on January 3, 2003, Pauley was dismissed and dropped from the active docket of the court. The court stated in its Memorandum of Opinion and final Order the following:

1. The plaintiff class's request to compel the West Virginia Legislature to remove the net enrollment caps in Steps 1 and 2 of the Foundation Allowance to provide additional professional and service personnel of the county as embraced within West Virginia Code §18-9A-1, et seq., and the use of a density mileage factor within the Foundation Allowance is hereby DENIED.
2. The decision of the honorable Dan C. Robinson that the School Financing Formula as embraced within West Virginia Code §18-9A-1, et seq., was constitutionally deficient is hereby vacated and held for naught; and
3. West Virginia Code §18-2E-5 is specifically found to satisfy the requirements of W.Va. Const. Art. XII §1 to the extent that the Legislature has provided, by public law, for a thorough and efficient system of free schools.
4. There being no further need to maintain continuing jurisdiction in this matter, this case shall be dismissed and dropped from the active docket of this Court, to all of which action all parties' objection is hereby preserved.

On December 28, 1990, a class action was filed against the State Superintendent of Schools, the West Virginia Board of Education and the School Building Authority of West Virginia in the United States District Court for the Southern District of West Virginia by a group of plaintiffs alleging improper action by defendants in following a policy of approval of segregated outbuildings for special education students and expenditures therefor. (Harris et. al. v. Marockie, et. al.). The action also alleged that defendants have discriminated against the plaintiff class by failure to protect them from improper behavioral control procedures by County Boards of Education, failure to monitor or enforce educational standards and failure to provide adequately trained instructors.

Plaintiffs requested relief in the form of various declaratory and injunctive measures to remedy the alleged improprieties, including submission of a plan to alleviate alleged constitutional and legal deficiencies in special education in the State. No monetary damages were stated in the complaint. On July 10, 1991 a Settlement Agreement was approved by the District Court. The Settlement Agreement, as approved by the District Court, provided inter alia that the State School Building Authority would, in the application process and before disbursement of monies to local boards of education, obtain sufficient information to assure that no projects approved or funded would permit segregated outbuildings, segregated schools or inappropriately located self-contained classrooms in regular buildings in which classrooms are not contiguous to or in proximity with classrooms of age-appropriate, non-handicapped children or that permits a county to continue the existence of such an outbuilding, school or classroom.



In the opinion of Bond Counsel, the final resolution of the Pauley and Harris decisions by the courts of the State will not affect the validity or binding obligation, nature of the Bonds or modify the right of the holders thereof to ultimate recourse to unlimited ad valorem taxes upon all the taxable property within the School District for the payment of the Bonds if not paid from other sources.

### **LITIGATION**

In the ordinary conduct of its affairs, the Board is party to litigation pending in the courts of the State. The Board engages counsel to represent the Board on various matters. The Secretary of the Board has reviewed the current status of all pending and threatened litigation with such counsel, and expresses the opinion of the Board that while the outcome of litigation cannot be predicted, it is nevertheless not probable that Board liability in any such matters is likely to have a material adverse affect on the financial condition of the Board.

At the time of payment for and delivery of the Bonds, the purchasers will be furnished with a certificate of the Secretary of the Board that there is no litigation pending or threatened affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the levy or collection of any taxes to pay the principal of or interest on the Bonds. Such certificate shall also state that there is no litigation pending or threatened against the Board which materially adversely affects the financial condition of the Board.

### **CONTINUING DISCLOSURE**

The Board has covenanted for the benefit of the Owners of the Series 2010 Bonds, to provide, in accordance with the Continuing Disclosure Agreement, which shall be delivered in substantially the form attached hereto as Exhibit G. Certain financial information not later than two hundred seventy (270) days following the end of the Board's fiscal year, commencing with the report for the fiscal year ending June 30, 2010 (which is due no later than March 31, 2011), and to provide notice of the occurrence of the enumerated events listed herein, if material. The Annual Information and each notice of material events will be filed electronically by United Bank, Inc, Charleston, WV, as dissemination agent, on behalf of the Board with the Electronic Municipal Markets Access system ("EMMA").

This continuing disclosure obligation is being undertaken to comply with Rule 15c2-12 (the "Rule") promulgated by the Securities Exchange Commission. The Board, has agreed to give notice in a timely manner to EMMA of any failure to supply the required information. However, any such failure will not constitute a default under the terms of the Series 2010 Bonds. Under the Continuing Disclosure Agreement, the sole remedy for such failure is to seek an order for specific performance. SEE "APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Board failed to comply with the Rule in filing annual financial information for Fiscal Year 2005 and has since filed such information on January 13, 2010.

### **LEGAL MATTERS**

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel, whose approving legal opinion will be delivered with such Bonds.

### **SALE AT COMPETITIVE BIDDING**

The Bonds will be offered by the Board at competitive bidding on February 3, 2010 in accordance with the Official Notice of Sale.

## **RATINGS**

Standard & Poor's Corporation, 55 Waters Street, New York, New York, 10041, has assigned the Bonds its rating of '\_\_\_'. The Board did not apply for any other ratings. Such rating reflects only the views of such organization and reference is made to such organization for the meaning of such rating. There is no assurance that such rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by the assigning rating agency, if in the judgment of such rating agency, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect upon the market price or value of the Bonds.

## **FINANCIAL ADVISOR**

Raymond James & Associates, Inc., Charleston, West Virginia, Financial Advisor to the Board, or its directors or employees, may hold, own or dispose of bonds, including the Bonds, issued by the Board. Raymond James & Associates, Inc., may wish to bid alone or as a member of a syndicate for the purchase of the bonds.

## **CONCLUDING STATEMENT**

The information furnished in this Official Statement is set forth for the benefit of prospective purchasers of the \$51,500,000 in aggregate principal amount of The Board of Education of the County of Berkeley Public School Bonds, Series 2010. The material contained in the Official Statement was compiled for and at the direction of The Board of Education of the County of Berkeley by Raymond James & Associates, Inc. in its capacity as Financial Advisor.

All statements, estimates, assumptions and summaries of documents in this Official Statement have been made on the basis of the best information available and are believed to be correct and reliable, but no representations whatsoever are made that such statements, estimates, assumptions and summaries of documents are correct or will be realized.

So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are set forth as such and not as representation of fact. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of any of the Bonds.

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY

By: /s/\_\_\_\_\_, President

Audit Report of  
Berkeley County Board of Education for the  
Fiscal Year Ended June 30, 2009

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**Independent Auditors' Report  
and Related Financial Statements**

**For the Year Ended June 30, 2009**

**BERKELEY COUNTY BOARD OF EDUCATION**

**Martinsburg, West Virginia**

**Teed & Associates, PLLC  
3624 MacCorkle Avenue SE  
Charleston, West Virginia 25304  
304-925-8752**

# **BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA**

## **Table of Contents**

**For the Year Ended June 30, 2009**

	<u>Page</u>
Management's Discussion and Analysis – Unaudited	
Board Officials	1
Schedule of Funds	2
Independent Auditors' Report	3
Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
Balance Sheet – Governmental Funds	7
Reconciliation of Balance Sheet Fund Balances of Governmental Funds to Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Fiduciary Net Assets – Agency Funds -- Unaudited	11
Schedule of Changes in School Activity Funds – Unaudited	12
Notes to the Financial Statements	13

Required Supplementary Information	39
Budgetary Comparison Schedule – General Fund	40
Budgetary Comparison Schedule – Special Revenue Fund	41
Budgetary Comparison Schedule – Debt Service Fund	42
Budgetary Comparison Schedule – Capital Projects Fund	43
Other Supplementary Information	44
Schedule of Expenditures of Federal Awards	45
Notes to Schedule of Expenditures of Federal Awards	46
Reports on Internal Control and on Compliance and Other Matters	47
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	48
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	50
Schedule of Findings and Questioned Costs	53



# **BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA**

## **Required Supplementary Information**

### **Management's Discussion and Analysis**

**June 30, 2009**

Our discussion and analysis of the Berkeley County Board of Education's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2009. Please read this discussion and analysis in conjunction with the Board's basic financial statements, which are presented immediately following this Management's Discussion and Analysis.

#### **Financial Highlights**

- The Board's net assets exceeded liabilities by \$108,710,049 at the close of the most recent fiscal year.
- The Board's total net assets increased by \$564,560. This increase is primarily attributable to the reduction of long term debt. However, other factors were involved in the increase.
- As of the close of the current fiscal year, the Board governmental funds reported combined ending fund balances of \$11,778,026, a decrease of \$75,059 in comparison with the prior year. Approximately \$5.9 million of this total amount is available for spending at the Board's discretion, although \$1,650,000 of this total is designated for specific uses.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,892,632, or 4.2 percent of total general fund expenditures.

#### **Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements - The district-wide financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Board's assets and liabilities, with the difference between the two reported as net assets. Over time,

increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The district-wide financial statements can be found on pages 5-6 of this report.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Board can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Board maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, the debt service fund, the bond construction fund, and the capital projects fund, all of which are considered major funds.

**Fiduciary funds.** - Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the district-wide financial statement because the Board cannot use these funds to finance its operations.

The Board uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 11 of this report.

**Notes to the basic financial statements** - The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 13 to 36 of this report.

## District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by \$108,710,049 at the close of the most recent fiscal year.

	2009 Governmental Activities	2008 Governmental Activities
<b>ASSETS</b>		
Cash and other current assets	\$ 34,198,934	\$ 31,714,795
Capital assets, net	<u>116,293,151</u>	<u>116,349,895</u>
Total assets	<u>150,492,085</u>	<u>148,064,690</u>
<b>LIABILITIES</b>		
Current and other liabilities	22,497,416	17,347,657
Noncurrent liabilities:		
Long-term liabilities outstanding	<u>19,284,620</u>	<u>22,571,544</u>
Total liabilities	<u>41,782,036</u>	<u>39,919,201</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	96,811,196	93,778,351
Restricted	3,597,044	4,114,800
Unrestricted	<u>8,301,809</u>	<u>10,252,338</u>
Total net assets	<u>108,710,049</u>	<u>108,145,489</u>
Total liabilities and net assets	<u>\$ 150,492,085</u>	<u>\$ 148,064,690</u>

- The largest portion of the Board's net assets, (89%) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

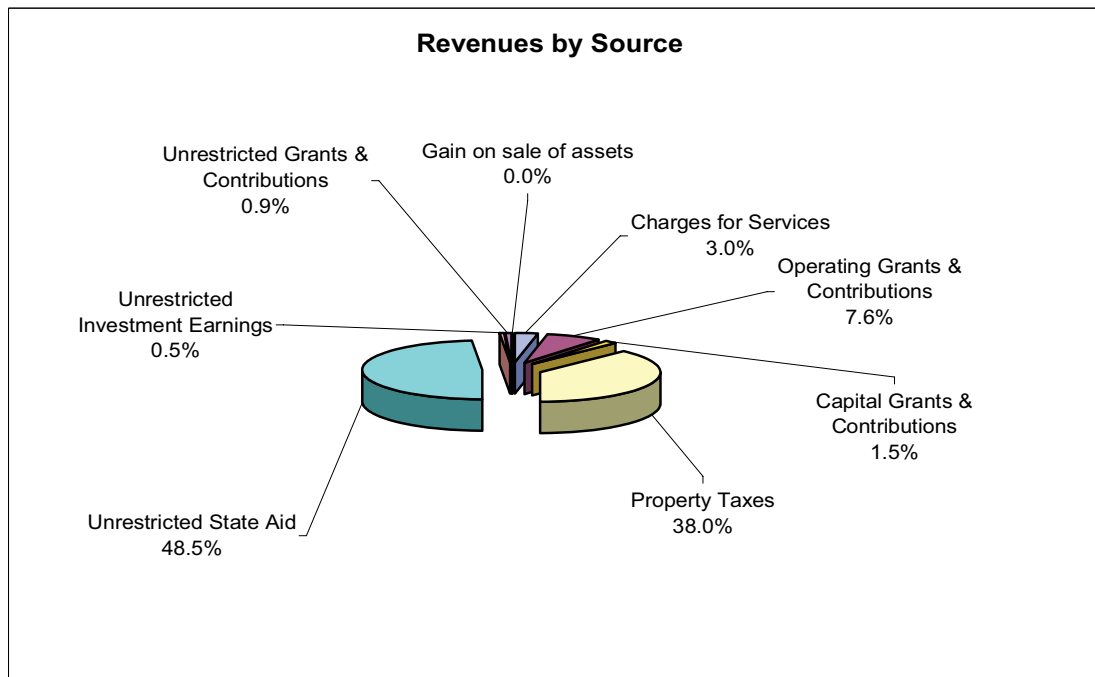
- An additional portion of the Board's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for repayment of debt.

Restricted net assets decreased by \$518 thousand during the year ended June 30, 2009. This decrease resulted primarily from reducing the funds obligated for building purposes.

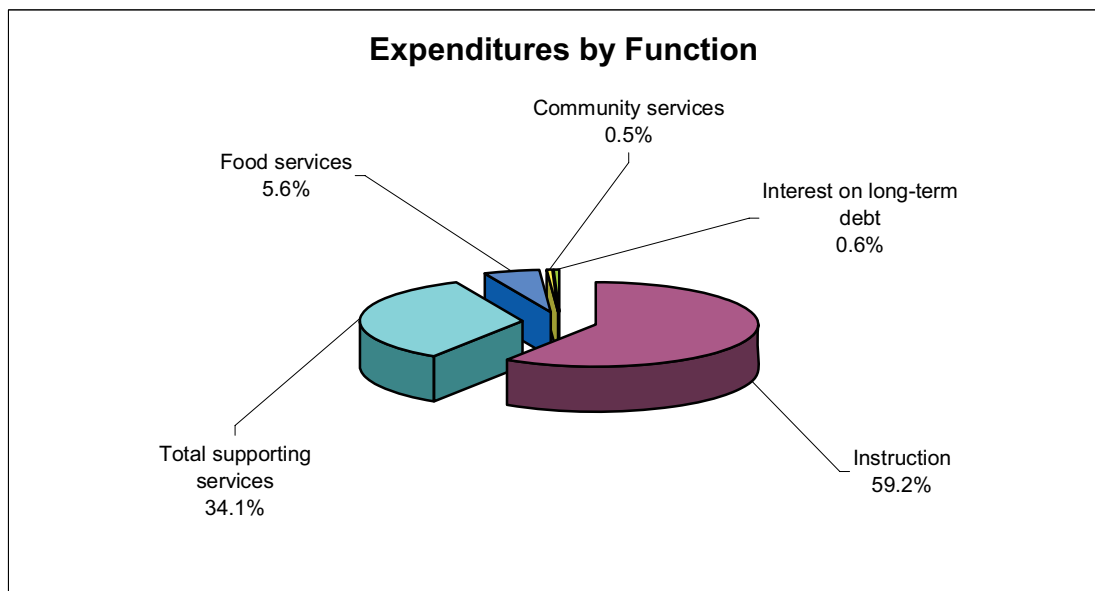
The Board's net assets increased by \$564 thousand during the current year. The following discussion and analysis on governmental activities focuses on this increase:

	2009 Governmental Activities	2008 Governmental Activities
Revenues:		
Program revenues		
Charges for services	\$ 5,079,598	\$ 4,952,914
Operating grants and contributions	13,005,934	13,905,405
Capital grants and contributions	2,598,624	2,203,315
General revenues		
Property taxes	64,854,210	60,049,232
Unrestricted state aid	82,748,974	75,056,300
Unrestricted investment earnings	775,262	1,310,684
Unrestricted grants and contributions	1,555,435	177,996
Gain on sale of assets	53,263	-
Total revenues	<u>170,671,300</u>	<u>157,655,846</u>
Expenses:		
Instruction	<u>98,546,216</u>	<u>88,632,748</u>
Supporting services:		
Students	6,347,963	5,720,042
Instructional staff	6,158,188	5,383,905
District administration	2,424,175	2,257,064
School administration	8,905,177	8,056,985
Business services	3,275,039	2,983,360
Operation and Maintenance	14,413,748	15,054,580
Transportation	<u>15,209,601</u>	<u>13,250,522</u>
Total supporting services	<u>56,733,891</u>	<u>52,706,458</u>
Food services	9,329,232	8,824,682
Community services	780,400	853,285
Interest on long-term debt	<u>966,090</u>	<u>1,066,810</u>
Total expenses	<u>166,355,829</u>	<u>152,083,983</u>
Change in net assets	4,315,471	5,571,863
Beginning net assets, as restated	<u>104,394,578</u>	<u>102,573,626</u>
Ending net assets	<u>\$ 108,710,049</u>	<u>\$ 108,145,489</u>

The following chart shows the Board's revenues for fiscal year ended June 30, 2009, by source:



The following chart shows the Board's expenditures for fiscal year ended June 30, 2009, by function:



Property tax increased \$6.2 million. State revenues increased by \$8.4 million and federal revenues increased by \$688 thousand from the prior year. The following is a comparison of revenue sources:

	2009 Governmental Activities	2008 Governmental Activities
Revenues:		
Property taxes	\$ 64,794,913	\$ 58,530,092
Other Local sources	4,117,518	4,857,965
State sources	87,376,379	78,940,717
Federal sources	14,323,193	13,635,122
Total revenues	<u>\$ 170,612,003</u>	<u>\$ 155,963,896</u>

## Financial Analysis of the Board's Funds

As noted earlier, the School Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the Board completed the year, its governmental funds reported a combined fund balance of \$ 11.8 million.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the Board's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the Board's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. The \$1.65 million fund balance of the general fund is primarily designated for the following purpose:

- Capital improvements in the near future, including purchase of land for future school building sites.

## General Fund Budgetary Highlights

During the year, the Board revised the budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$2.6 million or 1.8% in total general fund expenditures. The most significant difference may be summarized as follows:

Budgeting of prior year (2008) balances.

## Capital Asset and Debt Administration

**Capital assets** - The Board's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$116.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles.

Major capital asset events during the current fiscal year included the following:

Land	\$ 8,494,517
Contruction in process	688,790
Buildings and improvements	98,948,443
Furniture and equipment	1,198,960
Vehicles	<u>6,962,441</u>
Total capital assets	<u>\$ 116,293,151</u>

Additional information on the Board's capital assets can be found in Note 7 to the basic financial statements.

**Long-term debt.** At the end of the current fiscal year, the Board had total bonded debt outstanding of \$18.9 million and capital lease obligations of \$384,620. The obligation for compensated absences for vacations was \$197,335 at June 30, 2009.

General obligation bonds	\$ 18,900,000
Capital lease obligations	384,620
Compensated absences	<u>197,335</u>
Total debt outstanding	<u>\$ 19,481,955</u>

Additional information on the Board's long-term debt can be found in Note 8 to the basic financial statements.

### **Contacting the Board's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board Office, 401 S. Queen Street, Martinsburg, WV 25401.



# **BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA**

## **Board Officials**

**For the Year Ended June 30, 2009**

<b><u>Office</u></b>	<b><u>Elective</u></b>	<b><u>Term</u></b>
Board Members	Todd M. Beckwith	07/01/06 – 06/30/10
	Patrick H. Murphy	07/01/06 – 06/30/10
	William H. Norris	07/01/08 – 06/30/12
	Richard A. Pill	07/01/06 – 06/30/10
	Dr. William F. Queen	07/01/08 – 06/30/12

<b><u>Office</u></b>	<b><u>Appointive</u></b>	<b><u>Term</u></b>
Board President	Dr. William F. Queen	07/01/08 – 06/30/10
Treasurer	Kenneth Marstiller	

**BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA**

**Schedule of Funds**

**For the Year Ended June 30, 2009**

**GOVERNMENTAL FUND TYPES**

General Current Expense Fund

Special Revenue Fund

Debt Service Fund

Capital Projects Fund

Agency Funds

# Teed & Associates, PLLC

## Certified Public Accountants

Established 1992

Member, American Institute of Certified Public Accountants  
Member, West Virginia Society of Certified Public Accountants  
Member, Tennessee Society of Certified Public Accountants

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## Independent Auditors' Report

The Honorable Members of the  
Berkeley County Board of Education, West Virginia  
Martinsburg, West Virginia

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the Berkeley County Board of Education, West Virginia (the Board), as of and for the year ended June 30, 2009, which collectively comprise the Board's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial position of the Berkeley County Board of Education as of June 30, 2009, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



The Honorable Mayor and Members of Council  
Berkeley County Board of Education, West Virginia  
Martinsburg, West Virginia  
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2009, on our consideration of the Board'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 Budgetary Comparison Schedules on pages 38 to 41 are not a required part of the basic financial statements, but supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Board taken as a whole. The accompanying schedule of expenditures of federal awards on page 43 are presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Teed & Associates, PLLC*

Charleston, West Virginia  
December 10, 2009

# BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

## Statement of Net Assets

June 30, 2009

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 24,079,008
Investments	4,967,488
Taxes receivable, net of allowance for uncollectible taxes	801,808
Food service receivable	447,122
Other receivables	59,360
Due from other governments:	
State aid receivable	
PEIA allocation receivable	1,943,024
Reimbursements receivable	1,901,124
Capital assets not being depreciated	8,494,517
Capital assets depreciable, net	107,798,634
Total assets	<u>150,492,085</u>
LIABILITIES:	
Salaries payable and related payroll liabilities	15,484,576
PEIA premiums payable	2,596,691
Compensated absences	197,335
Accounts payable	1,223,825
Other post employment benefit liability	2,314,880
Deferred revenue	680,109
Noncurrent liabilities:	
Due within one year	3,431,924
Due in more than one year	15,852,696
Total liabilities	<u>41,782,036</u>
NET ASSETS:	
Invested in capital assets, net of related debt service	96,811,196
Restricted for debt service	3,257,417
Restricted for special projects	63,281
Restricted for capital projects	276,346
Unrestricted	8,301,809
Total net assets	<u>\$ 108,710,049</u>

The notes to the financial statements are an integral part of this statement.

# BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

## Statement of Activities

For the Year Ended June 30, 2009

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for	Operating Grants and	Capital Grants and	
	Expenses	Services	Contributions	Contributions	Governmental Activities
<u>Functions / Programs:</u>					
Governmental activities:					
Instruction	\$ 98,546,216	\$ 130,048	\$ 6,194,639	\$ 583,574	\$ (91,637,955)
Support services:					
Students	6,347,963	2,814,948	817,097	-	(2,715,918)
Instructional staff	6,158,188	-	1,097,975	-	(5,060,213)
District administration	2,424,175	-	262,241	62,525	(2,099,409)
School administration	8,905,177	-	-	20,840	(8,884,337)
Business services	3,275,039	-	3,000	100,043	(3,171,996)
Operation and maintenance of facilities	14,413,748	52,817	751,359	66,695	(13,542,877)
Student transportation	15,209,601	98,090	14,425	1,764,947	(13,332,139)
Food services	9,329,232	1,983,695	3,865,198	-	(3,480,339)
Community services	780,400	-	-	-	(780,400)
Interest on long-term debt	966,090	-	-	-	(966,090)
Total governmental activities	\$ 166,355,829	\$ 5,079,598	\$ 13,005,934	\$ 2,598,624	(145,671,673)
General revenues:					
Property taxes					64,854,210
Unrestricted state aid					82,748,974
Unrestricted investment earnings					775,262
Unrestricted grants and contributions					1,555,435
Gain on sale of assets					53,263
Total general revenues					149,987,144
Changes in net assets					4,315,471
Net assets at beginning of year, as restated					104,394,578
Net assets at end of year					\$ 108,710,049

The notes to the financial statements are an integral part of this statement.

# BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

## Balance Sheet – Governmental Funds

For the Year Ended June 30, 2009

	General Current Expense	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Government
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 20,933,294	\$ 1,435,256	\$ -	\$ 1,710,458	\$ 24,079,008
Investments	745,116	-	4,222,372	-	4,967,488
Taxes receivable, net	742,511	-	59,297	-	801,808
Food service receivable, net	-	447,122	-	-	447,122
Other receivables	59,360	-	-	-	59,360
Due from other governments:					
State aid receivable	-	-	-	-	-
PEIA allocation receivable	1,943,024	-	-	-	1,943,024
Reimbursement receivable	1,313,146	362,332	-	225,646	1,901,124
<b>Total assets</b>	<b>\$ 25,736,451</b>	<b>\$ 2,244,710</b>	<b>\$ 4,281,669</b>	<b>\$ 1,936,104</b>	<b>\$ 34,198,934</b>
<b>LIABILITIES:</b>					
Salaries payable and related payroll liabilities	\$ 14,028,236	\$ 1,456,340	\$ -	\$ -	\$ 15,484,576
OPEB Payable	2,314,880	-	-	-	2,314,880
PEIA premiums payable	2,298,044	298,647	-	-	2,596,691
Accounts payable	802,659	84,803	-	336,363	1,223,825
Deferred revenue	400,000	341,639	59,297	-	800,936
<b>Total liabilities</b>	<b>19,843,819</b>	<b>2,181,429</b>	<b>59,297</b>	<b>336,363</b>	<b>22,420,908</b>
<b>FUND BALANCES:</b>					
Reserved for					
Encumbrances	1,324,053	156,373	-	2,071,638	3,552,064
Debt service	-	-	3,257,417	-	3,257,417
Capital Projects	-	-	-	276,346	276,346
Unreserved					
Designated	1,650,000	-	-	-	1,650,000
Undesignated	2,918,579	(93,092)	964,955	(748,243)	3,042,199
<b>Total fund balances</b>	<b>\$ 5,892,632</b>	<b>\$ 63,281</b>	<b>\$ 4,222,372</b>	<b>\$ 1,599,741</b>	<b>\$ 11,778,026</b>

The notes to the financial statements are an integral part of this statement.

## **BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA**

### **Reconciliation of Balance Sheet Fund Balances of Governmental Funds to Statement of Net Assets**

**June 30, 2009**

Total governmental fund balances	\$ 11,778,026
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	116,293,151
Property taxes receivable and food service billings receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and are therefore deferred in the funds	120,825
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable, due within one year	(3,355,000)
Bonds payable, due beyond one year	(15,545,000)
Capital leases payable	(384,620)
Compensated absences	<u>(197,335)</u>
Net assets of governmental activities	<u>\$ 108,710,049</u>

The notes to the financial statements are an integral part of this statement.



# BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended June 30, 2009

	General Current Expense	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Government
<b>REVENUES:</b>					
Property taxes	\$ 60,328,916	\$ -	\$ 4,465,997	\$ -	\$ 64,794,913
Other local sources	1,710,098	2,347,415	60,005	-	4,117,518
State sources	80,796,371	4,898,306	-	1,681,702	87,376,379
Federal sources	2,909,348	11,413,845	-	-	14,323,193
Total revenues	<u>145,744,733</u>	<u>18,659,566</u>	<u>4,526,002</u>	<u>1,681,702</u>	<u>170,612,003</u>
<b>EXPENDITURES:</b>					
Instruction	88,468,059	7,831,524	-	-	96,299,583
Support services:					
Students	5,493,192	854,771	-	-	6,347,963
Instructional staff	4,406,280	1,747,828	-	-	6,154,108
Central administration	1,915,969	262,241	-	-	2,178,210
School administration	8,796,482	15,732	-	-	8,812,214
Business	3,267,754	3,205	-	-	3,270,959
Operation and maintenance of facilities	14,036,200	146,350	-	-	14,182,550
Student transportation	13,081,163	1,826,174	-	-	14,907,337
Food services	433	9,286,181	-	-	9,286,614
Community services	780,400	-	-	-	780,400
Capital outlay	1,021,880	-	-	2,111,898	3,133,778
Debt service:					
Principal retirement	76,924	-	3,210,000	-	3,286,924
Interest and fiscal charges	-	-	966,090	-	966,090
Total expenditures	<u>141,344,736</u>	<u>21,974,006</u>	<u>4,176,090</u>	<u>2,111,898</u>	<u>169,606,730</u>
Excess (deficiency) of revenues over (under) expenditures	4,399,997	(3,314,440)	349,912	(430,196)	1,005,273
Other financing sources (uses):					
Transfers in	91,003	3,545,570	-	807,631	4,444,204
Transfers (out)	(4,232,630)	(211,574)	-	-	(4,444,204)
Total other financing sources	<u>(4,141,627)</u>	<u>3,333,996</u>	<u>-</u>	<u>807,631</u>	<u>-</u>
Change in fund balance	<u>258,370</u>	<u>19,556</u>	<u>349,912</u>	<u>377,435</u>	<u>1,005,273</u>
Fund balances at beginning of year as restated	<u>5,634,262</u>	<u>43,725</u>	<u>3,872,460</u>	<u>1,222,306</u>	<u>10,772,753</u>
Fund balances at end of year	<u>\$ 5,892,632</u>	<u>\$ 63,281</u>	<u>\$ 4,222,372</u>	<u>\$ 1,599,741</u>	<u>\$ 11,778,026</u>

The notes to the financial statements are an integral part of this statement.

## **BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA**

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

**For the Year Ended June 30, 2009**

Net changes in fund balances -- total governmental funds	\$ 1,005,273
Capital assets are expensed in the governmental funds	4,444,523
The net effect of revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the finds	120,827
Long-term debt principal payments are included in the governmental funds as expense	3,286,924
Cost of assets disposed	(1,426,166)
Accumulated depreciation of assets disposed	708,371
Accrued vacation payable (change from prior year)	(40,809)
Depreciation expense not included in governmental funds	<u>(3,783,472)</u>
Change in net assets of governmental activities	<u>\$ 4,315,471</u>

The notes to the financial statements are an integral part of this statement.

# **BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA**

## **Statement of Fiduciary Net Assets – Agency Funds -- Unaudited**

**For the Year Ended June 30, 2009**

	<u>School Activity Funds</u>	<u>RESA VIII General Fund</u>	<u>Multi-County Vocational Center</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,200,315	\$ 1,077,587	\$ 563,973
Receivables	<u>-</u>	<u>394,347</u>	<u>102,411</u>
Total assets	<u>\$ 2,200,315</u>	<u>\$ 1,471,934</u>	<u>\$ 666,384</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	\$ -	\$ 1,052,695	\$ 556,213
Due to other funds	<u>2,200,315</u>	<u>419,239</u>	<u>110,171</u>
Total liabilities	<u>\$ 2,200,315</u>	<u>\$ 1,471,934</u>	<u>\$ 666,384</u>

The notes to the financial statements are an integral part of this statement.

# BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

## Schedule of Changes in School Activity Funds -- Unaudited

For the Year Ended June 30, 2009

	Beginning Cash Balance	Revenues Received	Expenditures Paid	Ending Cash Balance
Hedgesville High School - General Fund	\$ 361,400	\$ 551,178	\$ 546,576	\$ 366,001
Martinsburg High School - General Fund	160,417	730,272	753,018	137,671
Martinsburg High School - Faculty Senate Fund	1,712	24,565	25,450	827
Musselman High School - General Fund	351,262	631,157	584,491	397,928
Musselman High School - Faculty Senate Fund	6,318	20,064	17,323	9,058
Hedgesville Middle School - General Fund	62,522	206,262	191,521	77,263
Musselman Middle School - General Fund	236,791	299,120	279,910	256,000
North Middle School - General Fund	64,680	105,249	134,428	35,501
North Middle School - Faculty Senate Fund	4,598	10,660	7,783	7,474
South Middle School - General Fund	103,118	172,270	187,168	88,220
South Middle School - Faculty Senate Fund	15,309	13,568	13,753	15,123
Spring Mills Middle School - General Fund	93,362	194,940	176,627	111,675
Back Creek Valley Elementary School - General Fund	11,835	33,527	33,735	11,627
Bedington Elementary School - General Fund	21,854	111,838	113,755	19,937
Bedington Elementary School - Faculty Senate Fund	1,079	3,620	3,231	1,468
Berkeley Heights Elementary School - General Fund	55,506	130,457	134,155	51,808
Bunker Hill Elementary School - General Fund	19,205	94,101	91,296	22,011
Burke Street Elementary School - General Fund	21,210	34,086	32,286	23,009
Burke Street Elementary School - Faculty Senate Fund	1,208	2,216	2,434	990
Eagle School Intermediate School - General Fund	13,710	123,270	119,178	17,802
Gerrardstown Elementary School - General Fund	26,139	46,261	46,618	25,782
Hedgesville Elementary School - General Fund	31,665	110,454	115,030	27,089
Inwood Primary School - General Fund	11,084	35,078	38,788	7,374
Inwood Primary School - Faculty Senate Fund	4,796	2,200	4,834	2,162
Marlowe Elementary School - General Fund	44,973	95,702	96,337	44,339
Marlowe Elementary School - Faculty Senate Fund	192	5,201	3,984	1,409
Mill Creek Intermediate School - General Fund	49,752	98,083	79,144	68,691
Mill Creek Intermediate School - Faculty Senate Fund	4,945	6,414	7,215	4,144
Mountain Ridge Intermediate School - General Fund	11,734	106,031	104,106	13,659
Opequon Elementary School - General Fund	49,359	115,277	100,487	64,149
Orchard View Intermediate School - General Fund	37,314	93,200	95,559	34,956
Potomack Intermediate School - General Fund	14,697	147,398	124,166	37,929
Potomack Intermediate School - Faculty Senate Fund	2,639	7,401	8,375	1,665
Rosemont Elementary School - General Fund	42,560	88,595	66,526	64,629
Rosemont Elementary School - Faculty Senate Fund	3,228	6,000	5,424	3,804
Tomahawk Elementary School - General Fund	20,195	161,927	136,128	45,994
Tuscarora Elementary School - General Fund	28,163	79,720	64,901	42,982
Tuscarora Elementary School - Faculty Senate Fund	3,084	5,800	2,930	5,954
Valley View Elementary School - General Fund	13,568	85,549	78,065	21,052
Valley View Elementary School - Faculty Senate Fund	3,073	8,008	8,017	3,064
Winchester Avenue Elementary School - General Fund	19,220	57,797	50,300	26,716
Winchester Avenue Elementary School - Faculty Senate Fund	1,066	4,600	4,291	1,375
<b>Total</b>	<b>\$ 2,030,541</b>	<b>\$ 4,859,117</b>	<b>\$ 4,689,343</b>	<b>\$ 2,200,315</b>

The notes to the financial statements are an integral part of this statement.

# BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

## Notes to the Financial Statements

For the Year Ended June 30, 2009

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The Berkeley County Board of Education, West Virginia (Board) is a corporation created under the authority of West Virginia Code Section 18-5-1 et. seq. and is composed of five members nominated and elected by the voters of the County for four-year terms. The Board is responsible for the supervision and control of the County school district and has authority, subject to State statutes and the rules and regulations of the State Board, to control and manage all of the public schools and school interests in the County.

GASB Statement 14 establishes the criteria for determining the governmental reporting entity and the component units that should be included within the reporting entity. Under provisions of this statement, the School Board is considered to be a primary government, since it is a separate legal entity, has its own elected governing body, and is fiscally independent of other local governments. The School Board has no component units, defined by GASB Statement 14 as other legally separate organizations for which the elected board members are financially accountable

#### B. District-wide and fund financial statements

The ***district-wide financial statements*** (the statement of net assets and the statement of activities) display information about the School Board as a whole. These statements include the financial activities of the overall government, except for fiduciary fund activities. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the school district's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function.

Depreciation expenses for capital assets that can be specifically identified with a function are included in its direct expenses. Depreciation expense for "shared"

capital assets (such as a school building that may be used for instructional services, student and instructional staff support services, school administration, and child nutrition services) is distributed proportionally among the various functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term debt liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line.

Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, restricted state aid, tuition, and other fees and charges paid by students. Revenues that are not program revenues are classified as general revenue. Revenues that are general revenue are property taxes, unrestricted state aid, unrestricted investment earnings, gain on sale of capital assets, and federal and state grants not restricted to a specific purpose.

The ***fund financial statements*** provide information about the individual funds maintained by the School Board. All funds maintained by the school district are considered major funds for reporting purposes and are discretely presented in the accompanying financial statements.

The funds maintained by the Board are:

**General Current Expense Fund:** The General Current Expense Fund is the operating fund of the Board and accounts for all revenues and expenditures not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Current Expense Fund.

**Special Revenue Fund:** The Special Revenue Fund is an operating fund of the Board and accounts for all revenues and expenditures attributable to state and federal grants and other revenue sources that are legally restricted to expenditure for specific purposes.

**Debt Service Fund:** The Debt Service Fund is used to account for the resources accumulated and payments made for principal, interest, and related costs on general obligation bonds issued by the Board for the acquisition of capital assets.

**Capital Projects Funds:** Capital Projects Funds are used to account for all resources used for the acquisition of capital facilities by the Board. These funds can include: a bond construction fund, used to account for the proceeds from the issuance of general obligation bonds; a permanent improvement fund established under the authority of West Virginia Code 18-9B-14 to account for the proceeds of resources used for the support of various building and permanent improvement projects; and one or more capital projects funds used to account for the resources used in the construction of a specific capital facility.

**Agency Funds:** Agency funds are used to account for assets that the Board holds for others in an agency capacity. These include: Regional education service agencies (RESA's) and multi-county vocational centers (MCVC's) for the purpose of providing high quality, cost effective educational programs and to provide vocational training, respectively, in which the county board of education serves as the fiscal agent; school activity funds to account for the assets of the individual schools of the district, the student clubs, and school support organizations; and may include a scholarship fund to account for contributions and donations made to the school district by a benefactor for the purpose of providing scholarships for graduates of the school district.

### **C. Measurement Focus and Basis of Accounting**

The ***district-wide statements*** (Statement of Net Assets and the Statement of Activities) were prepared using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows are received. Revenues and expenses resulting from exchange and exchange-like transactions are recognized when the exchange takes place; revenues and expenses resulting from non-exchange transactions, such as property taxes, federal and state grants, and state aid to schools, and donations, are recognized in accordance with the requirements of GASB Statement 33. Property taxes are recognized in the fiscal year for which the taxes are levied; state aid to schools is recognized in the year for which the legislative appropriation is made; and grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The ***governmental fund financial statements*** were prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible during the current period or soon enough thereafter to pay liabilities of the current period. The Board considers all revenues available if they are collected within 60 days after year-end. Expenditures are generally recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing resources.

***Fiduciary funds*** are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the cash basis of accounting. These funds are used to account for assets that the School Board holds for others in an agency capacity.

#### **D. Encumbrances**

Encumbrance accounting is employed in governmental funds. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

#### **E. Cash and Cash Equivalents and Investments**

Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash in the accompanying financial statements. Such deposits at June 30, 2009, were entirely covered by federal depository insurance or secured by adequate bond or other securities held by the banking institution in the Board's name.

Boards of Education are authorized by statute to provide excess funds to either the State Consolidated Investment Pool or the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit and repurchase agreements. Funds of the Board are temporarily invested by the West Virginia Municipal Bond Commission specifically on behalf of the Board as part of the Commission's consolidated investment pool. These investments are considered cash and cash equivalents due to their liquid nature.

Cash and Investments of the Board at June 30, 2009, consisted of the following:

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Bank Balance</u>
Cash and cash equivalents	<u>\$ 24,079,008</u>	<u>\$ -</u>	<u>\$ 24,079,008</u>
State Investment Pool	\$ 745,116	\$ -	\$ 745,116
Municipal Bond Commission	<u>4,222,372</u>	<u>-</u>	<u>4,222,372</u>
Total investments	<u>\$ 4,967,488</u>	<u>\$ -</u>	<u>\$ 4,967,488</u>

Money market/sweep accounts with financial institutions were entirely covered by federal deposit insurance or secured by adequate bond or other securities held by the banking institution in the board's name. Custodian credit risk is the risk that in event of a bank failure the Board's deposits may not be returned. The Board has limited its custodial credit risk by assuring that these deposits with financial institutions are adequately collateralized.



Interest rate risk is the risk that changes in interest rates demanded by the market will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Board manages its exposure to interest rate risk for investments is by purchasing short-term investments that are less affected by changes in market rates as compared to long-term investments.

At June 30, 2009, the Board had \$4,222,372 invested with the West Virginia Municipal Bond Commission. Pool investments of the Municipal Bond Commission are held in a Government Money Market with the WV Board of Treasury Investments Consolidated Fund.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Exposure to credit risk in the Government Money Market Pool is limited to U.S. Treasury issues and U.S. government agency issues and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

The Board's investments in the Consolidated Fund pool and related accounts have not been rated for credit risk by any organization.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. West Virginia statutes prohibit the Consolidated Fund Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2009, the Pool did not have investments in any one private corporation or association that represented more than 5% of assets.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The overall weighted average maturity of the investments of the Government Money Market Pool within the Consolidated Fund Pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date.

## **F. Food Service receivables**

The accounts receivable for the Food Service Program has been reduced by \$307,701 for uncollectible accounts. The allowance for uncollectible accounts was calculated based upon historical data maintained by the Board.

## **G. Interfund receivables and payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a reserved fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

## **H. Inventories**

Inventories are valued at cost or, if donated, at fair value when received. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

## **I. Prepaid Items**

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

## **J. Capital Assets**

Capital assets, which include land, buildings and improvements, furniture and equipment, and vehicles are reported in the district-wide financial statements. The board defines capital assets as assets with an initial cost of \$5,000 or more for land, furniture, vehicles, and equipment and \$100,000 for buildings and an estimated useful life in excess of two years. Purchased and constructed capital assets are reported at cost or at estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is not capitalized.

Buildings and improvements, furniture and equipment, and vehicles of the Board are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Straight-line Years</u>
Buildings	50 years
Site improvement	20 to 35 years
Furniture and equipment	5 to 20 years
Vehicles	8 to 12 years

## **K. Compensated Absences and Special Termination Benefits**

### **Compensated Absences**

It is the Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick benefits can be accumulated up

to twenty and unlimited days, respectively, and five vacation days and unlimited sick days may be carried forward to the subsequent fiscal year. All vacation pay is accrued when incurred. In lieu of a cash payment at retirement, an employee can elect to use accumulated annual leave toward their postemployment health care insurance premium. Employees also earn sick leave benefits which accumulate but do not vest.

### **Special Termination Benefits**

When separated from employment, employees' sick leave benefits are considered ended and no reimbursement is provided. However, upon retirement, an employee's accumulated annual sick leave may be converted to a greater retirement benefit or payment of the retired employee's health insurance premiums. The cost of the increased retirement option is the liability of the West Virginia Consolidated Public Retirement Board.

The payment of health insurance premiums must be absorbed by the last agency employing the retiree. Historically, the West Virginia State Legislature appropriates funds that are used by the Board to pay for its obligations for this special termination benefit. Because such appropriations are at the discretion of the Legislature and not guaranteed, the liability for sick leave convertible to health insurance premiums using the vesting method is recorded in the Board's financial statements. The liability for accrued personal leave was reported using the guidance of GASB Statement 16 for the previous year, but the State Auditor has subsequently determined that accrued personal leave should not be considered a termination benefit, therefore, this liability is not included in compensated absences in the accompanying financial statements. It will be reported as an "other postemployment benefits" expense and liability in accordance with the guidance of GASB Statement 45 when this statement is implemented for the fiscal year ended June 30, 2009.

### **L. Other Post Employment Benefits (OPEB):**

The Governmental Accounting Standards Board (GASB) issued Statement 45 in 2004 to establish standards for the measurement, recognition, and reporting of other post employment benefits (OPEB) expenses/expenditures and related liabilities.

Other post employment benefits in West Virginia consist mainly of: Allowing employees hired prior to July 1, 2001 to convert unused annual, sick and/or personal leave to paid-up PEIA premiums, and allowing retirees to purchase PEIA health insurance at a deeply discounted premium rate.

As a result, the West Virginia Legislature passed HB 4654 in 2006 adding a new article to the State Code, WVC §5-16D-1 et seq. The article, among other things: Created the West Virginia Retiree Health Benefit Trust Fund (RHBT) for the purpose of administering retiree post-employment health care benefits; vested the responsibility for operation of the fund with the PEIA Board of Finance; required the Board of Finance to adopt actuarial assumptions and determine the annual required

contribution (ARC) rates sufficient to maintain the fund in accordance with the state plan for other post-employment benefits; required the Board to have an actuarial valuation conducted at least biannually; required the Board of Finance to set the total ARC sufficient to maintain the fund in an actuarially sound manner in accordance with generally accepted accounting principles; required the Board of Finance to bill all participating employers their share of the ARC, and; required participating employers to make annual contributions to the fund in, at least, the amount of the minimum annual employer premium payment rates established by the board.

Upon retirement, the public employees who elected to participate in the PEIA insurance plan are eligible to credit unused sick or annual leave towards insurance coverage, according to the following formulas:

Retired employees who elected to participate in the PEIA insurance plan prior to July 1, 1988: Those without dependents may credit two days of unused sick or annual leave towards one month of insurance coverage; the retirees with dependents may credit three days of unused sick or annual leave towards one month of insurance coverage.

Retired employees who elected to participate in the PEIA insurance plan between July 1, 1988 and June 30, 2001: those without dependents may credit two days of unused sick or annual leave towards one-half month of insurance coverage; the retirees with dependents may credit three days of unused sick or annual leave towards one-half month of insurance coverage.

Employees hired on or after July 1, 2001 may not apply any unused sick or annual leave towards the cost of health insurance premiums.

In the alternative to applying unused sick and annual leave to health insurance, all employees participating in the PEIA insurance plan, and who are members of the State Teachers' Defined Benefit Retirement System, may apply unused sick and annual leave towards an increase in the employee's retirement benefits with those days constituting additional credited service. The cost for the employees who elect this option is reflected as a liability of the State Teachers' Retirement System and not included as an OPEB obligation.

All retired employees are eligible to obtain health insurance coverage through PEIA with the retired employee's premium contribution established by the Finance Board. The Finance Board has allowed retirees to obtain health insurance coverage at essentially the same premium rate as active employees with the difference between the retirees' premium contributions and the cost of providing health care to retirees subsidized by the State. It is this subsidy that has created the major portion of the OPEB actuarial liability.

Based on the latest actuarial evaluation of the RHBT, the annual required contribution (ARC) for the State and the boards of education for fiscal year ended June 30, 2009 was determined to be:

	<u>Total</u>	<u>Amount/ Policy Holder</u>
Total Annual Required Contribution	\$ 388,166,000	\$ 4,658.58
Pay as you go – Retiree Subsidy	(143,448,760)	(1,976.15)
Appropriation:		
Excess Lottery Funds	(46,600,000)	(743.97)
State General Revenue Transfer	(30,730,000)	(490.60)
State Debt Reduction Fund (Table Games)	<u>(13,800,000)</u>	<u>(220.32)</u>
Remaining ARC	<u>\$ 117,387,240</u>	<u>\$ 1,227.54</u>

The following summarizes the School Board's OPEB activity:

Total OPEB expense	\$ 8,459,484
Less:	
State appropriation allocation	3,610,472
Pay as you go payments and other credits	<u>3,768,871</u>
2009 OPEB liability	<u>\$ 1,080,141</u>
Portion attributable to personnel funded through the PSSP	<u>\$ 1,080,141</u>

It is the opinion of the School Board that the State is constitutionally required to appropriate sufficient funds to cover the cost of the ARC for personnel funded through the Public School Support Program (PSSP), however, no additional funds have been appropriated for this purpose as of the date of this report. Furthermore, the School Board has elected, pursuant to the provisions of WVC 5-16D-6, not to remit to the RHBT any amount in excess of the minimum annual required premium payment.

## **M. Long-term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost 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. Capital lease payments are reported in the general current expense or special revenue fund.

#### **N. Restricted Net Assets**

For the district-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

#### **O. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent that portion of fund equity committed by official Board action prior to June 30 of each year for specific purposes. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2009.

#### **P. Elimination and Reclassifications**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

#### **Q. Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### **R. Restricted Resources**

Restricted resources should be applied first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## **NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgets and Budgetary Accounting**

All boards of education within West Virginia are required by statute to prepare annual budgets and levy rate estimates on prescribed forms and submit these for approval. Budgets are presented on the modified accrual basis of accounting for all governmental funds, but do not include amounts for other post employment benefits billed by PEIA beyond the retiree subsidy amount because only the retiree subsidy amounts are required to be remitted according to WVC 5-16d-6(e). Budgets are not adopted for agency funds. The following procedures are followed in preparing the annual budget:

1. Pursuant to State statute, the Board is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain its financial condition and to determine the amount that is to be raised from the levy of taxes for the fiscal year commencing July 1. The Board adjourns the meeting and submits its Schedule of Proposed Levy Rates to the State Auditor's Office for approval. The Board then reconvenes its meeting on the third Tuesday of April to formally lay the approved levy.
2. The Board is also required to submit its proposed budget for the subsequent year to the State Board of Education for approval by the date established in the budget calendar. The Board is also required to hold a public hearing on the proposed budget before it is submitted for approval. The proposed budget must be made available for public inspection for at least 10 days before the public hearing is held.

Revisions to the budget are authorized only with the prior written approval of the State Board of Education.

### **B. Deficiencies in Net Changes in Fund Balances and Deficit Fund Balances**

The following funds had deficiencies in net changes in fund balances for the year ended June 30, 2009:

<u>Fund</u>	<u>Amount</u>
Special Revenue	\$ 93,092
Bond Construction	\$ 748,243

Grant funds are available to provide for the deficiency in both the Special Revenue Fund and the Bond Construction Fund. The deficiencies have no impact on the financial results of the Funds.

### NOTE 3. CHANGE IN ACCOUNTING POLICY

The Board changed its method of accounting for the following items in order to comply with accounting principles generally accepted in the United States of America:

GASB 16 - For the fiscal year ended June 30, 2009, the Board included in compensated absences an estimated amount for accrued vacation leave using the guidance provided in GASB Statement 16. The State Auditor determined that accrued personal leave should not be considered a termination benefit; therefore the liability associated with accrued personal leave is not included as compensated absences for the fiscal year ended June 30, 2009. This liability is included as a part of other post employment benefits (OPEB).

GASB 45 – The Board implemented GASB 45 reporting requirements Accounting and Financial Reporting by employers for post employment benefits other than Pensions for the year ended June 30, 2009. In addition to pensions, many states and local governments provide other postemployment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes postemployment healthcare, as well as other forms of post employment benefits when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

As a cost-sharing employer, the Board is required to recognize OPEB expenditures for the contractually required contributions to the plan on a modified accrual basis. Therefore, the unpaid OPEB at June 30 will be reported on the Balance Sheet as “Other post employment benefit payable.

In the prior year, the Board was billed for other postemployment benefits that were not paid. This current liability was not reported in the prior year because GASB 45 implementation was not required for the Board until June 30, 2009. An adjustment was made to the beginning fund balance and the beginning net assets to add that balance to the figures previously reported.

Restatement of net assets:

Net assets – July 1, 2008 as previously reported	\$108,145,489
OPEB liability attributed to fiscal year 2008	<u>(1,234,739)</u>
Net assets – July 1, 2008, adjusted due to adoption	
Of accounting policy	<u>\$106,910,750</u>



Restatement of fund balance:

Fund Balance General Fund July 1, 2008	\$ 6,869,001
OPEB liability attributed to fiscal year 2008	<u>(1,234,739)</u>
Fund Balance as restated	<u>\$ 5,634,262</u>

#### **NOTE 4. RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omission, injuries to employees, and natural disasters. The Board, pursuant to the provisions of State law, participates in the following risk management programs administered by the State.

**Board of Risk and Insurance Management (BRIM):** The Board participates in the West Virginia Board of Risk and Insurance Management, a common risk insurance pool for all State agencies, component units, boards of education, and other local governmental agencies who wish to participate. The Board pays an annual premium to BRIM for its general insurance coverage. Fund underwriting and rate setting policies are established by BRIM. The cost of all coverage, as determined by BRIM, shall be paid by the participants. The BRIM risk pool retains the risk of the first \$2 million per property event and purchases excess insurance on losses above that level. BRIM has \$1 million per occurrence coverage maximum on all third party liability claims.

**Public Employees' Insurance Agency :** The Board provides employee health and basic life insurance benefits through Public Employees Insurance Agency (PEIA). PEIA was established by the State of West Virginia to provide a program of health and life insurance for employees of State agencies, institutions of higher learning, boards of education, and component units of the State. In addition, local governmental agencies and certain charitable and public service organizations may request to be covered. PEIA provides a general employee benefit insurance program, which includes hospital, surgical, major medical, prescription drug, and basic life and accidental death. Fund underwriting and rate setting policies are established by the PEIA Finance Board. The cost of all coverage, as determined by the PEIA Finance Board, is paid by the participants.

Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage. Insured's may purchase up to an additional \$500,000 of life insurance coverage. Premiums are established by PEIA and are paid monthly. The PEIA risk pool retains the risk for the health and prescription features of its indemnity plan, has fully transferred the risks of coverage of the Managed Care Organization Plan to the plan provider, and has transferred the risk of life insurance coverage to a third party insurer.

**Workers' Compensation Fund (WCF):** West Virginia has a single private insurance company, BrickStreet Insurance, which provides workers' compensation coverage to all employers in the State. Other private insurance companies can begin to offer coverage to private sector employers starting July 1, 2009, and to government employers July 1, 2012. The cost of all coverage, as determined by BrickStreet, is paid by the employers.

The WCF risk pool retains the risk related to the compensation of injured employees under the program.

## **NOTE 5. PROPERTY TAXES**

All property in the State is classified as follows for ad valorem tax purposes:

- Class I All tangible personal property employed exclusively in agriculture, including horticulture and grazing; all products of agriculture, including livestock, while owned by the producer; all notes, bonds and accounts receivable, stocks and any other evidences of indebtedness.
- Class II All property owned, used and occupied by the owner exclusively for residential purposes; all farms, including land used for horticulture and grazing, occupied and cultivated by their owners or bona fide tenants.
- Class III All real and personal property situated outside of municipalities, exclusive of Class I and II property.
- Class IV All real and personal property situated inside of municipalities, exclusive of Class I and II property.

According to West Virginia Code Section 11-8-6c, the maximum rates that county boards of education may impose on the various classes of property are: Class I – 22.95 cents per \$100 of assessed valuation; Class II – 45.90 cents per \$100 of assessed valuation; Class III – 91.80 center per \$100 of assessed valuation; and Class IV – 91.80 cents per \$100 of assessed valuation.

Pursuant to West Virginia Code Section 11-8-6f, the rates of levy for county boards are to be reduced uniformly statewide and proportionately for all classes of property, so that the total statewide property tax revenues to be realized from the regular levy tax collections for the forthcoming year will not increase by more than one percent of the current year's projected property tax revenues, exclusive of increases due to new construction, improvements to existing real property, or newly acquired personal property, unless the State Legislature holds a public hearing. The amounts to be paid to the Assessor's Valuation Fund are also to be excluded from the calculation.

County boards of education are also authorized to impose an additional (excess) levy not to extend beyond five years if approved by at least a majority of the voters. The rates of levy cannot exceed the maximum rates specified above and must be proportional for all classes of property.

The assessed valuations and levy rated levied by the Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2009, were:

<u>Carrying Amount</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense Fair Value</u>	<u>Excess Levy</u>	<u>Bond Purposes</u>
Class I	\$ -	19.4 cents	22.50 cents	3.03 cents
Class II	\$ 3,368,293,930	38.8 cents	45.00 cents	6.06 cents
Class III	\$ 1,460,494,002	77.6 cents	90.00 cents	12.12 cents
Class IV	\$ 468,978,812	77.6 cents	90.00 cents	12.12 cents

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July each year. There is no lien denominated as such on personal property. However, statutes provide that the sheriff of a county may distraint for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments. The first installment is payable on September 1<sup>st</sup> of the year for which the assessment is made, and becomes delinquent on October 1<sup>st</sup>, and the second installment is payable on the first day of the following March and becomes delinquent on April 1<sup>st</sup>.

Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until paid.

#### **NOTE 6. EXCESS LEVY**

The Board had an excess levy in effect during the fiscal year ended June 30, 2009. The levy was authorized by the voters of the county at an election held on May 9, 2006, for the fiscal years ended June 30, 2009, through June 30, 2011, to provide funds for the following purposes:

1. To continue the present local salary supplements and benefits of all school personnel (excluding the Superintendent) at an approximate total annual cost of the salary supplements, related fixed costs, and benefits of \$13,150,000. Such funding will allow Berkeley County to employ and retain highly qualified personnel who have contributed to the county's instructional progress.
2. To continue to provide instructional materials, textbooks, and instructional equipment at an approximate total annual cost of \$2,500,000.
3. To continue to provide financial support of the following community organizations and agencies: Berkeley County Health Department at \$25,000; Berkeley County Parks and Recreation at \$100,000; West Virginia University 4-H Extension Office at \$60,000; and the PASS (Providing Academic and Self-Esteem Support) Program at \$40,000 for an approximate total cost of all programs at \$225,000.

4. To continue to address increased enrollment in Berkeley County by providing additional staff where necessary and by providing additional equipment and property at an approximate annual cost of \$3,820,000.
5. To continue to provide for the upkeep and maintenance of existing facilities by providing the necessary supplies, services, or equipment at an approximate annual cost of \$3,000,000.

A total of \$32,405,119 was received by the Board from the excess levy during the fiscal year ended June 30, 2009.

## NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2009, is as follows:

	Restated Totals @ June 30, 2008	Additions	(Deletions) Transfers	Totals @ June 30, 2009
Capital assets not being depreciated:				
Land	\$ 8,098,022	\$ 396,495	\$ -	\$ 8,494,517
Construction in progress	<u>661,171</u>	<u>688,790</u>	<u>661,171</u>	<u>688,790</u>
Total capital assets not being depreciated	<u>8,759,193</u>	<u>1,085,285</u>	<u>661,171</u>	<u>9,183,307</u>
Capital assets being depreciated:				
Buildings & Improvements	128,292,579	1,374,880	30,000	129,637,459
Furniture & Equipment	3,837,522	204,459	134,002	3,907,979
Vehicles	<u>10,954,454</u>	<u>1,779,899</u>	<u>600,993</u>	<u>12,133,360</u>
Total capital assets being depreciated	<u>143,084,555</u>	<u>3,359,238</u>	<u>764,995</u>	<u>145,678,798</u>
Less accumulated depreciation for:				
Buildings & Improvements	28,074,127	2,627,489	12,600	30,689,016
Furniture & Equipment	2,631,965	175,117	98,063	2,709,019
Vehicles	<u>4,787,761</u>	<u>980,866</u>	<u>597,708</u>	<u>5,170,919</u>
Total accumulated depreciation	<u>35,493,853</u>	<u>3,783,472</u>	<u>708,371</u>	<u>38,568,954</u>
Total capital assets being depreciated, net	<u>107,590,702</u>	<u>(424,234)</u>	<u>56,624</u>	<u>107,109,844</u>
Governmental activities capital assets, net	<u>\$ 116,349,895</u>	<u>\$ 661,051</u>	<u>\$ 717,795</u>	<u>\$ 116,293,151</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Instruction	\$ 2,131,212
Supporting Services:	
Central administration	241,885
School administration	88,883
Operation and maintenance of facilities	210,789
Transportation	298,184
Food services	<u>104,148</u>
Total Depreciation expense - governmental activities	<u>\$ 3,075,101</u>

## NOTE 8. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2009, is as follows:

	Balance June 30, 2008	Additions	Payments	Balance June 30, 2009	Due Within One Year
General obligation debt	\$ 22,110,000	\$ -	\$ 3,210,000	\$ 18,900,000	\$ 3,355,000
Compensated absences	156,526	40,809	-	197,335	-
Capital lease payable	<u>461,544</u>	<u>-</u>	<u>76,924</u>	<u>384,620</u>	<u>76,924</u>
Totals	<u>\$ 22,728,070</u>	<u>\$ 40,809</u>	<u>\$ 3,286,924</u>	<u>\$ 19,481,955</u>	<u>\$ 3,431,924</u>

**General Obligation Bonds** – General obligation bonds payable at June 30, 2009, with their outstanding balance are comprised of the following individual issues:

On February 8, 2002, the Board issued \$27,800,000 in general obligation bonds to provide funds for cost of site acquisition where applicable, improvement, construction, erection, removal, furnishings, equipment and improvement and adding to existing school buildings in Berkeley County School District. The bonds mature in varying annual increments through June 30, 2017, and interest is payable semiannually at 5%. Payments on the general obligation bonds payable during the year were made from the debt service fund.

The annual debt service requirements for the 2002 bond debt, as of June 30, 2009, including interest payments is:

Year Ending	Principal	Interest	Total
2010	1,840,000	802,340	2,642,340
2011	1,925,000	726,440	2,651,440
2012	2,015,000	643,665	2,658,665
2013	2,110,000	556,013	2,666,013
2014	2,210,000	463,700	2,673,700
2015 to 2017	<u>7,285,000</u>	<u>740,000</u>	<u>8,025,000</u>
Total	<u>\$ 17,385,000</u>	<u>\$ 3,932,158</u>	<u>\$ 21,317,158</u>

On July 29, 2003, the Board issued general obligation bonds of \$9,600,000 (par value) with an interest rate of 2-3% to advance refund bonds with an interest rate of 5% and a par value of \$9,150,000. The refunded bonds mature on June 30, 2010. The amount outstanding on the refunded bonds at June 30, 2009, was \$2,970,000.

The net proceeds of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature. The advanced refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District's financial statements.

Total annual debt service requirement for the 2003 bond debt, as of at June 30, 2009, including interest payment is:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	<u>1,515,000</u>	<u>47,344</u>	<u>1,562,344</u>
Total	<u>\$ 1,515,000</u>	<u>\$ 47,344</u>	<u>\$ 1,562,344</u>

The Board's future debt service requirement for 2002 and 2003 bond debt is as follows:

<u>Year Ending</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	2%-5%	\$ 3,355,000	\$ 849,684	\$ 4,204,684
2011	5.00%	1,925,000	726,440	2,651,440
2012	5.00%	2,015,000	643,665	2,658,665
2013	5.00%	2,110,000	556,013	2,666,013
2014	5.00%	2,210,000	463,700	2,673,700
2015 to 2017	5.00%	<u>7,285,000</u>	<u>740,000</u>	<u>8,025,000</u>
Total		<u>\$ 18,900,000</u>	<u>\$ 3,979,502</u>	<u>\$ 22,879,502</u>

## **NOTE 9. LEASES**

The Board has entered into various lease/purchase agreements with the private sector, primarily for equipment. These agreements, accounted for as capital leases, are for various terms. While these agreements contain clauses indicating that their continuation is subject to continuing appropriation by the Legislature, these leases are accounted for as capital leases and are considered non cancelable for financial reporting purposes. Other leases, principally for equipment, are classified as operating leases with the lease payments recorded as expenditures during the life of the lease. Operating lease expenditures for the year ended June 30, 2009, were \$513,283.

The Board has entered into a capital lease-purchase agreement pursuant to the provisions of federal legislation which authorizes the issuance of qualified zone academy bonds (QZABs). The funding was used for HVAC and Food Service Equipment at Eagle School and those assets are leased from Summit Community Bank for a period of thirteen years beginning January 2002. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year if funding for the lease payments for the next fiscal year is not available.

The following is a summary of the future minimum required payments by year under the lease purchase agreement together with the present value of the net minimum payments, for the Board's capital leases as of June 30, 2009:

Future minimum payments:

<u>Year Ending</u>	<u>Amount</u>
2010	76,924
2011	76,924
2012	76,924
2013	76,924
2014	<u>76,924</u>
Total minimum lease payments	<u>\$ 384,620</u>

#### **NOTE 10. EMPLOYEES' RETIREMENT SYSTEM**

All full-time board of education employees are required to participate in one of two statewide, cost sharing, multiple-employer retirement benefit plans: the Teachers' Defined Benefit Retirement System or the Teachers' Defined Contribution Retirement System. For the year ended June 30, 2009, the Board's total payroll for all employees was \$98,852,623 and the payroll was \$87,947,073 for employees covered by the two retirement programs.

Of the total amount appropriated by the State for retirement, the portion equal to this employers' average required contribution rate for both the defined benefit and the defined contribution plans is considered to be the employers' contribution for the current cash flow requirements for personnel funded under the Public School Support Program and is reflected as revenue (Contributions For/On Behalf of the LEA) in the Board's financial statements. The balance is considered the State's contribution toward the past service unfunded liability and is not included either as revenue or expenditure in the Board's financial statements.

**Trend Information:** Ten-year historical trend information relating to the accumulation of assets and the unfunded liability of both plans is available from the Consolidated Public Retirement Board.

**Conversion of Leave for Post-retirement:** Upon retirement, an employee's vacation and sick leave may be converted to a greater retirement benefit or payment of health insurance premiums. The cost of the increased retirement benefit or payment of health insurance premiums must be absorbed by the last agency employing the retiree.

### **Teachers' Defined Contribution Retirement System**

**Plan Description:** The Teachers' Defined Benefit Retirement System is a cost-sharing, multiple-employer public employee defined benefit retirement system which was established on July 1, 1941 and was closed for new members on July 1, 1991. Beginning July 1, 2005, all new employees become members of this plan. To qualify for full benefits, a member must be age 60 with at least five years of credited service, or be age 55 with at least 30 years of credited service or any age with at least 35 years of credited service. A member may receive a disability benefit after completing ten years of service, if the member is disabled for six months, unable to perform his or her regular occupation, and the Retirement Board expects the disability to be permanent.

Upon retirement, members select one of five benefit payment options. If a member terminates employment with at least five years of credited service, he may freeze his membership until he qualifies for retirement or he may withdraw his contributions from the plan. The employers' contributions remain with the plan. Retirement benefits are based on two percent of the average member's five highest fiscal years of total earnings from covered employment during the member's last 15 years of service.

The normal form of benefit is a single life annuity paid monthly, in an amount equal to 2 percent of the final average salary times years of credited service. Other forms of benefits may be elected subject to actuarial reduction: Cash Refund Annuity, 50 percent or 100 percent Contingent Joint and Survivor Annuities, and ten year Certain and Life Annuities. Pre-retirement death benefits are paid to the spouse of a deceased member who had attained the age of 50 and completed 25 years of credited service. The annuity payment is computed as if the member had retired on the date of death with 100 percent Joint and Survivor pension. If the member's age and service are less than that required, the sum of the accumulated member's and employer contributions with interest is paid to the member's beneficiary or estate.

**Funding Status:** According to the 2008 Actuarial Valuation Report of the Teachers' Retirement System, the plan's Unfunded Actuarial Accrued Liability (UAAL) was \$4.1 billion as of July 1, 2008.

**Contribution Requirements and Payments Made:** This is a fully qualified plan by the Internal Revenue Service. Therefore, all employee contributions are tax deferred. Participants are required to contribute 6 percent of their gross compensation and the Board of Education contributes 15 percent of the covered member's gross compensation to the retirement plan, for a total of 21% percent annually for those who became members prior to July 1, 1991. Participants who became members after July 1, 2005, contribute 6% of their gross compensation and the board contributes 7.5% percent to the retirement plan, for 13.5% annually.



The employers' contributions are derived from state appropriations and county funds. Federally funded grant programs provide the funding for the employer contributions for salaries paid from federal grants.

The required contributions for the year ended June 30, 2009, and the two previous years are as follows:

Year Ended June 30	2007	2008	2009
Required contributions	\$ 327,068,000	\$ 345,412,000	\$ 404,547,000
As a % of current year covered payroll	23.50%	23.30%	25.89%

Total payments reflected in the Board's financial statements to the defined benefit plan for fiscal year 2009 were:

Employees' contributions (6%)	\$ 4,327,140
Employer's contributions (15% or 7.5%)	<u>7,210,771</u>
Total contributions	<u>\$ 11,537,911</u>

### Teachers' Defined Benefit Contribution System

**Plan Description:** All Board of Education employees hired after July 1, 1991, but before July 1, 2005, participated in the Teachers' Defined Contribution Retirement System. Employees in the Teachers' Defined Benefit System may, now or in the future, freeze their benefits in the old plan and become a member of this plan. Members with less than five years of service in the old defined plan may change to this plan and transfer the funds that were deposited in the old plan to this plan. Once a member has transferred to the Defined Contribution Plan, the member is not allowed to rejoin the Defined Benefit Plan.

Effective July 1, 2005, the Teachers' Defined Contribution Plan was closed to new membership. All employees hired after that date became members of the Teachers' Defined Benefit Retirement System, which was reopened for participation on July 1, 2005. In addition as of July 1, 2009, members of the defined contribution plan who elected to transfer to the defined benefit plan as prescribed by HB 101 passed during the 2009 legislative session were able to transfer from the teachers' defined contribution retirement system to the teachers' defined benefit retirement system.

A unique feature about the Teachers' Defined Contribution Plan is that each member chooses the investment options and may make changes at the beginning of each calendar quarter. Seven investment options are provided from which a participant may choose in multiples of five percent. The investment options are; Vanguard Money Market Fund, Bond Fund of America, Franklin Income Fund, Fidelity Growth Opportunities, Washington Mutual investors, Federated Max-Cap, and Valic Individually Allocated Fixed Annuity.

Employees are eligible to participate from the date of employment. Employee contributions are fully vested, and employer contributions and earnings vest with the member as follows: One-third after six years, two-thirds after nine years, and 100 percent after 12 years. The member is fully vested at death or disability. As of June 30, 2009, this plan had approximately \$907.8 million in net assets for pension benefits. Retirement or disability benefits are based solely on the accumulation of dollars in the member's individual account at the time of retirement or disability. The administration of the Plan is the responsibility of Great West, an independent third party administrator.

**Funding Status:** There is no unfunded liability for a Defined Contribution Plan. A member's total maximum lifetime benefit is limited to that which has accumulated in the member's account from employee and employer contributions and all investment earnings thereon. Any forfeited, unvested employer contributions are, by statute, to be transferred to the Teacher's Defined Benefit System.

**Contribution Requirements and Payments Made:** This is a fully qualified Plan by the Internal Revenue Service. Therefore, all employee contributions are tax deferred. Participants contribute 4.5 percent of their gross salary and the Board of Education contributes 7.5 percent of the covered member's gross compensation to the retirement plan, for 12% percent annually.

Total payments reflected in the Board's financial statements to the Defined Contribution Plan for the year ended June 30, 2009, were:

Employees' contributions (4.5%)	\$ 712,250
Employer's contributions (7.5%)	<u>1,187,083</u>
Total contributions	<u>\$ 1,899,333</u>

#### **NOTE 11. PENDING LITIGATION**

The Board is involved in a number of legal proceedings and claims, primarily involving students, employees and citizens who have sued the Board for damages. While it is not possible to determine the ultimate outcome of any lawsuits with certainty, management believes that the ultimate outcome will not have a material adverse effect on the financial position of the Board. The Board's insurance through the State Board of Risk and Insurance Management appears adequate to fully cover any potential liability.

#### **NOTE 12. RESTATEMENT OF NET ASSETS BEGINNING**

Net Assets as Previously Stated	\$ 108,145,489
Total Adjustments (see below)	<u>(3,750,911)</u>
Net Assets, Restated	\$ 104,394,578

As discussed in Note 3, Changes to Accounting Policy, the Board included the liability associated with OPEB liability related to fiscal year 2008, using the guidance of GASB Statement 45. This adjustment was \$1,234,738. Additionally, the financial report for the year ended June 30, 2008 had other long term assets used in governmental activities that were not financial resources in the amount of \$2,516,172. This amount was reduced from the net asset total and is not reported in fiscal year 2009. The net effect of both adjustments reduced beginning net assets by \$3,750,911.

### **NOTE 13 . UNRESERVED FUND BALANCE - DESIGNATED**

The Board has designated a portion of the unreserved balance of the General Current Expense Fund at June 30, 2009, to be expended for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Purchase of Land	\$ 1,000,000
Matching funds for SBA roof project	125,000
Paving at transportation department and schools	205,000
Installation of walls at Tuscadora and a walk-in freezer at warehouse	<u>320,000</u>
Total Unreserved Fund Balance - Designated	<u>\$ 1,650,000</u>

### **NOTE 14. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS**

During the fiscal year ended June 30, 2009, the Board was awarded a grant of \$10,000,000 from the School Building Authority (SBA) to finance the construction of a new elementary school. A required match of \$1 million dollars was transferred by the board during the fiscal year from the General Fund to the Capital Projects Fund for this purpose. An additional \$300,000 in matching funds was transferred during the current year for this project.

During the fiscal year ending June 30, 2009, the Board was awarded a grant of \$1,000,000 from the School Building Authority (SBA) for the construction of an addition to Eagle School Intermediate School and the Board transferred \$500,000 from the General Fund to the Capital Projects Fund as matching funds for this project.

Additionally, the School Building Authority awarded a planning grant for a new high school in the northern end of the county that would guarantee a \$25 million construction grant if a successful bond election was passed in the county prior to November 1, 2009. Accordingly, an election has been scheduled for September 26, 2009 that would provide \$51.5 million for four projects (including the new high school). An additional \$20 million is expected in funds from the SBA if the bond election passes toward the cost of the other three projects. The total funding between bond proceeds and the SBA would be \$96.5 million.

**NOTE 15. INTERFUND BALANCES AND TRANSFERS:**

The composition of interfund balances as of June 30, 2009, is as follows:

**Advances from/to other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	\$ 807,630
Special Revenue	General Fund	3,425,000
General Fund	Special Revenue	<u>91,003</u>
		<u>\$ 4,323,633</u>

**Interfund Transfers**

Transfers were for the following reasons:

1. \$3,425,000 from General Fund to Food Service project.
2. \$91,003 from Special Revenue for indirect costs.
3. \$300,000 for new Elementary school.
4. \$500,000 for Eagle School Intermediate addition
5. \$7,630 for School Safety Access grant.
6. \$120,571 were intrafund transfers (not listed above but in total transfers on revenue and expense).

**NOTE 16. MAJOR SOURCES OF REVENUE:**

The largest single source of revenue received by the Board is state aid funds through the Public School Support Program. In addition, the Board receives financial assistance from federal and state governments in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the Board's independent auditor and state and federal regulatory agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, the Board believes such disallowance, if any, would be immaterial.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

## Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2009

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Property taxes	\$ 58,663,197	\$ 58,663,197	\$ 60,328,916	\$ 1,665,719
Other local sources	1,845,570	2,005,570	1,710,098	(295,472)
State sources	77,100,102	77,100,102	77,185,899	85,797
Federal sources	2,230,000	2,230,000	2,909,348	679,348
Total revenues	<u>139,838,869</u>	<u>139,998,869</u>	<u>142,134,261</u>	<u>2,135,392</u>
EXPENDITURES:				
Instruction	86,165,335	85,800,379	86,030,264	(229,885)
Support services:				
Students	5,467,630	5,467,630	5,373,686	93,944
Instructional staff	4,005,234	4,413,199	4,315,297	97,902
Central administration	1,901,240	2,062,335	1,876,254	186,081
School administration	8,415,320	8,421,070	8,548,804	(127,734)
Business	3,097,680	3,454,350	3,217,208	237,142
Operation and maintenance of facilities	12,723,260	13,914,385	13,822,822	91,563
Student transportation	13,057,100	13,540,170	12,670,292	869,878
Food services	1,200	1,400	433	967
Community services	785,000	785,000	780,400	4,600
Debt service	76,930	76,930	76,924	6
Capital outlay	1,917,940	1,985,499	1,021,880	963,619
Reserves	2,000,000	2,311,960	-	2,311,960
Total expenditures	<u>139,613,869</u>	<u>142,234,307</u>	<u>137,734,264</u>	<u>4,500,043</u>
Excess (deficiency) of revenues over (under) expenditures	<u>225,000</u>	<u>(2,235,438)</u>	<u>4,399,997</u>	<u>6,635,435</u>
Other financing sources (uses):				
Transfers (in)	-	-	91,003	91,003
Transfers (out)	(3,225,000)	(4,357,630)	(4,232,630)	125,000
Total other financing sources	<u>(3,225,000)</u>	<u>(4,357,630)</u>	<u>(4,141,627)</u>	<u>216,003</u>
Change in fund balance	(3,000,000)	(6,593,068)	258,370	6,851,438
Fund balance at beginning of year	<u>3,000,000</u>	<u>6,593,068</u>	<u>6,869,001</u>	<u>275,933</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,127,371</u>	<u>\$ 7,127,371</u>

The notes to the financial statements are an integral part of this statement.

# BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

## Budgetary Comparison Schedule – Special Revenue Fund

For the Year Ended June 30, 2009

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local sources	\$ 2,396,861	\$ 2,657,096	\$ 2,347,415	\$ (309,681)
State sources	4,106,682	5,046,342	4,898,306	(148,036)
Federal sources	9,974,929	13,021,199	11,413,845	(1,607,354)
Total revenues	<u>16,478,472</u>	<u>20,724,637</u>	<u>18,659,566</u>	<u>(2,065,071)</u>
EXPENDITURES:				
Instruction	5,042,405	9,092,790	7,831,524	1,261,266
Support services:				
Students	575,490	829,957	854,771	(24,814)
Instructional staff	331,567	2,650,419	1,747,828	902,591
Central administration	257,310	270,887	262,241	8,646
School administration	-	19,700	15,732	3,968
Business	-	3,000	3,205	(205)
Operation and maintenance of facilities		289,195	146,350	142,845
Student transportation	1,789,331	1,825,772	1,826,174	(402)
Food services	8,170,220	8,978,586	9,286,181	(307,595)
Reserves	<u>3,537,149</u>	<u>222,972</u>	<u>-</u>	<u>222,972</u>
Total expenditures	<u>19,703,472</u>	<u>24,183,278</u>	<u>21,974,006</u>	<u>2,209,272</u>
Excess (deficiency) of revenues over (under) expenditures	(3,225,000)	(3,458,641)	(3,314,440)	144,201
Other financing sources (uses):				
Transfers in	3,225,000	3,545,570	3,545,570	-
Transfers (out)	<u>-</u>	<u>(252,180)</u>	<u>(211,574)</u>	<u>40,606</u>
Total other financing sources	<u>3,225,000</u>	<u>3,293,390</u>	<u>3,333,996</u>	<u>40,606</u>
Change in fund balance	-	(165,251)	19,556	184,807
Fund balance at beginning of year	<u>-</u>	<u>165,251</u>	<u>43,725</u>	<u>(121,526)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,281</u>	<u>\$ 63,281</u>

The notes to the financial statements are an integral part of this statement.

# BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

## Budgetary Comparison Schedule – Debt Service Fund For the Year Ended June 30, 2009

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Property Taxes	\$ 4,172,090	\$ 4,172,090	\$ 4,465,997	\$ 293,907
Interest	-	-	60,005	60,005
Total revenues	<u>4,172,090</u>	<u>4,172,090</u>	<u>4,526,002</u>	<u>353,912</u>
EXPENDITURES:				
Debt service:				
Principal retirement	3,210,000	5,210,000	3,210,000	2,000,000
Interest and fiscal charges	<u>962,090</u>	<u>1,878,241</u>	<u>966,090</u>	<u>912,151</u>
Total expenditures	<u>4,172,090</u>	<u>7,088,241</u>	<u>4,176,090</u>	<u>2,912,151</u>
Excess (deficiency) of revenues over (under) expenditures	-	(2,916,151)	349,912	3,266,063
Other financing sources (uses):				
Transfers (out)	-	(956,309)	-	956,309
Total other financing sources	<u>-</u>	<u>(956,309)</u>	<u>-</u>	<u>956,309</u>
Change in fund balance	-	(3,872,460)	349,912	4,222,372
Fund balance at beginning of year	-	3,872,460	3,872,460	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,222,372</u>	<u>\$ 4,222,372</u>

The notes to the financial statements are an integral part of this statement.



# BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

## Budgetary Comparison Schedule – Capital Projects Fund

For the Year Ended June 30, 2009

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
State sources	<u>\$ 12,292,079</u>	<u>\$ 1,681,702</u>	<u>\$(10,610,377)</u>
Total revenues	<u>12,292,079</u>	<u>1,681,702</u>	<u>(10,610,377)</u>
EXPENDITURES:			
Capital outlay	<u>13,715,639</u>	<u>2,111,898</u>	<u>11,603,741</u>
Operation and Maintenance of Facilities	<u>688,546</u>	<u>-</u>	<u>688,546</u>
Total expenditures	<u>14,404,185</u>	<u>2,111,898</u>	<u>12,292,287</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,112,106)</u>	<u>(430,196)</u>	<u>1,681,910</u>
Other financing sources (uses):			
Transfers in	<u>889,800</u>	<u>807,631</u>	<u>(82,169)</u>
Total other financing sources	<u>889,800</u>	<u>807,631</u>	<u>(82,169)</u>
Change in fund balance	<u>(1,222,306)</u>	<u>377,435</u>	<u>1,599,741</u>
Fund balance at beginning of year	<u>1,222,306</u>	<u>1,222,306</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 1,599,741</u>	<u>\$ 1,599,741</u>

The notes to the financial statements are an integral part of this statement.

## **OTHER SUPPLEMENTARY INFORMATION**

# BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Passed-Through West Virginia Department of Education:			
Special Education Cluster			
Special Education -- Grants to States	84.027	43	\$ 3,094,116
Special Education -- Preschool Grants	84.173	43	55,904
Adult Education -- Basic Grants to States	84.002	61	39,579
Title I Grants to Local Educational Agencies	84.010	41	3,210,861
Migrant Education -- State Grant Program	84.011	41	17,433
Vocational Education -- Basic Grants	84.048	50	159,812
Safe and Drug-Free Schools and Communities			
State Grants	84.186	48	84,172
Education for Homeless Children and Youth	84.196	54	6,645
Tech-Prep Education	84.243	76	90,309
Title V -- State Grants for Innovative Programs	84.298	42	12,182
Education Technology State Grants	84.318	58	16,706
Special Education -- State Grants	84.323	48	9,784
Title III -- English Language Acquisition Grants	84.365	28/45	64,589
Title II -- Improving Teacher Quality State Grants	84.367	40	<u>555,173</u>
Total U.S. Department of Education			<u>7,417,265</u>
U.S. Department of Agriculture:			
Passed-Through West Virginia Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	88	642,000
National School Lunch Program	10.555	88/49	2,208,000
Summer Food Service Program for Children	10.559	88	14,345
Passed-Through West Virginia Department of Agriculture:			
Donated Foods Program (non-cash assistance)	10.550	88	<u>388,301</u>
Total U.S. Department of Agriculture			<u>3,252,646</u>
U.S. Department of Labor			
Adult Basic Education	17.267	N/A	<u>13,612</u>
Total Federal Expenditures			<u>\$ 10,683,523</u>

The notes to the financial statements are an integral part of this statement.

# **BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA**

## **Notes to Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2009**

### **NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Berkeley County Board of Education, West Virginia, and is prepared based on accounting prescribed or permitted by the West Virginia Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting is described in detail in Note 1 to the financial statements of the Berkeley County Board of Education, West Virginia, for the year ended June 30, 2009. The information in Schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

**REPORTS ON INTERNAL CONTROL AND  
ON COMPLIANCE AND OTHER MATTERS**

# Teed & Associates, PLLC

## Certified Public Accountants

Established 1992

Member, American Institute of Certified Public Accountants  
Member, West Virginia Society of Certified Public Accountants  
Member, Tennessee Society of Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Members of the  
Berkeley County Board of Education  
Martinsburg, West Virginia

We have audited the financial statements of the Berkeley County Board of Education, West Virginia (the Board), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any significant deficiencies in internal control.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, County Board of Education and other federal and state agencies and is not intended to be used and should not be used by anyone other than these specified parties. However in accordance with *West Virginia Code 6-9-9a*, this report is a matter of public record and its distribution is not limited.

*Teed & Associates, PLLC*

Charleston, West Virginia  
December 10, 2009

# Teed & Associates, PLLC

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Members of the  
Berkeley County Board of Education  
Charleston, West Virginia

### Compliance

We have audited the compliance of the Berkeley County Board of Education (Board) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Board's major federal programs are identified in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of the major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as described above.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Teed & Associates, PLLC*

Charleston, West Virginia  
December 10, 2009

# BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2009

### Section I – Summary of Independent Auditors' Results

#### Financial Statements

Type of auditors' report issued; Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ No

Non compliance material to the financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that is/are not considered to be material weakness(es)? ☐ Yes ☒ None Reported

Type of auditors' report issued on compliance for major programs; Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 ☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)

84.027

10.553

10.555

10.559

Name of Federal Program or Cluster

Special Education – Grants to States

School Breakfast Program

National School Lunch Program

Summer Food Service Program for Children

Dollar threshold used to distinguish between Type A and Type B Program:

\$ 320,506

Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

**BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA**

**Schedule of Findings and Questioned Costs (Continued)**

**For the Year Ended June 30, 2009**

**Section II – Financial Statement Findings**

There are no findings reported.

**Section III – Federal Award Findings and Questioned Costs**

There are no findings or questioned costs reported.

**Section IV – Corrective Action Plan**

A corrective action plan is not required since there are no findings of questioned costs.

**Section V – Prior Audit Findings**

There are no prior audit year findings.

**ECONOMIC AND DEMOGRAPHIC DATA  
COUNTY OF BERKELEY (WEST VIRGINIA)**

Introduction

Location: Berkeley County is located in the Eastern Panhandle section of West Virginia. The county is located 80 miles from Washington DC; 90 miles from Baltimore, Maryland and 93 miles from Harrisburg, Pennsylvania.

County Seat: Martinsburg

Commissioners: Ronald K. Collins, Commissioner  
Tony Petrucci, Commissioner  
William L. Stubblefield, Commissioner

Population

Year	Berkeley County	West Virginia	United States
2000	76,413	1,806,977	282,171,936
2001	78,573	1,798,540	285,039,803
2002	81,086	1,799,392	287,726,647
2003	84,808	1,802,287	290,210,914
2004	88,619	1,803,312	292,892,127
2005	92,538	1,804,020	295,560,549
2006	96,723	1,806,760	298,362,973
2007	99,531	1,809,836	301,290,332

Source: U.S. Bureau of Economic Analysis

Economy

The ten (10) largest employers for the year 2008 in the County are:

- 1 Berkeley County Board of Education
- 2 Veterans Administration Center
- 3 City Hospital, Inc.
- 4 U. S. Department of Treasury
- 5 Quad/Graphics, Inc.
- 6 Wal-Mart Stores, Inc.
- 7 Department of Defense
- 8 Orgill, Inc.
- 9 Berkeley County Commission
- 10 Food Lion, LLC

Source: WORKFORCE West Virginia

### Average Annual Unemployment Rates (%)

Year	Berkeley County	West Virginia
2004	4.2	5.3
2005	3.8	4.9
2006	3.9	4.6
2007	3.9	4.3
2008	4.7	4.3
2009 (Oct.)	8.4	7.7

Source: WORKFORCE West Virginia – Based on civilian labor force

### Average Employment by Industry

Industry	2006	2007	2008	2009 (1 <sup>st</sup> Quarter)
Natural Resources & Mining	264	247	264	178
Construction	1,772	1,615	1,551	1,180
Manufacturing	2,634	2,413	1,893	1,517
Trade, Transportation & Utilities	5,668	5,654	5,571	5,080
Information	1,658	1,636	1,525	1,430
Financial Activities	1,048	1,070	1,043	1,023
Professional & Business Services	2,981	2,857	2,740	2,537
Education & Health Services	3,504	3,468	3,554	3,611
Leisure and Hospitality	2,840	2,888	2,864	2,679
Other Services	618	630	631	568
Government	<u>6,977</u>	<u>7,470</u>	<u>8,012</u>	<u>8,253</u>
TOTAL	29,981	29,956	29,649	28,057

Source: WORKFORCE West Virginia

### Average Employment and Average Weekly Wage

	Average Employment		Average Weekly Wage	
	2005	2008	2005	2008
Berkeley County	28,733	29,649	\$ 639.71	\$727.85
West Virginia	695,300	729,575	\$602.77	\$692.02

Source: WORKFORCE West Virginia

### Per Capita Personal Income

County	2000	2005	2007	2007 Rank in State
United States	\$29,847	\$34,690	\$38,615	---
West Virginia	\$21,905	\$26,366	\$29,385	---
Berkeley County	\$23,258	\$26,876	\$29,146	13

Source: U.S. Bureau of Economic Analysis

### Wages Per Industry (2008) (\$)

Industry	Total Wages	Average Weekly Wage
Natural Resources & Mining	5,812,445	423.40
Construction	59,598,257	738.96
Manufacturing	79,671,927	809.38
Trade, Transportation & Utilities	156,121,166	538.92
Information	59,465,629	749.88
Financial Activities	37,100,343	684.06
Professional & Business Services	108,438,239	761.08
Education & Health Services	129,192,570	699.06
Leisure and Hospitality	38,828,208	260.71
Other Services	15,212,623	463.63
Government	<u>432,678,516</u>	<u>1,038.54</u>
TOTAL	1,122,163,693	727.85

Source: WORKFORCE West Virginia

### Total Wages (\$)

Year	Berkeley County	West Virginia
2004	900,967,347	20,868,401,449
2005	955,807,886	21,793,516,080
2006	1,039,977,919	23,079,570,075
2007	1,071,564,564	24,083,126,318
2008	1,122,163,693	25,534,204,980

Source: WORKFORCE West Virginia



## Community Data

Education Facilities	
Elementary	20
Middle or Jr. High	5
High Schools	3
Vocational Schools	1
Colleges (within 50 miles):	2
Shepherd College	
Community and Technical College of Shepherd	

Recreational Facilities	
State Forests	0
State Parks	0
Wildlife Management Areas	1
Public Hiking Trails (miles)	14.4
Public Fishing & Boating Lakes	2
Recreational Rivers	1
(boating/rafting)	
Museums/Art Galleries	5
Golf Courses – Private/Public	5/0
National Forests	1
National Park & Recreational Areas	0
Amphitheaters/Performing Arts	2
Centers	
Pro/Semi-pro Sports Teams	0
Regional Shopping Centers/Malls/ outlets within 25 miles	3
Major Private Recreation/Resort	1
Areas	
Civic/Convention Centers	2
Medical	
Hospitals	1
Beds	260
Doctors	120
Dentists	37
Licensed Nursing Homes	3
Beds	207

Transportation	
Highways:	
Interstates	I-81
WV Routes	9, 45, 51, 901
US Routes	11
Motor freight carriers	12
River, nearest navigable	Potomac (92 miles)
Industrial Parks	0
Industrial Sites	0
Airports:	Eastern West Virginia Regional Hagerstown Regional Airport Dulles International
Railroads:	Freight/Passenger
Motor Freight Carriers	12
Bus Service	1

Media	
Newspapers:	1
Telephone:	1
TV Station	2
Radio Stations	0

Utilities	
Electricity:	3
Sewer:	4
Telephone Service:	2
Natural Gas:	1
Water	8

Other Data	
Licensed Day Care Centers	26
Banks (including branches)	29
Libraries	4

Sources: West Virginia, Bureau of Employment Programs, Research, Information and Analysis, except as otherwise noted.



**APPENDIX C**

[PROPOSED FORM OF BOND COUNSEL OPINION]

[DATE OF CLOSING]

\$51,500,000

The Board of Education of the County of Berkeley  
Public School Bonds, Series 2010

The Board of Education of the  
County of Berkeley  
Martinsburg, West Virginia

[PURCHASER]

\_\_\_\_\_  
Ladies and Gentlemen:

We have examined a record of proceedings relative to the issuance and sale of \$51,500,000 Public School Bonds, Series 2010 (the “Bonds”), of Berkeley County School District, by and through The Board of Education of the County of Berkeley, West Virginia (the “Issuer”). The Bonds are issued in fully registered form, are dated \_\_\_\_\_, 2010, upon original issuance, are numbered in order of maturity from R-1 consecutively upward, are of the denominations of \$5,000 or integral multiples thereof, mature on May 1 in years and amounts, bear interest payable each May 1 and November 1, commencing November 1, 2010, at the rates and are subject to redemption prior to maturity, as set forth in the Official Statement of the Issuer, dated \_\_\_\_\_, 2010.

The Bonds were authorized at an election held in Berkeley County School District on September 26, 2009, and by a resolution and order adopted by the Issuer on October 19, 2009, as supplemented (such resolution and order, as supplemented, herein called the “Resolution”), and are issued pursuant to Chapter 13, Article 1 of the West Virginia Code of 1931, as amended (the “Act”), for the purposes of providing funds for the acquisition, construction, renovation and repair of certain public school buildings, together with the sites thereof and all necessary appurtenances, in Berkeley County School District, and paying costs of issuance of the Bonds and related costs.

As to questions of fact material to our opinion, we have relied upon the representations, covenants and certifications of the Issuer contained in the Resolution, a Tax and Arbitrage Certificate of the Issuer dated the date hereof (the “Tax Certificate”) and the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the representations, covenants and certifications of the Issuer contained in the Resolution, the Tax Certificate and the certified proceedings and other certifications made in connection with the issuance of the Bonds, we are of the opinion that, under existing law:

1. The Issuer is a school district presently existing under the laws of, and a political subdivision of, the State of West Virginia, with full power and authority to adopt the Resolution and to issue and sell the Bonds under the provisions of the Act and other applicable provisions of law.

2. The Bonds have been duly authorized and validly issued by the Issuer in accordance with the Constitution and statutes of the State of West Virginia and constitute valid and legally binding general obligations of the Issuer, and unless the Bonds are paid from other sources, the Issuer has the power and is obligated to levy ad valorem taxes upon all the taxable property within Berkeley County School District to pay the Bonds and the interest thereon, without limitation as to rate or amount.

3. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply, on a continuing basis, with all representations, covenants and certifications set forth in the Resolution, the Tax Certificate and the certified proceedings and other certifications of the Issuer. Failure to comply with certain of such representations, covenants and certifications could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences with respect to the Bonds.

4. Under the Act, the Bonds are exempt from all taxation by the State of West Virginia or by any political subdivision thereof.

In expressing this opinion, we have considered the litigation instituted in certain states including the State of West Virginia, such as Pauley v. Bailey, 324 S.E.2d 128 (W.Va. 1984), challenging the constitutionality of present systems of levying taxes and applying funds for public school purposes, including certain proceedings commenced in 1994 to enforce the Bailey decision, and in our opinion, such litigation will not modify the rights of the holders of the Bonds to ultimate recourse to unlimited ad valorem taxes upon all the taxable property within Berkeley County, West Virginia, for the payment of the Bonds, if not paid from other sources and does not modify or qualify the conclusions elsewhere stated in this opinion.

Please be advised that the enforcement of remedies with respect to the Bonds is subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights heretofore or hereafter enacted, and that enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond No. R-1 of said issue, and in our opinion, said Bond is in proper form and has been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

## PROPOSED PROJECTS

	<b><u>PROJECT</u></b>	<b><u>LOCATION</u></b>	<b><u>ESTIMATED COST</u></b>
1.	<b>NEW SPRING MILLS AREA HIGH SCHOOL</b>  Site preparation and construct, furnish and equip a new high school to house approximately 1,500 students containing approximately 228,000 square feet, together with all necessary furnishings, fixtures, equipment and appurtenances.	Site adjacent to existing Spring Mills Area Middle School	<b>\$53,500,000*</b>
2.	<b>NEW MOUNTAIN RIDGE AREA MIDDLE SCHOOL</b>  Site preparation and construct, furnish and equip a new middle school to house approximately 600 students containing approximately 84,000 square feet, together with all necessary furnishings, fixtures, equipment and appurtenances.	Site adjacent to existing Mountain Ridge Intermediate School	<b>\$20,000,000</b>
3.	<b>EXISTING MUSSELMAN HIGH SCHOOL</b>  Construct new classrooms, new science labs, restrooms, stairwells, and other improvements to existing building, together with all necessary furnishings, fixtures, equipment and appurtenances.	Existing Musselman High School	<b>\$ 7,000,000</b>
4.	<b>EXISTING NORTH MIDDLE SCHOOL</b>  Construct new classrooms, new science labs, restrooms and other improvements to existing building, together with all necessary furnishings, fixtures, equipment and appurtenances.	Existing North Middle School	<b>\$16,000,000</b>
<b>APPROXIMATE TOTAL COST TO BE PAID FROM SBA (OR OTHER) GRANTS</b>			<b><u>\$51,500,000</u></b>
<b>APPROXIMATE TOTAL COST TO BE PAID FROM SBA (OR OTHER) GRANTS</b>			<b><u>\$45,000,000</u></b>
<b>APPROXIMATE TOTAL COST OF ALL PROJECTS</b>			<b><u>\$96,500,000</u></b>

\*\$25,000,000 of the \$53,500,000 would be provided by a grant currently committed by the School Building Authority of West Virginia, which grant was contingent upon passage of this bond issue as submitted to the voters of Berkeley County.

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**BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, New York, or its successor, will act as securities depository (“Securities Depository”) for the Bonds. The ownership of one fully registered Bond for each maturity as set forth on the cover page of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee of DTC.

DTC is a limited purpose trust company organized under the laws of the State of New York, a “banking organization” under the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities on behalf of its participants (the “Participants”) and to facilitate the clearance and settlement of securities transactions among Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need of physical movement of securities certificates.

Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchasers of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds except in the event that use of the book-entry system for Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Principal and interest payments on the Bonds will be made to DTC. DTC’s practice is to credit Direct Participants’ accounts on the payable date in accordance with their respective holdings shown on DTC’s records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by participants to Beneficial Owners will be governed by standing instructions and customary

practices, as is the case with bonds held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the paying agent or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Neither the Board nor the Paying Agent will have any responsibility or obligation to such Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the payment by DTC to any DTC Participant, or by any DTC Participant owner, in respect of the principal and interest on the Bonds. The Board and the Paying Agent cannot give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payment of the principal of and interest on the Bonds paid to DTC or its nominee as the Registered Owner of the Bonds to the Beneficial Owners, or that they will do so on a timely basis or that they will serve and act in the manner described in this Official Statement.

DTC may charge the Participant a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Bonds, and the Direct Participants or Indirect Participants may seek reimbursement therefor from the Beneficial Owners.

DTC may discontinue providing its services as Securities Depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository.) In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

**ELECTED OFFICIALS OF THE BOARD**

**Dr. William Queen, President** has been a full-time practicing dentist in Martinsburg for the past 32 years. He received his bachelor degree in accounting from West Virginia Institute of Technology in 1968. He earned his doctorate of dental surgery degree from West Virginia University School of dentistry in 1977. He went on to graduate from the University of North Carolina School of Dentistry in 1983 with a specialty in prosthodontics. Dr. Queen has been a member of the Berkeley County School Board of Education since 1996. He has served as the president of the Board since 2000. He has been a resident of Berkeley County for the past 41 years and is a native of West Virginia.

**Mr. William Norris, Vice-President** is a native of Berkeley County, is owner of Mr. Extravaganza, a marketing and promotions company. He is a member and administrator of Destiny Church, Vice President of the Board of Education, member of the Berkeley County Senior Center in Martinsburg, a lifetime member of the West Virginia P.T.A. and involved in the N.A.A.C.P. A graduate of Georgetown School of Fine Arts in Washington, D.C., Mr. Norris resides in Inwood, West Virginia.

**Mr. Richard Pill, Board Member** is a 1973 Business Administration graduate of West Virginia University. He received his Juris Doctor Degree in 1977 also from West Virginia University. He is a practicing attorney with the law firm of Pill & Pill. Mr. Pill has been a member of the Berkeley County Board of Education for 7 years. He is a member of Harmony United Methodist Church, and he is an avid member of the Mountaineer Athletic Club.

**Mr. Todd Beckwith, Board Member** is a 1970 West Virginia University graduate. He is employed as Senior Vice President with City National Bank. He has served as past president of the Berkeley County Board of Education and is currently a member of the board. Mr. Beckwith is an active member of the United Way and Chamber of Commerce. He is a member of Trinity United Methodist Church.

**Mr. Patrick Murphy, Board Member** is a graduate of Martinsburg High School and a 1974 graduate of Shepherd College. Mr. Murphy is retired with 30 years of service as a West Virginia educator. He is a former West Virginia House Delegate and a former Berkeley County Commissioner. Mr. Murphy is serving his seventh year as a member of Berkeley County Schools' Board of Education.

## **APPOINTED OFFICIALS OF THE BOARD**

### **Manuel P. Arvon, II Superintendent**

- Superintendent since 1997
- Graduated from Shepherd College, S.S. Education in 1973
- Graduated 1979 from West Virginia University, Masters in Education Administration

### **Frank Aliveto, Deputy Superintendent**

- Assistant/Deputy Superintendent of Instruction since 1996
- Graduated from Shepherd College, B.A. Education in 1971
- Graduated 1985 from West Virginia University, Masters in Education Administration

### **David R. Deuell, Assistant Superintendent**

- Assistant Superintendent of Human Resources since April 2001
- Graduated from West Virginia University, B.A. Education in 1973
- Graduated 1981 from West Virginia University, Masters in Education Administration

### **Mrs. Laura Lilly Sutton, Associate Superintendent & Director of Legal services**

- Associate Superintendent/General Counsel since July 2008
- General Counsel since October 1997
- West Virginia University College of Law, Doctor of Jurisprudence, 1995
- West Virginia University, Bachelor of Arts, 1992

### **Mr. Kenneth W. Marsteller, Treasurer and Business Manager**

- Business Manager/Treasurer since July 2004
- West Virginia University, Bachelor of Arts, 1978

### **Directors of Berkeley County Schools**

**Mr. Philip Miller**

**Ms. Jaimee Borger**

**Dr. Ron Brown**

**Mr. Terry Forrest**

**Mr. George Michael**

**Mrs. Christine Edwards**

**Mr. Dave Kenney**

**Mr. Kenneth W. Marsteller**

**Mrs. Donna Miller**

**Mr. Don Mitchell**

**Ms. Carolyn Barnett**

**Director of Vocational and Adult Education**

**Director of Public Relations**

**Director of Special Education**

**Director of Department of Transportation**

**Director of Pupil Services**

**Director of Federal Programs and Grants**

**Director of Research and Technology**

**Business Manager and Treasurer**

**Director of Department of Instruction**

**Director of Facilities**

**Director of Food Services**



## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY (the “Issuer”), and UNITED BANK, INC., Charleston, West Virginia (the “Dissemination Agent”), in connection with the issuance of \$51,500,000, The Board of Education of the County of Berkeley (West Virginia), Public School Bonds, Series 2010 (the “Bonds”);

In connection with the foregoing, and in consideration thereof, the Issuer and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) and as the term may be modified by an interpretation of the Rule by the Securities and Exchange Commission (the “SEC”).

“Disclosure Representative” shall mean the President of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“EMMA” means the Electronic Municipal Market Access system described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

“Holders” shall mean (i) the registered owner of any Bond or (ii) the Beneficial Owner of any Bond.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any successor thereto.

“National Repository” shall mean the Municipal Securities Rulemaking Board, Washington, D.C., the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of West Virginia.

“State Repository” shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

“Underwriter” shall mean any of the underwriters in connection with the sale of the Bonds required to comply with the Rule in connection with the sale of the Bonds

SECTION 3. Provision of Annual Reports.

(a) Within 270 days after the end of the fiscal year, the Dissemination Agent shall make a written request to the Issuer to provide the Annual Report to the Dissemination Agent.

(b) The Issuer shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the Issuer's fiscal year (presently June 30), commencing with the report for the 2009-2010 Fiscal Year, provide to each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement and after July 1, 2009, in accordance with the amendment of § 240.15c2-12 of Title 17 of the Code of Federal Regulations as released by the Securities and Exchange Commission on December 8, 2008, effective July 1, 2009, to the MSRB in electronic format and as otherwise required by the MSRB. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted, when and if available, separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give written notice of such change in the same manner as for a Listed Event under Section 5(f).

(c) Not later than thirty (30) Business Days prior to the date specified in subsection (b) for providing the Annual Report to the Repositories, the Issuer shall provide the Annual Report to the Dissemination Agent. If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall make a second written request to the Issuer to provide the Annual Report to the Dissemination Agent. The Dissemination Agent shall send a copy of such second request to the Underwriter.

(d) If the Dissemination Agent has not received a copy of the Annual Report by the date required in subsection (b), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(e) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each Repository; and

(ii) file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Report. The Issuer's Annual Report shall consist of the audited financial statements of the Issuer for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice to the Dissemination Agent of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property security repayment of the securities; and

11. rating changes.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository with a copy to the Issuer. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate (i) upon the legal defeasance, prior redemption or payment in full of all of the Bonds or (ii) when the Issuer is not an obligated person with respect to the Bonds, as provided in the Rule. If the Issuer's obligations under the this Disclosure Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Issuer and the Issuer shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. United Bank, Inc., Charleston, West Virginia, is hereby appointed as the Dissemination Agent. The Issuer may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Ordinance for amendments to the Ordinance with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution or Ordinance, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent (if other than the Paying Agent or the Paying Agent in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer, to the extent permitted by law, agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expense (including reasonable attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer:	The Board of Education of the County of Berkeley 401 South Queen Street Martinsburg, West Virginia 25401
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To the Dissemination Agent:	United Bank, Inc. 500 Virginia Street, East Charleston, West Virginia 25301
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Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Underwriter, the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Fees. The Issuer agrees to pay all fees and expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs, attorney's fees and other disbursements in the administration and performance of the Dissemination Agent's duties.

SECTION 16. Right to Resign. The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the Issuer.

SECTION 17. Right to Counsel. The Dissemination Agent shall have the right to consult with counsel in carrying out its duties under this Disclosure Agreement and to rely upon an opinion of counsel.

Dated: \_\_\_\_\_, 2010.

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY (West Virginia)

By: \_\_\_\_\_

Title: President

UNITED BANK, INC.  
A West Virginia State Banking corporation,

By: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT A

NOTICE TO REPOSITORIES

OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: The Board of Education of the County of Berkeley (West Virginia)

Name of Bond Issue: \$51,500,000 Public School Bonds, Series 2010

Date of Bond Issue: \_\_\_\_\_, 2010

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(b) of this Disclosure Agreement dated \_\_\_\_\_, to be provided. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, 2010

\_\_\_\_\_  
on behalf of the Issuer

cc: [Issuer]



**OFFICIAL NOTICE OF SALE**

**\$51,500,000**

**The Board of Education of the  
County of Berkeley (West Virginia)  
Public School Bonds, Series 2010**

The Board of Education of the County of Berkeley (West Virginia) (the "Board") is using PARITY® as a communication mechanism to conduct the electronic bidding for sale of its \$51,500,000 Public School Bonds, Series 2010 (the "Bonds"), as described herein.

**Bid Submission**

Notice is hereby given that electronic proposals will be received via PARITY®, in the manner described below, until 12:00 noon, local time, on Wednesday, February 3, 2010. Bids for the Bonds may be submitted electronically via PARITY® pursuant to this Notice until 12:00 noon, local time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY® conflict with this Notice, the terms of this Notice shall control. For further information about PARITY®, potential bidders may contact the Financial Advisor at (304) 346-1981 or PARITY® at 1359 Broadway, 2<sup>nd</sup> Floor, New York, NY 10018 telephone (212) 849-5021.

The bids will be publicly announced, and the Board will act upon the bids by 2:00 p.m., Local Time.

In the event of a malfunction of the Electronic Bidding System at 12:00 p.m., Local Time, on the Date of Sale, an attempt will be made to reschedule the bidding for 1:00 p.m., Local Time, on the Date of Sale. Should the Electronic Bidding System malfunction a second time, facsimile transmission bids will be accepted at the discretion of the Board in coordination with its Financial Advisor, Raymond James & Associates, Inc (the "Financial Advisor"). To the extent possible, the rescheduled bid time will be communicated to the bidders. Bidders choosing to submit bids in case of a malfunction by facsimile transmission shall use the following telecopier number for such transmission: (304) 346-1985. Transmissions received after the deadline shall be rejected. It is the responsibility of the bidder to ensure that the bid is legible, that the bid is received not later than the deadline as communicated to bidders and that the bid is sent to the telecopier number set forth above. Illegible transmissions shall be rejected. The Financial Advisor, will, on behalf of the Board, verify receipt of each bid submitted through facsimile transmission by contacting each bidder by telephone once the bid has been received. The Financial Advisor will in no instance correct, alter or in any way change bids submitted through facsimile transmission. The Board and the Financial Advisor will not be responsible for bids submitted by facsimile transmission not received in accordance with the provisions of the Official Notice of Sale. Bidders submitting bids via facsimile transmission will bear full and complete responsibility for the transmission of such bids.

Each bid must be unconditional.

The Board expects to take the bids on the Bonds on Wednesday, February 3, 2010. However, the Board reserves the right to postpone the date and time established for the receipt of the bids. Any such postponement will be announced by Thomson Municipal Newswire, or any other such service. If the receipt of bids is postponed, any alternative date for receipt of bids will be announced. Any bidder must submit a sealed bid for the purchase of the Bonds on such alternative sale date in conformity with the provisions of the Official Notice of Sale, except for any changes announced via Thomson Municipal Newswire or any other such service, as described therein.

## Preliminary Official Statement

Copies of the Preliminary Official Statement concerning the Bonds and the Official Form of Proposal relating to the Bonds may be secured from Mr. Manny Arvon, Superintendent, Berkeley County Board of Education, 401 South Queen Street, Martinsburg, West Virginia, 25401, (telephone 304/267-3500) or from Raymond James & Associates, Inc., 500 Lee Street, East, Suite 530, Laidley Tower, Charleston, West Virginia, 25301 (telephone 304/346-1981).

## The Bonds

The Bonds will be dated the date of their delivery (the "Dated Date") and will mature on May 1 in the years and in the amounts as follows:

Maturing (May 1)	Principal Amount (\$)	Maturing (May 1)	Principal Amount (\$)
2011	2,025,000	2019	3,560,000
2012	2,660,000	2020	3,710,000
2013	2,770,000	2021	3,865,000
2014	2,890,000	2022	4,030,000
2015	3,010,000	2023	4,205,000
2016	3,140,000	2024	4,380,000
2017	3,275,000	2025	4,565,000
2018	3,415,000		

The Bonds are general obligations of the Board and the full faith and credit of the Board are pledged for payment of the principal of and interest thereon. All the taxable property in Berkeley County, West Virginia, will be subject to the levy of ad valorem taxes, without limitation as to rate or amount, sufficient to pay the principal of and interest on the Bonds when due.

The Bonds will be dated the Date of Delivery, and will be issued in fully registered form only, without coupons, and, when issued will be registered in the name of CEDE & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds.

Pursuant to Chapter 13, Article 1, of the Code of West Virginia, 1931, as amended, both the principal of and interest on the Bonds are payable at the office of the West Virginia State Treasurer. The State Treasurer has designated the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent for payment of the Bonds and United Bank, Inc., Charleston, West Virginia, as the Registrar.

Interest on the Bonds will be payable November 1, 2010, and semiannually thereafter (each May 1 and November 1) in each year until maturity. The principal of and interest on the Bonds are payable by the Paying Agent to DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the owners of the Bonds.

## Optional Redemption

The Bonds maturing on or after May 1, 2021, are subject to redemption on or after May 1, 2020, at the option of the Board, in whole at any time or in part on any interest payment date, from any moneys available for such purpose, at par plus interest, if any, accrued to the date fixed for redemption.



## **Terms of Sale**

Bidders may only bid to purchase all of the Bonds. Each proposal must state the amount bid for the Bonds, not less than \$51,500,000 or greater than 103% of the par value of the bonds, and must state in multiples of 1/20 or 1/8 of 1% the rates of interest per annum which the Bonds are to bear, but must not state:

- (a) any interest rate which is in excess of 7% per annum,
- (b) more than one interest rate for any Bonds having like maturity, and
- (c) any interest rate for Bonds which exceeds the interest rate stated in such proposal for any other Bonds by more than two percent (2%).

The right is reserved to reject any and all proposals not conforming to this Official Notice of Sale and, so far as permitted by law, to waive any irregularity or informality with respect to any proposal.

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment thereof at the option of the bidder, any purchase of such insurance or commitment therefor shall be at the sole option and expense of the bidder and any increased costs of issuance of the Bonds resulting by reason of such insurance, unless otherwise paid, shall be paid by such bidder. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued, shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds.

## **Award**

Unless it rejects all proposals for the Bonds (which right is hereby retained), the Board, from among the legally acceptable proposals which comply with this Official Notice of Sale, will select the bidder (herein called the "successful bidder") whose proposal offers to purchase all the Bonds at the lowest true interest cost ("TIC"). The TIC for the bonds shall be determined by doubling the semi-annual interest based on a 360-day year or twelve-30 day months, compounded semiannually, necessary to discount the semi-annual debt service payments from the payment dates to the dated date of the Bonds and to the aggregate purchase price. If there be more than one such proposal making such offer at the same lowest cost, the Bonds will be sold to the bidder whose proposal is selected by the Board by lot from among all such proposals making such offer at the lowest cost.

## **Good Faith Deposit**

Bidders must deliver to the Financial Advisor by 12:00 noon on February 3, 2010, a good faith deposit in the form of a certified or cashier's check or bank draft drawn on a solvent bank or trust company for 2% of the par value of the Bonds (\$1,030,000), payable to the order of The Board of Education of Berkeley County. When the successful bidder has been ascertained, the Board will return to the unsuccessful bidders their good faith deposits. The good faith deposit of the successful bidder will be cashed and may be invested with interest accruing to the benefit of the Board. The principal amount of the good faith deposit of the successful bidder will be applied as partial payment for the Bonds or as security for the performance of such proposal and as liquidated damages in the event the successful bidder fails to accept and pay for the Bonds. As an alternative to delivering a good faith check as described above, a bidder may enclose with its bid a Financial Surety Bond in the amount of \$1,030,000. It must be issued by an insurance company that is licensed to issue such a bond in the State of West Virginia, naming the Board as beneficiary (a "Surety Bond"). The bond must be submitted to the Board or its Financial Advisor prior to the opening of bids. The Surety Bond will identify the bidder whose deposit is guaranteed by the Surety Bond. If the successful bidder has provided a Surety Bond, such bidder shall wire transfer to the Board \$1,030,000 in immediately available funds not later than 12:00 noon (Prevailing Time) on the next business date following the date of award of the Bonds. In the event that the Board has not received such federal funds wire by the time stated, the Board may draw upon the Surety Bond to satisfy the successful bidder's deposit requirement.

As an alternative to the methods set forth above, upon bids being announced and a successful bidder being identified, the successful bidder may wire the sum of \$1,030,000 to a depository identified by the issuer, by 3 pm, local time that day.

### **Delivery of the Bonds**

The Bonds will be delivered upon payment of the balance of the purchase price in Federal Funds payable to the order of "The Board of Education of the County of Berkeley, West Virginia". It is expected that the Bonds will be available for delivery to The Depository Trust Company in New York, New York, on or about February 17, 2010, on such business day and at such hour, as the Board may fix on five business days' notice to the successful bidder, or at such other place and time as may be agreed upon with the successful bidder.

It will be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that prior to or contemporaneously with such delivery, the successful bidder will be furnished with the final approving opinion of Steptoe and Johnson PLLC Charleston, West Virginia, Bond Counsel. The opinion of Bond Counsel will include an opinion that under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes and that the Bonds are exempt from all taxation by the State of West Virginia or any political subdivision thereof. Said opinion shall also contain further statements to the effect that (a) said Bond Counsel has considered litigation in certain states, including the State of West Virginia, such as Pauley v. Bailey, challenging the constitutionality of present systems of levying taxes and applying funds for public school purposes and that, in their opinion, such litigation will not modify the rights of the holders of the Bonds to ultimate recourse to unlimited ad valorem taxes upon all the taxable property within Berkeley County, West Virginia, for payment of the Bonds if not paid from other sources and does not modify or qualify the conclusions elsewhere stated in such approving opinion; and (b) the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

It will be a further condition of delivery of any payment for the Bonds that there also be delivered at such time certificates satisfactory to said Bond Counsel evidencing proper execution and delivery of the Bonds, including (i) a certificate dated the date of delivery of the Bonds, stating that there is no litigation pending or threatened affecting the validity of the Bonds, or wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Board, or adversely affect the power of the Board to levy, collect and enforce the collection of taxes or other revenues for the payment of its Bonds, (ii) a certificate dated the date of delivery of the Bonds, of the President and Secretary of the Board, to the effect that at the time of the sale of the Bonds and at all times subsequent thereto up to and including the time of delivery of the Bonds, to the best of their knowledge, the Official Statement in final form and as of its date, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (iii) a tax and arbitrage certificate executed on behalf of the Board which will include, among other things, covenants relating to compliance with the Internal Revenue Code of 1986, as amended (the "Code"), with the owners of the Bonds that the Board, will, among other things, (a) take all actions on its part necessary to cause interest on the Bonds not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Bonds and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a special manner, where appropriate, and (b) refrain from taking any action which would cause interest on the Bonds to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Bonds and investment earnings thereon on certain specified purposes. The Bonds will also bear the signed approval of the Attorney General of West Virginia to the effect that the Bonds are binding obligations of the Board and are incontestable.

Simultaneously with or before delivery of the Bonds, the successful bidder shall furnish to the Board a certificate acceptable to Bond Counsel stating (i) the reoffering prices, expressed as a percentage of par, to the public of each maturity of the Bonds (the "Reoffering Prices"); (ii) that the successful bidder has made a bona fide public offering of the Bonds at the Reoffering Prices; and (iii) that a substantial amount of the Bonds was sold to the public (excluding bond houses, brokers and other intermediaries) at such initial Reoffering Prices. Bond Counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder, (ii) the sale to the public of 10% or more in par amount of the Bonds of each maturity at the Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the Bonds, and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

### **Final Official Statement**

Within seven (7) business days after the award of the Bonds to the successful bidder therefore, on the date of the sale, the Board, by its President, will authorize the delivery of its Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. The Preliminary Official Statement is deemed final by the Board for the purpose of Rule 15c2-12 of the Securities and Exchange Commission, subject to revision, amendment and completion in a final Official Statement. The Board will also issue any supplement or amendment to the Official Statement that may be necessary between the date of the Official Statement and the date of delivery of the Bonds. If requested and furnished to the Board in writing by the successful bidder at or before the close of business on the day of sale, the Board will include in the Official Statement such pricing and other information relating to the reoffering of the Bonds, if any, as may be so furnished. If no such information is furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. Whether or not any such information is included in the Official Statement, the successful bidder shall be responsible to the Board and its officials in all respects for the accuracy, fairness and completeness of such information, and for all decisions made with respect to the use or omission of such information in any reoffering of the Bonds, including the presentation or exclusion of any such information in any documents, including the Official Statement. The Board reserves no responsibility or obligation for the distribution of the Official Statement to anyone other than the successful bidder. Within seven (7) business days after the award of the Bonds, the successful bidder will also be furnished, without cost, up to 350 copies of the Official Statement (and any amendment or supplement thereto).

### **CUSIP**

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with terms of this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Board. However, the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the purchaser.

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY

By: Manuel P. Arvon  
Secretary, The Board of Education of the County of Berkeley

DATE: January 19, 2010

## OFFICIAL FORM OF PROPOSAL

Mr. Manuel P. Arvon, Superintendent  
The Board of Education of the County of Berkeley, West Virginia

Superintendent:

Subject to the provisions and in accordance with the terms of the Official Notice of Sale, dated January 19, 2010 which are hereby made part of this bid, we offer to purchase all of the \$51,500,000, the Board of Education of the County of Berkeley (West Virginia), Public School Bonds, Series 2010, described in said Official Notice of Sale, for the price of \$51,500,000 plus a premium of \$\_\_\_\_\_ (not to exceed \$1,545,000). The Bonds maturing in the years set forth below shall bear interest at the respective rates set opposite such years in the following table:

Maturity (May 1)	Principal Amount (\$)	Interest Rate (%)	Maturity (May 1)	Principal Amount (\$)	Interest Rate (%)
2011	2,025,000	_____	2019	3,560,000	_____
2012	2,660,000	_____	2020	3,710,000	_____
2013	2,770,000	_____	2021	3,865,000	_____
2014	2,890,000	_____	2022	4,030,000	_____
2015	3,010,000	_____	2023	4,205,000	_____
2016	3,140,000	_____	2024	4,380,000	_____
2017	3,275,000	_____	2025	4,565,000	_____
2018	3,415,000	_____			

Please check one of the following:

- ☐ One or more certified or cashier's checks or bank draft drawn on solvent banks or trust companies and payable unconditionally to the order of The Board of Education of the County of Berkeley for \$1,030,000 which check is to be applied in accordance with said Official Notice of Sale.
- ☐ A surety bond in the amount of \$1,030,000 in accordance with the Official Notice of Sale.
- ☐ Will wire funds in the amount of \$1,030,000 by 3:00 pm, local time, day of bid, if successful.

Name of Bidder: \_\_\_\_\_

By: \_\_\_\_\_

Telephone: \_\_\_\_\_

(No addition or alteration, except as provided above, is to be made to this bid. Please attach a list of syndicate members, as applicable.)

The foregoing proposal is hereby accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2010

By: \_\_\_\_\_, The Board of Education of the County of Berkeley

The following is included for informational purposes only and is not a part of the bid:

True Interest Cost (Computed in accordance with the Official Notice of Sale) \_\_\_\_\_%

Return of the check mentioned in the above proposal to the above named bidder is hereby acknowledged.

By: \_\_\_\_\_