

**THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)**

\$11,570,000

Public School Refunding Bonds, Series 2012

Date of Closing: February 9, 2012

BOND TRANSCRIPT

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Resolution and Order

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

RESOLUTION AND ORDER

RESOLUTION AND ORDER OF THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY (WEST VIRGINIA), AUTHORIZING THE REFUNDING OF THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY PUBLIC SCHOOL BONDS, SERIES 2002, OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$13,620,000, AND THE ISSUANCE FOR SUCH PURPOSE OF NOT TO EXCEED \$12,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY, PUBLIC SCHOOL REFUNDING BONDS, SERIES 2012; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, AN ESCROW AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT, AN OFFICIAL STATEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER INSTRUMENTS RELATING TO THE BONDS IN SUCH FORMS AS SHALL BE APPROVED BY THE PRESIDENT OR SECRETARY OF THE BOARD OR THE SUPERINTENDENT OF THE DISTRICT; APPOINTING A REGISTRAR, A PAYING AGENT, AN ESCROW AGENT AND A VERIFICATION AGENT; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF THE BONDS AND FUNDS ON DEPOSIT WITH THE WEST VIRGINIA MUNICIPAL BOND COMMISSION; AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE REFUNDING.

WHEREAS, by a Resolution and Order Directing Issuance of Bonds adopted and entered on October 16, 2001 (the "Prior Resolution"), and pursuant to a special election held September 29, 2001 (the "2001 Referendum"), The Board of Education of the County of Berkeley (the "Board"), authorized and directed the issuance of \$27,800,000 in aggregate principal amount of The Board of Education of the County of Berkeley Public School Bonds, Series 2002, dated February 1, 2002 (the "Prior Bonds"), currently outstanding in the aggregate principal amount of \$13,620,000;

WHEREAS, Chapter 13, Article 2 of the West Virginia Code of 1931, as amended (the "Refunding Act"), authorizes, in the manner and subject to the limitations and conditions contained in the Refunding Act, the issuance and sale of refunding bonds by the Board to provide for the payment of the Prior Bonds in advance of the maturity thereof through the deposit with the West Virginia Municipal Bond Commission (the "Commission") of moneys or specified governmental obligations sufficient to pay, when and as due, all principal of and interest on the Prior Bonds, including the redemption price thereof;

WHEREAS, it has been proposed that the Berkeley County School District (the "School District" or the "District") currently refund the Prior Bonds (the "Refunding") pursuant to the Refunding Act, through the issuance of its not to exceed \$12,500,000 in aggregate principal amount of The Board of Education of the County of Berkeley Public School Refunding Bonds, Series 2012 (the "Refunding Bonds"), as in this Resolution and Order (the "Resolution") provided;

WHEREAS, the Board has on deposit with the Commission funds from taxes levied and collected with respect to the Prior Bonds ("Surplus Funds");

WHEREAS, the Surplus Funds remaining on deposit with the Commission after the Refunding, less an amount to be retained in the debt service account for the Refunding Bonds, will be utilized by the District as determined by future action of this Board;

WHEREAS, Crews & Associates, Inc. (the "Underwriter") will enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with the Board relating to the purchase of the entirety of the Refunding Bonds by the Underwriter;

WHEREAS, the Board has determined that it is in the best interests of the School District and the citizens and residents thereof that the Refunding be accomplished and that the Refunding Bonds be sold to the Underwriter pursuant to the Bond Purchase Agreement the final terms of which will be approved by either the President or Secretary of the Board or the Superintendent of the District, acting together or individually (each, an "Authorized Officer"), such approval to be evidenced by the execution by an Authorized Officer of a Certificate of Determinations (the "Certificate of Determinations"), substantially in the form attached hereto as **EXHIBIT A – FORM OF CERTIFICATE OF DETERMINATIONS** and incorporated herein by reference;

WHEREAS, the Refunding, the issuance of the Refunding Bonds under the specific terms and conditions provided in the Certificate of Determinations, the withdrawal of the Surplus Funds from the Commission and the use thereof as hereinafter provided are all in the best interests of the residents of the School District and the administration and operation of the School District; and

WHEREAS, it is in the best interest of this Board to grant to an Authorized Officer the power and authority to establish the final terms and provisions of the Bonds as evidenced by the Certificate of Determinations, to execute the Bonds, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Escrow Agreement, to select a bond insurer, if any, and other participants, each as hereinafter defined;

NOW, THEREFORE, BE IT RESOLVED AND ORDERED BY THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY, AS FOLLOWS:

1. There is hereby authorized and directed the redemption and refunding of the Prior Bonds, as hereinafter provided.
2. For the purpose of providing for the Refunding, the Board, acting for and on behalf of the School District, hereby authorizes and orders the issuance of the Refunding Bonds in the aggregate principal amount not to exceed \$12,500,000. The Refunding Bonds shall be designated "The Board of Education of the County of Berkeley Public School Refunding Bonds, Series 2012." The Refunding Bonds shall be dated such date or dates, shall be issued in one series, not to exceed \$12,500,000 in aggregate principal amount, shall mature on such date or dates not later than 7 years from their issuance date, shall mature in such principal amounts on such date or dates, shall bear interest at such rate or rates

of interest not to exceed five percent (5.0%) per annum, payable on such date or dates and shall have such redemption provisions and other terms all as set forth in the Certificate of Determinations.

3. The principal amounts, maturity dates and interest rates on the Refunding Bonds shall not increase the total indebtedness authorized by the 2001 Referendum. The amount of debt service payable on the Refunding Bonds in each year shall be equal to or less than the amount of taxes expected to be available therefor, and such facts shall be certified by the Chairman of the Commission as a condition to issuance and delivery of the Refunding Bonds.

4. The Refunding Bonds shall be issued in fully registered form without coupons, in the denominations of \$5,000 or integral multiples thereof for any year of maturity, shall be numbered from R-1 consecutively upward in order of maturity and shall be substantially in the form set forth in **EXHIBIT B - BOND FORM**, with such variations as are approved by those officers executing such Refunding Bonds on behalf of the Board, such execution by such officers to constitute conclusive evidence of such approval. The Refunding Bonds shall be signed by and on behalf of the Board by its President and be countersigned by its Secretary, which signatures may be either manual or facsimile signatures, and the seal of the Board or a facsimile thereof shall be affixed to or imprinted thereon, provided that the authentication of the Refunding Bonds shall be manually signed by the Registrar (as defined herein).

5. The Refunding Bonds shall be registered upon issuance to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). In the event the Board determines that it is in the best interest of the beneficial owners of the Refunding Bonds that they obtain Bond certificates, the Board may notify DTC and the Registrar, whereupon DTC will notify its participants, of the availability through DTC of Bond certificates. In such event, the Registrar shall cause to be issued, transferred and exchanged Bond certificates as requested by DTC as Bondholder in appropriate amounts. DTC may determine to discontinue providing its service with respect to the Refunding Bonds at any time by giving notice to the Board or the Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Board and the Registrar shall be obligated to deliver Bond certificates as described in a resolution supplemental hereto. In the event the Bond certificates are issued, the provisions of this Resolution and Order shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such Bond certificates. Whenever DTC requests the Board and the Registrar to do so, the Registrar and the Board will cooperate with DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the Refunding Bonds to any participant having the Refunding Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Refunding Bonds. An Authorized Officer is hereby authorized and directed to execute and deliver to DTC a Blanket Letter of Representations in the form approved by an Authorized Officer on behalf of the Board and the Board is authorized to comply with all requirements of DTC.

6. The West Virginia Municipal Bond Commission, Charleston, West Virginia, is hereby appointed paying agent for the Refunding Bonds (the "Paying Agent") and Escrow Agent under the Escrow Agreement (the "Escrow Agent") and United Bank, Inc., Charleston, West Virginia, is hereby appointed Registrar for the Refunding Bonds (the "Registrar"), and any previous notification to such effect is hereby ratified, approved and confirmed. The Paying Agent and Registrar shall signify their acceptance of the duties and obligations imposed upon them by executing and delivering to the Board a written acceptance thereof. The Paying Agent and Registrar shall be entitled to payment and reimbursement for reasonable fees for their services rendered and all advances, counsel fees and other expenses reasonably and necessarily incurred by the Paying Agent and Registrar in connection with such

services. Notwithstanding the foregoing, the expense of transfer of registration or exchange of the Refunding Bonds shall be paid by the registered owner of any Refunding Bond.

7. The Refunding Bonds shall be transferable only upon the books kept for that purpose by the Registrar by an authorized representative of the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by an authorized representative of the registered owner or his duly authorized attorney. The Refunding Bonds may also be exchanged at the option and expense of the registered owner thereof at the office of the Registrar. Upon exchange or transfer of any Refunding Bond, there shall be issued, at the option of the registered owner or the transferee, another fully registered Refunding Bond or Bonds, in such authorized denomination or denominations as may be requested, of the aggregate principal amount equal to the amount of the exchanged or transferred Refunding Bond.

8. The interest on any Refunding Bond shall be payable by check or draft mailed by the Paying Agent to the Registered Owner thereof as of the applicable Record Date (the fifteenth calendar day next preceding an interest payment date set forth in the Certificate of Determinations) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the Paying Agent by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Board maintained by the Registrar, or, at the option of any Registered Owner of at least \$1,000,000 in aggregate principal amount of Refunding Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Registrar at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of a Refunding Bond for payment at the office of the Paying Agent, in Charleston, West Virginia. The Board and the Registrar shall not be required to issue or transfer any Bonds during a period beginning with the close of business on the Record Date next preceding any Interest Payment Date and ending at the close of business on such Interest Payment Date.

9. The Refunding Bonds shall be sold to the Underwriter. The Bond Purchase Agreement, in the form approved by an Authorized Officer on behalf of the Board pursuant to the Certificate of Determinations is hereby authorized and approved. An Authorized Officer shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by an Authorized Officer. Execution of the Bond Purchase Agreement by an Authorized Officer shall be conclusive evidence of any approval required by this Section.

10. The Escrow Agreement by and between the Board and the Commission, as Escrow Agent, to be dated the date of issuance of the Refunding Bonds (the "Closing Date"), in the form approved by an Authorized Officer on behalf of the Board pursuant to the Certificate of Determinations is hereby authorized, ratified and approved. An Authorized Officer shall execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by an Authorized Officer. Execution of the Escrow Agreement by an Authorized Officer shall be conclusive evidence of any approval required by this Section. The Board hereby directs the Escrow Agent to purchase from the United States Treasury, for the benefit of the Board, the investment securities identified in the Escrow Agreement, at the prices so stated, for deposit in the Escrow Fund established under the Escrow Agreement.

11. The Continuing Disclosure Agreement of the Board to be dated the Closing Date, in the form approved by an Authorized Officer on behalf of the Board pursuant to the Certificate of Determinations, and the execution and delivery by an Authorized Officer and/or Authorized Officers thereof shall be and the same are hereby authorized, approved and directed. An Authorized Officer and/or Authorized Officers shall execute and deliver the Continuing Disclosure Agreement with such

changes, insertions and omissions as may be approved by an Authorized Officer and/or Authorized Officers. Execution of the Continuing Disclosure Agreement by an Authorized Officer and/or Authorized Officers shall be conclusive evidence of any approval required by this Section.

12. The Preliminary Official Statement and the Official Statement, to be substantially in the form approved by an Authorized Officer on behalf of the Board pursuant to the Certificate of Determinations, and the distribution of counterparts or copies thereof by the Underwriter are hereby approved. An Authorized Officer shall execute and deliver the Official Statement. The execution of the Official Statement by an Authorized Officer shall be conclusive evidence of any approval required by this Section. The distribution by the Underwriter of the Preliminary Official Statement (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), in the form approved by an Authorized Officer on behalf of the Board is hereby ratified and approved. The certificate of the Board relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by an Authorized Officer is hereby ratified and approved.

13. If a verification agent is required, the firm of The Arbitrage Group, Inc. or another firm approved by an Authorized Officer, may be engaged for the purpose of verifying yield and sufficiency of the Escrow Fund.

14. The firm of Crews & Associates, Inc., Morgantown, West Virginia, has previously been appointed by the Board as the Underwriter for the issuance of the Refunding Bonds. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, has previously been appointed by the Board to serve as Bond Counsel to the Board with respect to the Refunding Bonds.

15. The Board finds and determines that the amount of the Refunding Bonds, together with all other bonded indebtedness of the Board (excluding the Prior Bonds), does not exceed in the aggregate five percent (5%) of the value of the taxable property in the Berkeley County School District, as shown by the last assessment thereof and ascertained in accordance with Section 8, Article X of the Constitution of West Virginia; that the Refunding Bonds shall be payable from a direct annual tax levied and collected on all taxable property in the Berkeley County School District in the ratio as between the several classes or types of such taxable property specified in Section 1, Article X of the Constitution, sufficient to pay annually the principal of and the interest on the Refunding Bonds falling due in each year, such tax levies to be laid separate and apart from, and in addition to, the maximum rates provided for tax levies by school districts on the several classes of property in Section 1, Article X of the Constitution, but in the same proportions as such maximum rates are levied on the several classes of property, such taxes to be levied and collected by the same officers, at the same time and in the same manner as the general taxes of the Board; and that there is no outstanding indebtedness of the Board created prior to October 1, 1938. In laying such levy sufficient to pay the principal of and interest on the Refunding Bonds, the Board shall allow for exonerations and delinquencies, considering the levy amount rendered to it by the Commission.

16. The Board hereby covenants and agrees that it will not permit at any time or times any of the proceeds of the Refunding Bonds or any other funds of the Board to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Refunding Bonds or Prior Bonds to be an "arbitrage bond" as defined in Section 148 of the Code, and the regulations promulgated pursuant thereto. An Authorized Officer is authorized and directed to execute and deliver such further instruments or agreements as shall be required to provide further assurances of the Board's compliance with this covenant, including, but not limited to a Tax Certificate or similar certificate or agreement.

17. The Board will notify, by letter, the Executive Director of the Commission of its intention to accomplish the proposed Refunding and request the withdrawal of the Surplus Funds. The Surplus Funds remaining on deposit with the Commission after the Refunding, less an amount to be retained in the debt service account for the Refunding Bonds, will be utilized by the District as determined by future action of this Board.

18. Proceeds of the Refunding Bonds shall be applied as approved by an Authorized Officer on behalf of the Board as set forth in the Certificate of Determinations. Surplus Funds shall be applied as determined by future action of this Board to either reduce the aggregate principal amount of the Refunding Bonds or to be used for capital projects within the parameters of the 2001 Referendum. The ultimate application of the Surplus Funds shall be determined and approved by future action of this Board.

19. An Authorized Officer and all other officers of the Board are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Refunding, including, if needed, subscription forms for the purchase of United States Government Securities, State and Local Government Series and any forms or documents necessary to qualify the Refunding Bonds for sale under the "Blue Sky Laws" of any state, to the end that the Refunding Bonds may be delivered at the earliest practicable date to the Underwriter.

20. Notwithstanding the provisions of any order, ordinance or resolution of the Board heretofore adopted or entered, the Board hereby authorizes proceeds of the Refunding Bonds, together with any Surplus Funds and tax revenues earmarked for payment of debt service on the Refunding Bonds (excluding any amounts in the Escrow Fund), to be deposited with the Commission and invested by the Commission in the West Virginia "Consolidated Investment Fund."

21. The Board hereby finds and determines that legal provision has been made for the imposition, levy and collection of, and the Board hereby covenants to levy and collect, a direct annual tax in excess of all other taxes, on all taxable property in the School District sufficient to pay the principal of and the interest on the Refunding Bonds, as and when payable, and all other outstanding general obligation bonds heretofore issued by the Board.

22. The President of the Board is hereby authorized and directed to execute and deliver to the Executive Director of the Commission, as soon as possible, a request to certify the amount of taxes expected to be available for the payment of the debt service on the Refunding Bonds in each year, as required by the Refunding Act.

23. An Authorized Officer and all other officers and employees of the Board are hereby authorized, empowered and directed to do any and all things proper and necessary to cause the Refunding Bonds to be duly and properly issued by the Board and delivered to the Underwriter as herein authorized and to otherwise facilitate the transaction contemplated by this Resolution and Order and the Bond Purchase Agreement, including but not limited to consulting with or applying to rating agencies to obtain a rating on the Refunding Bonds and the paying of any fee in connection therewith and consulting with or applying to insurance agencies for bond insurance for the Refunding Bonds, and no further authority shall be necessary to authorize any such officers or employees to give such further assurance and do such further acts as may be legally required.

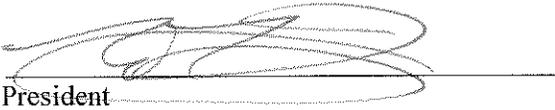
24. This Resolution and Order shall take effect immediately upon its adoption.

Adopted and entered of record this January 23, 2012.

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

By:

President

A handwritten signature in black ink, consisting of several overlapping loops and strokes, positioned above a horizontal line that extends to the right. The signature is written over the word "President".

CERTIFICATION

Certified a true, correct and complete copy of a Resolution and Order duly adopted and enacted by The Board of Education of the County of Berkeley at a regular meeting of the Board held on January 23, 2012, pursuant to proper notice, at which meeting a quorum was present and acting throughout.

Dated this January 23, 2012.

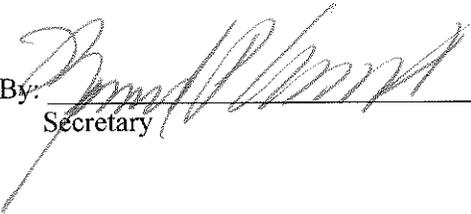
By:  _____
Secretary

EXHIBIT A

FORM OF CERTIFICATE OF DETERMINATIONS

The undersigned, [President or Secretary of The Board of Education of the County of Berkeley, West Virginia (the "Board")][Superintendent of the Berkeley County School District], in accordance with a Resolution and Order adopted by the Board on January 23, 2012 (the "Order"), with respect to the \$_____ The Board Of Education of the County of Berkeley, Public School Refunding Bonds, Series 2012 (the "Bonds"), hereby finds and determines as follows:

1. [She][He] is an Authorized Officer within the meaning of the Order.
2. The Bonds shall be dated _____, 2012.
3. The Bonds shall be issued in the aggregate principal amount of \$_____ .
4. Such principal amount does not exceed \$12,500,000, being the maximum principal amount authorized by the Order.
5. The Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.
6. The Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1 attached hereto and incorporated herein, which rates do not exceed five percent (5.0%) per annum. Interest shall be payable on the Bonds semiannually on each May 1 and November 1, beginning on May 1, 2012 and in each year until maturity.
7. The Bonds shall not be subject to optional redemption.
8. The Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Board, at an aggregate purchase price of \$_____ (representing par value, less an underwriting discount of \$_____ [plus a net original issue premium of \$_____ or less an original issue discount of \$_____]), plus accrued interest of \$_____ on the Bonds from _____, 2012 to _____, 2012 (the "Closing Date").
9. The proceeds of the Bonds and the funds on deposit with the West Virginia Municipal Bond Commission (the "Bond Commission") as the paying agent for the Board's outstanding Public School Bonds, Series 2002, dated February 1, 2002, issued in the original aggregate principal amount of \$27,800,000 (the "Series 2002 Bonds") shall be applied as set forth on Schedule 2 attached hereto and incorporated herein, including any additional determinations deemed necessary by the [Authorized Officer].
10. The form of the Bond Purchase Agreement which is attached hereto as Exhibit 1 is hereby approved, with such amendments as may be approved by an Authorized Officer (as defined in the Order), the execution and delivery thereof by an Authorized Officer being conclusive evidence of the approval of any such amendments. The Authorized Officers are hereby authorized to execute and deliver the Bond Purchase Agreement in connection with the issuance of the Bonds.

11. The form of the Escrow Agreement which is attached hereto as Exhibit 2 is hereby approved, with such amendments as may be approved by an Authorized Officer, the execution and delivery thereof by an Authorized Officer being conclusive evidence of the approval of any such amendments. The Authorized Officers are hereby authorized to execute and deliver the Escrow Agreement in connection with the issuance of the Bonds.

12. The form of the Continuing Disclosure Agreement which is attached hereto as Exhibit 3 is hereby approved, with such amendments as may be approved by an Authorized Officer, the execution and delivery thereof by an Authorized Officer being conclusive evidence of the approval of any such amendments. The Authorized Officers are hereby authorized to execute and deliver the Escrow Agreement in connection with the issuance of the Bonds.

13. The Preliminary Official Statement of the Board dated _____, 2012, is hereby ratified and deemed final within the meaning of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, with such changes, omissions, insertions and revisions as the Authorized Officer shall deem advisable. Such signature to evidence approval thereof.

[14. ("Bond Insurer") has offered Bond Insurance for the Bonds pursuant to the terms of a commitment letter dated _____, 2012 (the "Commitment"). The Bond Insurer is approved and the Commitment for the Bond Insurance is accepted.]

The undersigned hereby certifies that the foregoing terms and conditions of the Bonds are within the limitations prescribed by the Order, and the Bonds may be issued with such terms and conditions as authorized by the Order.

WITNESS my signature this day of _____, 2012.

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

By: _____
Its: _____

Schedule 1

Maturities

Mandatory Redemption.

Schedule 2

Application of Bond Proceeds and Funds on Deposit with Bond Commission.

EXHIBIT 1

[Form of Bond Purchase Agreement]
(Attached Hereto)

EXHIBIT 2

[Form of Escrow Agreement]
(Attached Hereto)

EXHIBIT 3

[Form of Continuing Disclosure Agreement]
(Attached Hereto)

EXHIBIT B

BOND FORM

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. R-1

\$ _____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
PUBLIC SCHOOL REFUNDING BOND,
SERIES 2012

INTEREST RATE MATURITY DATE BOND DATE CUSIP

_____ % _____ _____ _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY (West Virginia), a public corporation created and existing under the laws of the State of West Virginia (the “Issuer”), for value received, hereby acknowledges itself to be indebted and promises to pay to the Registered Owner specified above, or registered assigns (the “Registered Owner”), on the Maturity Date specified above, upon presentation and surrender hereof, the Principal Amount specified above and to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, at the Interest Rate per annum specified above, semiannually, on May 1 and November 1 in each year, beginning May 1, 2012 (each an “Interest Payment Date”), until maturity. United Bank, Inc., Charleston, West Virginia, has been designated to act in the capacity of registrar and transfer agent for the Bonds (the “Registrar”), and the West Virginia Municipal Bond Commission, Charleston, West Virginia, has been appointed by the Issuer to serve in the capacity of paying agent for the Bonds (the “Paying Agent”).

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the Paying Agent to the Registered Owner hereof as of the applicable Record Date (each April 15 and October 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the Paying Agent by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by the Registrar, or, at the option of any Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Registrar at least 5 days prior to such Record Date. Principal shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia. The Issuer and the Registrar shall not be required to issue or transfer any Bonds during a period beginning with the close of business on the Record Date next preceding any Interest Payment Date and ending at the close of business on such Interest Payment Date.

This Bond is one of a series of bonds of the Issuer designated as "Public School Refunding Bonds, Series 2012" (the "Bonds"), issued by the Issuer in the aggregate principal amount of \$_____. The Bonds are in fully registered form, without coupons, and are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 13, Article 2 of the West Virginia Code of 1931, as amended (the "Act") and a Resolution and Order (the "Order") duly adopted by the Issuer on January 23, 2012, for the purpose of refunding the Issuer's Public School Bonds, Series 2002, currently outstanding in the aggregate principal amount of \$13,620,000 (the "Prior Bonds"). The terms and provisions of the Order are hereby incorporated by reference as if set forth fully herein.

This Bond may be transferred or exchanged by the Registered Owner hereof upon surrender of this Bond to the Registrar at its principal corporate trust office, accompanied by a written instrument or instruments of transfer in form, with instructions, and with guaranty of signature satisfactory to the Registrar, duly executed by the Registered Owner of this Bond or his attorney-in-fact or legal representative. The Registrar shall enter any transfer of ownership of this Bond in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same maturity and form for the aggregate denominations of the same maturity and for the aggregate amount which the transferee is entitled to receive at the earliest practicable time. The Issuer, the Registrar and the Paying Agent may deem and treat the registered owner hereof as the absolute owner thereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the Issuer, the Registrar and the Paying Agent shall not be affected by any notice to the contrary. All payments made to the Registered Owner of a Bond, as herein provided, shall be valid and effectual to satisfy in full and discharge the liability of the Issuer upon the Bond as paid.

No recourse shall be had for the payment of the principal of or interest on this Bond, or for any claim based hereon or on the Order, against any member, officer or employee, past, present, or future, of the Issuer or of any successor body, as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members, officers or employees is released as a condition of and as consideration for the issuance of this Bond.

The Bonds are not subject to redemption prior to maturity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the laws of the State of West Virginia to exist, to have happened or to have been performed, precedent to or in connection with the issuance of this Bond or in the creation of the debt of which this

Bond is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and statutes of the State of West Virginia, including the Act, and that legal provision has been made by the Issuer for the levy and collection of a direct annual tax sufficient in amount to meet the payment of the interest and principal hereof, which shall have precedence over all other taxes for any purpose whatever, except bond issues heretofore or hereafter authorized and issued under the five percent limitation provided by the Better Schools Amendment of the Constitution of West Virginia, and said tax is levied outside the limits fixed by Section 1, Article X of the Constitution of the State of West Virginia in the manner provided by Sections 8 and 10, Article X of the State Constitution; that said levies do not exceed any constitutional or statutory limitations; and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any statutory or constitutional limitation thereon.

For payment of both principal and interest hereof the full faith and credit and resources of the Issuer are hereby irrevocably pledged within the limitations prescribed by the Constitution and statutes of the State of West Virginia.

The Issuer has covenanted in the Order that it shall include in its budget the amount of the debt service for each fiscal year of the Issuer in which principal and/or interest on the Bonds is payable, that it shall appropriate from its revenues any such sums for the payment of such debt service and that it shall duly and punctually cause to be paid when due, the principal of and interest on the Bonds.

Subject to the registration requirements set forth herein, this Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

The Issuer has caused CUSIP numbers to be printed on the Bonds, and has directed the Paying Agent to use such numbers in notices, if any, as a convenience to bondholders. No representation is made as to the accuracy of such numbers either as printed on the Bonds or as contained in any notice.

This Bond shall not be entitled to any benefit under the Order nor shall it be valid, obligatory or enforceable for any purpose until this Bond shall have been authenticated by the Registrar.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY has caused this Bond to be duly signed in its name and on its behalf by its President and countersigned by its Secretary and has caused its corporate seal to be hereto affixed in the manner provided in the Order, all as of _____, 2012.

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

(SEAL)

By: _____
President

By: _____
Secretary

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Resolution and Order and has been duly registered in the name of the Registered Owner set forth above on the date set forth below.

Dated: _____, 2012.

UNITED BANK, INC.,
as Registrar

By: _____

Its: _____

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____
the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond on the books kept for
registration of the within Bond of the said Issuer with full power of substitution in the premises.

Signature of Assignor

Dated: _____, _____.

SIGNATURE GUARANTEED:

(Bank, Trust Company or Firm)

(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it
appears upon the face of the within Bond in every particular, without alteration or any change whatever.

\$11,570,000
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

The undersigned Robert Steptoe, Director, Public Finance of Crews & Associates, Inc. (the "Purchaser"), for and on behalf of the Purchaser, and Dr. William F. Queen, President of The Board of Education of the County of Berkeley (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On February 9, 2012, in New York, New York, the Purchaser received the entire original issue of \$11,570,000 in aggregate principal amount of The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012 (the "Bonds"). The Bonds, as so received on original issuance, are dated February 9, 2012, are numbered, mature on May 1 of the years, bear interest at the rates and are in the respective denominations set forth in **EXHIBIT A** attached hereto and incorporated herein by reference, and are all fully registered in the name of "CEDE & CO."

2. At the time of such receipt of the Bonds upon original issuance, they had been signed by Dr. William F. Queen as President of the Issuer, by his manual signature, and countersigned by Manuel P. Arvon, as Secretary of the Issuer, by his manual signature, and the seal of the Issuer had been affixed upon such Bonds and the Bonds had been manually authenticated by United Bank, Inc. as Registrar.

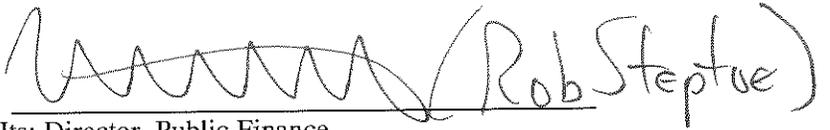
3. The Issuer has received and hereby acknowledges receipt from the Purchaser as the original purchaser of the Bonds, of the proceeds of the Bonds, as follows:

Par Amount of Bonds	\$11,570,000.00
Plus: Net Reoffering Premium	328,066.30
Less: Underwriter's Discount.....	<u>(92,560.00)</u>
 TOTAL.....	 <u>\$11,805,506.30</u>

Payment for the Bonds was made in Federal Funds in the amount of \$11,805,506.30, on the date hereof.

WITNESS our respective signatures this February 9, 2012.

CREWS & ASSOCIATES, INC.

By:  (Rob Steptoe)
Its: Director, Public Finance

THE BOARD OF EDUCATION OF THE
COUNTY OF BERKELEY

By: _____
Its President

WITNESS our respective signatures this February 9, 2012.

CREWS & ASSOCIATES, INC.

By: _____
Its: Director, Public Finance

THE BOARD OF EDUCATION OF THE
COUNTY OF BERKELEY

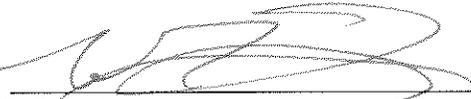
By:  _____
Its President

EXHIBIT A

\$11,570,000

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)

Public School Refunding Bonds, Series 2012

<u>Maturity</u> <u>(May 1)</u>	<u>Amount</u>	<u>Coupon</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP</u>
2013	\$2,165,000	2.000%	101.771%	0.550%	084239 FN7
2014	\$2,270,000	2.000%	102.868%	0.700%	084239 FP2
2015	\$2,320,000	3.000%	106.665%	0.900%	084239 FQ0
2016	\$2,385,000	2.000%	103.707%	1.100%	084239 FR8
2017	\$2,430,000	1.100%	99.242%	1.250%	084239 FS6

Direction to Authenticate

\$11,570,000
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

United Bank, Inc.,
as Registrar
Charleston, West Virginia

Ladies and Gentlemen:

There are delivered to you herewith (or have previously been delivered to you) as Registrar for the above-captioned Bonds:

1. Bonds Nos. R-1 to R-5, inclusive, constituting the entire original issue of The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012, dated February 9, 2012, in the aggregate principal amount of \$11,570,000 (the "Bonds"), all as set forth in **EXHIBIT A**, attached hereto and made a part hereof, signed by the President and countersigned by the Secretary of The Board of Education of The County of Berkeley (the "Issuer") and bearing the official seal of the Issuer. The Bonds are authorized to be issued under and pursuant to a Resolution and Order adopted by the Issuer on January 23, 2012 (the "Resolution").
2. A copy, duly certified by the Secretary, of the Resolution.
3. A signed, unqualified approving opinion of nationally recognized bond counsel designated by the Issuer and acceptable to the Purchaser.

You are hereby requested and authorized to authenticate, register and deliver the Bonds to CEDE & CO., as nominee of Depository Trust Company, on behalf of Crews & Associates, Inc., as the Purchaser thereof.

Dated this February 9, 2012.

THE BOARD OF EDUCATION OF THE
COUNTY OF BERKELEY

By: 
Its President

EXHIBIT A

\$11,570,000

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)

Public School Refunding Bonds, Series 2012

<u>Maturity</u> <u>(May 1)</u>	<u>Amount</u>	<u>Coupon</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP</u>
2013	\$2,165,000	2.000%	101.771%	0.550%	084239 FN7
2014	\$2,270,000	2.000%	102.868%	0.700%	084239 FP2
2015	\$2,320,000	3.000%	106.665%	0.900%	084239 FQ0
2016	\$2,385,000	2.000%	103.707%	1.100%	084239 FR8
2017	\$2,430,000	1.100%	99.242%	1.250%	084239 FS6

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

SPECIMEN

No. R-1

\$2,165,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
PUBLIC SCHOOL REFUNDING BOND,
SERIES 2012

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
2.0%	May 1, 2013	February 9, 2012	084239 FN7

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION ONE HUNDRED SIXTY FIVE THOUSAND
AND 00/100 DOLLARS (\$2,165,000)

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY (West Virginia), a public corporation created and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby acknowledges itself to be indebted and promises to pay to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, upon presentation and surrender hereof, the Principal Amount specified above and to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, at the Interest Rate per annum specified above, semiannually, on May 1 and November 1 in each year, beginning May 1, 2012 (each an "Interest Payment Date"), until maturity. United Bank, Inc., Charleston, West Virginia, has been designated to act in the capacity of registrar and transfer agent for the Bonds (the "Registrar"), and the West Virginia Municipal Bond Commission, Charleston, West Virginia, has been appointed by the Issuer to serve in the capacity of paying agent for the Bonds (the "Paying Agent").

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the Paying Agent to the Registered Owner hereof as of the applicable Record Date (each April 15 and October 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the Paying Agent by notice given to the Registered Owners not less than 10 days prior

to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by the Registrar, or, at the option of any Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Registrar at least 5 days prior to such Record Date. Principal shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia. The Issuer and the Registrar shall not be required to issue or transfer any Bonds during a period beginning with the close of business on the Record Date next preceding any Interest Payment Date and ending at the close of business on such Interest Payment Date.

This Bond is one of a series of bonds of the Issuer designated as "Public School Refunding Bonds, Series 2012" (the "Bonds"), issued by the Issuer in the aggregate principal amount of \$11,570,000. The Bonds are in fully registered form, without coupons, and are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 13, Article 2 of the West Virginia Code of 1931, as amended (the "Act") and a Resolution and Order (the "Order") duly adopted by the Issuer on January 23, 2012, for the purpose of refunding the Issuer's Public School Bonds, Series 2002, currently outstanding in the aggregate principal amount of \$13,620,000 (the "Prior Bonds"). The terms and provisions of the Order are hereby incorporated by reference as if set forth fully herein.

This Bond may be transferred or exchanged by the Registered Owner hereof upon surrender of this Bond to the Registrar at its principal corporate trust office, accompanied by a written instrument or instruments of transfer in form, with instructions, and with guaranty of signature satisfactory to the Registrar, duly executed by the Registered Owner of this Bond or his attorney-in-fact or legal representative. The Registrar shall enter any transfer of ownership of this Bond in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same maturity and form for the aggregate denominations of the same maturity and for the aggregate amount which the transferee is entitled to receive at the earliest practicable time. The Issuer, the Registrar and the Paying Agent may deem and treat the registered owner hereof as the absolute owner thereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the Issuer, the Registrar and the Paying Agent shall not be affected by any notice to the contrary. All payments made to the Registered Owner of a Bond, as herein provided, shall be valid and effectual to satisfy in full and discharge the liability of the Issuer upon the Bond as paid.

No recourse shall be had for the payment of the principal of or interest on this Bond, or for any claim based hereon or on the Order, against any member, officer or employee, past, present, or future, of the Issuer or of any successor body, as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members, officers or employees is released as a condition of and as consideration for the issuance of this Bond.

The Bonds are not subject to redemption prior to maturity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the laws of the State of West Virginia to exist, to have happened or to have been performed, precedent to or in connection with the issuance of this Bond or in the creation of the debt of which this Bond is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and statutes of the State of West Virginia, including the Act, and that legal provision has been made by the Issuer for the levy and collection of a direct annual tax sufficient in amount to meet the

payment of the interest and principal hereof, which shall have precedence over all other taxes for any purpose whatever, except bond issues heretofore or hereafter authorized and issued under the five percent limitation provided by the Better Schools Amendment of the Constitution of West Virginia, and said tax is levied outside the limits fixed by Section 1, Article X of the Constitution of the State of West Virginia in the manner provided by Sections 8 and 10, Article X of the State Constitution; that said levies do not exceed any constitutional or statutory limitations; and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any statutory or constitutional limitation thereon.

For payment of both principal and interest hereof the full faith and credit and resources of the Issuer are hereby irrevocably pledged within the limitations prescribed by the Constitution and statutes of the State of West Virginia.

The Issuer has covenanted in the Order that it shall include in its budget the amount of the debt service for each fiscal year of the Issuer in which principal and/or interest on the Bonds is payable, that it shall appropriate from its revenues any such sums for the payment of such debt service and that it shall duly and punctually cause to be paid when due, the principal of and interest on the Bonds.

Subject to the registration requirements set forth herein, this Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

The Issuer has caused CUSIP numbers to be printed on the Bonds, and has directed the Paying Agent to use such numbers in notices, if any, as a convenience to bondholders. No representation is made as to the accuracy of such numbers either as printed on the Bonds or as contained in any notice.

This Bond shall not be entitled to any benefit under the Order nor shall it be valid, obligatory or enforceable for any purpose until this Bond shall have been authenticated by the Registrar.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY has caused this Bond to be duly signed in its name and on its behalf by its President and countersigned by its Secretary and has caused its corporate seal to be hereto affixed in the manner provided in the Order, all as of February 9, 2012.

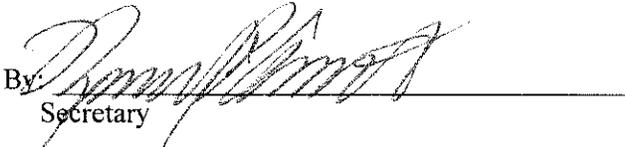
THE BOARD OF EDUCATION OF THE COUNTY
OF BERKELEY, WEST VIRGINIA

(SEAL)

By: 

President

SPECIMEN

By: 

Secretary

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Resolution and Order and has been duly registered in the name of the Registered Owner set forth above on the date set forth below.

Dated: February 9, 2012.

SPECIMEN

UNITED BANK, INC.,
as Registrar

By: *Laf Sab*

Its: *VP*

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____
the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond on the books kept for
registration of the within Bond of the said Issuer with full power of substitution in the premises.

Signature of Assignor

Dated: _____, _____.

SIGNATURE GUARANTEED:

(Bank, Trust Company or Firm)

(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.



Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

SPECIMEN

No. R-2

\$2,270,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
PUBLIC SCHOOL REFUNDING BOND,
SERIES 2012

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
2.0%	May 1, 2014	February 9, 2012	084239 FP2

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION TWO HUNDRED SEVENTY THOUSAND
AND 00/100 DOLLARS (\$2,270,000)

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY (West Virginia), a public corporation created and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby acknowledges itself to be indebted and promises to pay to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, upon presentation and surrender hereof, the Principal Amount specified above and to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, at the Interest Rate per annum specified above, semiannually, on May 1 and November 1 in each year, beginning May 1, 2012 (each an "Interest Payment Date"), until maturity. United Bank, Inc., Charleston, West Virginia, has been designated to act in the capacity of registrar and transfer agent for the Bonds (the "Registrar"), and the West Virginia Municipal Bond Commission, Charleston, West Virginia, has been appointed by the Issuer to serve in the capacity of paying agent for the Bonds (the "Paying Agent").

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the Paying Agent to the Registered Owner hereof as of the applicable Record Date (each April 15 and October 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the Paying Agent by notice given to the Registered Owners not less than 10 days prior

to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by the Registrar, or, at the option of any Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Registrar at least 5 days prior to such Record Date. Principal shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia. The Issuer and the Registrar shall not be required to issue or transfer any Bonds during a period beginning with the close of business on the Record Date next preceding any Interest Payment Date and ending at the close of business on such Interest Payment Date.

This Bond is one of a series of bonds of the Issuer designated as "Public School Refunding Bonds, Series 2012" (the "Bonds"), issued by the Issuer in the aggregate principal amount of \$11,570,000. The Bonds are in fully registered form, without coupons, and are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 13, Article 2 of the West Virginia Code of 1931, as amended (the "Act") and a Resolution and Order (the "Order") duly adopted by the Issuer on January 23, 2012, for the purpose of refunding the Issuer's Public School Bonds, Series 2002, currently outstanding in the aggregate principal amount of \$13,620,000 (the "Prior Bonds"). The terms and provisions of the Order are hereby incorporated by reference as if set forth fully herein.

This Bond may be transferred or exchanged by the Registered Owner hereof upon surrender of this Bond to the Registrar at its principal corporate trust office, accompanied by a written instrument or instruments of transfer in form, with instructions, and with guaranty of signature satisfactory to the Registrar, duly executed by the Registered Owner of this Bond or his attorney-in-fact or legal representative. The Registrar shall enter any transfer of ownership of this Bond in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same maturity and form for the aggregate denominations of the same maturity and for the aggregate amount which the transferee is entitled to receive at the earliest practicable time. The Issuer, the Registrar and the Paying Agent may deem and treat the registered owner hereof as the absolute owner thereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the Issuer, the Registrar and the Paying Agent shall not be affected by any notice to the contrary. All payments made to the Registered Owner of a Bond, as herein provided, shall be valid and effectual to satisfy in full and discharge the liability of the Issuer upon the Bond as paid.

No recourse shall be had for the payment of the principal of or interest on this Bond, or for any claim based hereon or on the Order, against any member, officer or employee, past, present, or future, of the Issuer or of any successor body, as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members, officers or employees is released as a condition of and as consideration for the issuance of this Bond.

The Bonds are not subject to redemption prior to maturity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the laws of the State of West Virginia to exist, to have happened or to have been performed, precedent to or in connection with the issuance of this Bond or in the creation of the debt of which this Bond is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and statutes of the State of West Virginia, including the Act, and that legal provision has been made by the Issuer for the levy and collection of a direct annual tax sufficient in amount to meet the

payment of the interest and principal hereof, which shall have precedence over all other taxes for any purpose whatever, except bond issues heretofore or hereafter authorized and issued under the five percent limitation provided by the Better Schools Amendment of the Constitution of West Virginia, and said tax is levied outside the limits fixed by Section 1, Article X of the Constitution of the State of West Virginia in the manner provided by Sections 8 and 10, Article X of the State Constitution; that said levies do not exceed any constitutional or statutory limitations; and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any statutory or constitutional limitation thereon.

For payment of both principal and interest hereof the full faith and credit and resources of the Issuer are hereby irrevocably pledged within the limitations prescribed by the Constitution and statutes of the State of West Virginia.

The Issuer has covenanted in the Order that it shall include in its budget the amount of the debt service for each fiscal year of the Issuer in which principal and/or interest on the Bonds is payable, that it shall appropriate from its revenues any such sums for the payment of such debt service and that it shall duly and punctually cause to be paid when due, the principal of and interest on the Bonds.

Subject to the registration requirements set forth herein, this Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

The Issuer has caused CUSIP numbers to be printed on the Bonds, and has directed the Paying Agent to use such numbers in notices, if any, as a convenience to bondholders. No representation is made as to the accuracy of such numbers either as printed on the Bonds or as contained in any notice.

This Bond shall not be entitled to any benefit under the Order nor shall it be valid, obligatory or enforceable for any purpose until this Bond shall have been authenticated by the Registrar.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY has caused this Bond to be duly signed in its name and on its behalf by its President and countersigned by its Secretary and has caused its corporate seal to be hereto affixed in the manner provided in the Order, all as of February 9, 2012.

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

(SEAL)

By: 
President

SPECIMEN

By: 
Secretary

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Resolution and Order and has been duly registered in the name of the Registered Owner set forth above on the date set forth below.

Dated: February 9, 2012.

UNITED BANK, INC.,
as Registrar

By: _____

Its: _____

SPECIMEN

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____
the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond on the books kept for
registration of the within Bond of the said Issuer with full power of substitution in the premises.

Signature of Assignor

Dated: _____, _____.

SIGNATURE GUARANTEED:

(Bank, Trust Company or Firm)

(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.



Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. R-3

SPECIMEN

\$2,320,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
PUBLIC SCHOOL REFUNDING BOND,
SERIES 2012

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
3.0%	May 1, 2015	February 9, 2012	084239 FQ0

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION THREE HUNDRED TWENTY THOUSAND
AND 00/100 DOLLARS (\$2,320,000)

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY (West Virginia), a public corporation created and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby acknowledges itself to be indebted and promises to pay to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, upon presentation and surrender hereof, the Principal Amount specified above and to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, at the Interest Rate per annum specified above, semiannually, on May 1 and November 1 in each year, beginning May 1, 2012 (each an "Interest Payment Date"), until maturity. United Bank, Inc., Charleston, West Virginia, has been designated to act in the capacity of registrar and transfer agent for the Bonds (the "Registrar"), and the West Virginia Municipal Bond Commission, Charleston, West Virginia, has been appointed by the Issuer to serve in the capacity of paying agent for the Bonds (the "Paying Agent").

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the Paying Agent to the Registered Owner hereof as of the applicable Record Date (each April 15 and October 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the Paying Agent by notice given to the Registered Owners not less than 10 days prior

to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by the Registrar, or, at the option of any Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Registrar at least 5 days prior to such Record Date. Principal shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia. The Issuer and the Registrar shall not be required to issue or transfer any Bonds during a period beginning with the close of business on the Record Date next preceding any Interest Payment Date and ending at the close of business on such Interest Payment Date.

This Bond is one of a series of bonds of the Issuer designated as "Public School Refunding Bonds, Series 2012" (the "Bonds"), issued by the Issuer in the aggregate principal amount of \$11,570,000. The Bonds are in fully registered form, without coupons, and are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 13, Article 2 of the West Virginia Code of 1931, as amended (the "Act") and a Resolution and Order (the "Order") duly adopted by the Issuer on January 23, 2012, for the purpose of refunding the Issuer's Public School Bonds, Series 2002, currently outstanding in the aggregate principal amount of \$13,620,000 (the "Prior Bonds"). The terms and provisions of the Order are hereby incorporated by reference as if set forth fully herein.

This Bond may be transferred or exchanged by the Registered Owner hereof upon surrender of this Bond to the Registrar at its principal corporate trust office, accompanied by a written instrument or instruments of transfer in form, with instructions, and with guaranty of signature satisfactory to the Registrar, duly executed by the Registered Owner of this Bond or his attorney-in-fact or legal representative. The Registrar shall enter any transfer of ownership of this Bond in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same maturity and form for the aggregate denominations of the same maturity and for the aggregate amount which the transferee is entitled to receive at the earliest practicable time. The Issuer, the Registrar and the Paying Agent may deem and treat the registered owner hereof as the absolute owner thereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the Issuer, the Registrar and the Paying Agent shall not be affected by any notice to the contrary. All payments made to the Registered Owner of a Bond, as herein provided, shall be valid and effectual to satisfy in full and discharge the liability of the Issuer upon the Bond as paid.

No recourse shall be had for the payment of the principal of or interest on this Bond, or for any claim based hereon or on the Order, against any member, officer or employee, past, present, or future, of the Issuer or of any successor body, as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members, officers or employees is released as a condition of and as consideration for the issuance of this Bond.

The Bonds are not subject to redemption prior to maturity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the laws of the State of West Virginia to exist, to have happened or to have been performed, precedent to or in connection with the issuance of this Bond or in the creation of the debt of which this Bond is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and statutes of the State of West Virginia, including the Act, and that legal provision has been made by the Issuer for the levy and collection of a direct annual tax sufficient in amount to meet the

payment of the interest and principal hereof, which shall have precedence over all other taxes for any purpose whatever, except bond issues heretofore or hereafter authorized and issued under the five percent limitation provided by the Better Schools Amendment of the Constitution of West Virginia, and said tax is levied outside the limits fixed by Section 1, Article X of the Constitution of the State of West Virginia in the manner provided by Sections 8 and 10, Article X of the State Constitution; that said levies do not exceed any constitutional or statutory limitations; and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any statutory or constitutional limitation thereon.

For payment of both principal and interest hereof the full faith and credit and resources of the Issuer are hereby irrevocably pledged within the limitations prescribed by the Constitution and statutes of the State of West Virginia.

The Issuer has covenanted in the Order that it shall include in its budget the amount of the debt service for each fiscal year of the Issuer in which principal and/or interest on the Bonds is payable, that it shall appropriate from its revenues any such sums for the payment of such debt service and that it shall duly and punctually cause to be paid when due, the principal of and interest on the Bonds.

Subject to the registration requirements set forth herein, this Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

The Issuer has caused CUSIP numbers to be printed on the Bonds, and has directed the Paying Agent to use such numbers in notices, if any, as a convenience to bondholders. No representation is made as to the accuracy of such numbers either as printed on the Bonds or as contained in any notice.

This Bond shall not be entitled to any benefit under the Order nor shall it be valid, obligatory or enforceable for any purpose until this Bond shall have been authenticated by the Registrar.

[Remainder of page intentionally left blank]

SPECIMEN

IN WITNESS WHEREOF, THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY has caused this Bond to be duly signed in its name and on its behalf by its President and countersigned by its Secretary and has caused its corporate seal to be hereto affixed in the manner provided in the Order, all as of February 9, 2012.

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

(SEAL)

By: 
President

By: 
Secretary

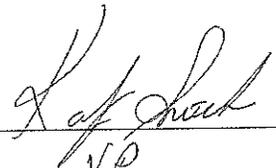
SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Resolution and Order and has been duly registered in the name of the Registered Owner set forth above on the date set forth below.

Dated: February 9, 2012.

UNITED BANK, INC.,
as Registrar

By: 

Its: VP

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____
the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond on the books kept for
registration of the within Bond of the said Issuer with full power of substitution in the premises.

Signature of Assignor

Dated: _____, _____.

SIGNATURE GUARANTEED:

(Bank, Trust Company or Firm)

(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

SPECIMEN

No. R-4

\$2,385,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
PUBLIC SCHOOL REFUNDING BOND,
SERIES 2012

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
2.0%	May 1, 2016	February 9, 2012	084239 FR8

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION THREE HUNDRED EIGHTY FIVE THOUSAND AND 00/100 DOLLARS (\$2,385,000)

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY (West Virginia), a public corporation created and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby acknowledges itself to be indebted and promises to pay to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, upon presentation and surrender hereof, the Principal Amount specified above and to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, at the Interest Rate per annum specified above, semiannually, on May 1 and November 1 in each year, beginning May 1, 2012 (each an "Interest Payment Date"), until maturity. United Bank, Inc., Charleston, West Virginia, has been designated to act in the capacity of registrar and transfer agent for the Bonds (the "Registrar"), and the West Virginia Municipal Bond Commission, Charleston, West Virginia, has been appointed by the Issuer to serve in the capacity of paying agent for the Bonds (the "Paying Agent").

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the Paying Agent to the Registered Owner hereof as of the applicable Record Date (each April 15 and October 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the Paying Agent by notice given to the Registered Owners not less than 10 days prior

to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by the Registrar, or, at the option of any Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Registrar at least 5 days prior to such Record Date. Principal shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia. The Issuer and the Registrar shall not be required to issue or transfer any Bonds during a period beginning with the close of business on the Record Date next preceding any Interest Payment Date and ending at the close of business on such Interest Payment Date.

This Bond is one of a series of bonds of the Issuer designated as "Public School Refunding Bonds, Series 2012" (the "Bonds"), issued by the Issuer in the aggregate principal amount of \$11,570,000. The Bonds are in fully registered form, without coupons, and are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 13, Article 2 of the West Virginia Code of 1931, as amended (the "Act") and a Resolution and Order (the "Order") duly adopted by the Issuer on January 23, 2012, for the purpose of refunding the Issuer's Public School Bonds, Series 2002, currently outstanding in the aggregate principal amount of \$13,620,000 (the "Prior Bonds"). The terms and provisions of the Order are hereby incorporated by reference as if set forth fully herein.

This Bond may be transferred or exchanged by the Registered Owner hereof upon surrender of this Bond to the Registrar at its principal corporate trust office, accompanied by a written instrument or instruments of transfer in form, with instructions, and with guaranty of signature satisfactory to the Registrar, duly executed by the Registered Owner of this Bond or his attorney-in-fact or legal representative. The Registrar shall enter any transfer of ownership of this Bond in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same maturity and form for the aggregate denominations of the same maturity and for the aggregate amount which the transferee is entitled to receive at the earliest practicable time. The Issuer, the Registrar and the Paying Agent may deem and treat the registered owner hereof as the absolute owner thereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the Issuer, the Registrar and the Paying Agent shall not be affected by any notice to the contrary. All payments made to the Registered Owner of a Bond, as herein provided, shall be valid and effectual to satisfy in full and discharge the liability of the Issuer upon the Bond as paid.

No recourse shall be had for the payment of the principal of or interest on this Bond, or for any claim based hereon or on the Order, against any member, officer or employee, past, present, or future, of the Issuer or of any successor body, as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members, officers or employees is released as a condition of and as consideration for the issuance of this Bond.

The Bonds are not subject to redemption prior to maturity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the laws of the State of West Virginia to exist, to have happened or to have been performed, precedent to or in connection with the issuance of this Bond or in the creation of the debt of which this Bond is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and statutes of the State of West Virginia, including the Act, and that legal provision has been made by the Issuer for the levy and collection of a direct annual tax sufficient in amount to meet the

payment of the interest and principal hereof, which shall have precedence over all other taxes for any purpose whatever, except bond issues heretofore or hereafter authorized and issued under the five percent limitation provided by the Better Schools Amendment of the Constitution of West Virginia, and said tax is levied outside the limits fixed by Section 1, Article X of the Constitution of the State of West Virginia in the manner provided by Sections 8 and 10, Article X of the State Constitution; that said levies do not exceed any constitutional or statutory limitations; and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any statutory or constitutional limitation thereon.

For payment of both principal and interest hereof the full faith and credit and resources of the Issuer are hereby irrevocably pledged within the limitations prescribed by the Constitution and statutes of the State of West Virginia.

The Issuer has covenanted in the Order that it shall include in its budget the amount of the debt service for each fiscal year of the Issuer in which principal and/or interest on the Bonds is payable, that it shall appropriate from its revenues any such sums for the payment of such debt service and that it shall duly and punctually cause to be paid when due, the principal of and interest on the Bonds.

Subject to the registration requirements set forth herein, this Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

The Issuer has caused CUSIP numbers to be printed on the Bonds, and has directed the Paying Agent to use such numbers in notices, if any, as a convenience to bondholders. No representation is made as to the accuracy of such numbers either as printed on the Bonds or as contained in any notice.

This Bond shall not be entitled to any benefit under the Order nor shall it be valid, obligatory or enforceable for any purpose until this Bond shall have been authenticated by the Registrar.

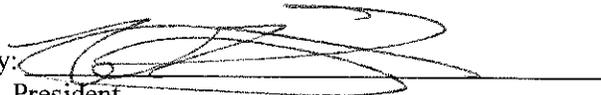
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SPECIMEN

IN WITNESS WHEREOF, THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY has caused this Bond to be duly signed in its name and on its behalf by its President and countersigned by its Secretary and has caused its corporate seal to be hereto affixed in the manner provided in the Order, all as of February 9, 2012.

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

(SEAL)

By: 
President

By: 
Secretary

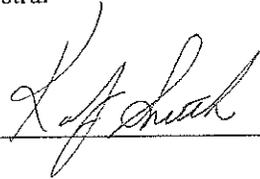
CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Resolution and Order and has been duly registered in the name of the Registered Owner set forth above on the date set forth below.

Dated: February 9, 2012.

UNITED BANK, INC.,
as Registrar

SPECIMEN

By: 

Its: _____

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____
the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond on the books kept for
registration of the within Bond of the said Issuer with full power of substitution in the premises.

Signature of Assignor

Dated: _____, _____.

SIGNATURE GUARANTEED:

(Bank, Trust Company or Firm)

(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.



Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. R-5

SPECIMEN

\$2,430,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
PUBLIC SCHOOL REFUNDING BOND,
SERIES 2012

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
1.10%	May 1, 2017	February 9, 2012	084239 FS6

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION FOUR HUNDRED THIRTY THOUSAND
AND 00/100 DOLLARS (\$2,430,000)

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY (West Virginia), a public corporation created and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby acknowledges itself to be indebted and promises to pay to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, upon presentation and surrender hereof, the Principal Amount specified above and to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, at the Interest Rate per annum specified above, semiannually, on May 1 and November 1 in each year, beginning May 1, 2012 (each an "Interest Payment Date"), until maturity. United Bank, Inc., Charleston, West Virginia, has been designated to act in the capacity of registrar and transfer agent for the Bonds (the "Registrar"), and the West Virginia Municipal Bond Commission, Charleston, West Virginia, has been appointed by the Issuer to serve in the capacity of paying agent for the Bonds (the "Paying Agent").

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the Paying Agent to the Registered Owner hereof as of the applicable Record Date (each April 15 and October 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the Paying Agent by notice given to the Registered Owners not less than 10 days prior

to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by the Registrar, or, at the option of any Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Registrar at least 5 days prior to such Record Date. Principal shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia. The Issuer and the Registrar shall not be required to issue or transfer any Bonds during a period beginning with the close of business on the Record Date next preceding any Interest Payment Date and ending at the close of business on such Interest Payment Date.

This Bond is one of a series of bonds of the Issuer designated as "Public School Refunding Bonds, Series 2012" (the "Bonds"), issued by the Issuer in the aggregate principal amount of \$11,570,000. The Bonds are in fully registered form, without coupons, and are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 13, Article 2 of the West Virginia Code of 1931, as amended (the "Act") and a Resolution and Order (the "Order") duly adopted by the Issuer on January 23, 2012, for the purpose of refunding the Issuer's Public School Bonds, Series 2002, currently outstanding in the aggregate principal amount of \$13,620,000 (the "Prior Bonds"). The terms and provisions of the Order are hereby incorporated by reference as if set forth fully herein.

This Bond may be transferred or exchanged by the Registered Owner hereof upon surrender of this Bond to the Registrar at its principal corporate trust office, accompanied by a written instrument or instruments of transfer in form, with instructions, and with guaranty of signature satisfactory to the Registrar, duly executed by the Registered Owner of this Bond or his attorney-in-fact or legal representative. The Registrar shall enter any transfer of ownership of this Bond in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same maturity and form for the aggregate denominations of the same maturity and for the aggregate amount which the transferee is entitled to receive at the earliest practicable time. The Issuer, the Registrar and the Paying Agent may deem and treat the registered owner hereof as the absolute owner thereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the Issuer, the Registrar and the Paying Agent shall not be affected by any notice to the contrary. All payments made to the Registered Owner of a Bond, as herein provided, shall be valid and effectual to satisfy in full and discharge the liability of the Issuer upon the Bond as paid.

No recourse shall be had for the payment of the principal of or interest on this Bond, or for any claim based hereon or on the Order, against any member, officer or employee, past, present, or future, of the Issuer or of any successor body, as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members, officers or employees is released as a condition of and as consideration for the issuance of this Bond.

The Bonds are not subject to redemption prior to maturity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the laws of the State of West Virginia to exist, to have happened or to have been performed, precedent to or in connection with the issuance of this Bond or in the creation of the debt of which this Bond is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and statutes of the State of West Virginia, including the Act, and that legal provision has been made by the Issuer for the levy and collection of a direct annual tax sufficient in amount to meet the

payment of the interest and principal hereof, which shall have precedence over all other taxes for any purpose whatever, except bond issues heretofore or hereafter authorized and issued under the five percent limitation provided by the Better Schools Amendment of the Constitution of West Virginia, and said tax is levied outside the limits fixed by Section 1, Article X of the Constitution of the State of West Virginia in the manner provided by Sections 8 and 10, Article X of the State Constitution; that said levies do not exceed any constitutional or statutory limitations; and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any statutory or constitutional limitation thereon.

For payment of both principal and interest hereof the full faith and credit and resources of the Issuer are hereby irrevocably pledged within the limitations prescribed by the Constitution and statutes of the State of West Virginia.

The Issuer has covenanted in the Order that it shall include in its budget the amount of the debt service for each fiscal year of the Issuer in which principal and/or interest on the Bonds is payable, that it shall appropriate from its revenues any such sums for the payment of such debt service and that it shall duly and punctually cause to be paid when due, the principal of and interest on the Bonds.

Subject to the registration requirements set forth herein, this Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

The Issuer has caused CUSIP numbers to be printed on the Bonds, and has directed the Paying Agent to use such numbers in notices, if any, as a convenience to bondholders. No representation is made as to the accuracy of such numbers either as printed on the Bonds or as contained in any notice.

This Bond shall not be entitled to any benefit under the Order nor shall it be valid, obligatory or enforceable for any purpose until this Bond shall have been authenticated by the Registrar.

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SPECIMEN

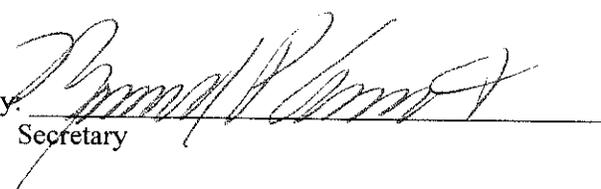
IN WITNESS WHEREOF, THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY has caused this Bond to be duly signed in its name and on its behalf by its President and countersigned by its Secretary and has caused its corporate seal to be hereto affixed in the manner provided in the Order, all as of February 9, 2012.

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

(SEAL)

By: 

President

By: 

Secretary

SPECIMEN

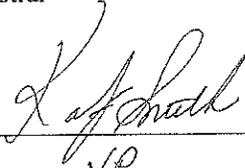
CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Resolution and Order and has been duly registered in the name of the Registered Owner set forth above on the date set forth below.

Dated: February 9, 2012.

UNITED BANK, INC.,
as Registrar

By: _____



Its: _____

VP

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____
the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond on the books kept for
registration of the within Bond of the said Issuer with full power of substitution in the premises.

Signature of Assignor

Dated: _____, _____.

SIGNATURE GUARANTEED:

(Bank, Trust Company or Firm)

(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

\$11,570,000
The Board of Education of
The County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012

CERTIFICATE OF DETERMINATIONS

The undersigned, President of The Board of Education of the County of Berkeley, West Virginia (the "Board"), in accordance with a Resolution and Order adopted by the Board on January 23, 2012 (the "Order"), with respect to the \$11,570,000 The Board Of Education of the County of Berkeley, Public School Refunding Bonds, Series 2012 (the "Bonds"), hereby finds and determines as follows:

1. He is an Authorized Officer within the meaning of the Order.
2. The Bonds shall be dated February 9, 2012 or as soon thereafter as an Authorizes Officer shall deem it prudent to close on the issuance of the Bonds in consultation with counsel.
3. The Bonds shall be issued in the aggregate principal amount of \$11,570,000.
4. Such principal amount does not exceed \$12,500,000, being the maximum principal amount authorized by the Order.
5. The Bonds shall mature in the amounts and on the dates and shall bear interest at the rates and produce the yields set forth on Schedule 1 attached hereto and incorporated herein, which rates do not exceed five percent (5.0%) per annum. Interest shall be payable on the Bonds semiannually on each May 1 and November 1, beginning on November 1, 2012 and in each year until maturity.
6. The Bonds shall not be subject to optional redemption.
7. The Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Board, at an aggregate purchase price of \$11,805,506.30 (representing par value, less an underwriting discount of \$92,560, plus a net original issue premium of \$328,066.30 (consisting of a gross reoffering premium of \$346,485.70 less original issue discount in the amount of \$18,419.40).
8. The proceeds of the Bonds and the funds on deposit with the West Virginia Municipal Bond Commission (the "Bond Commission") as the paying agent for the Board's outstanding Public School Bonds, Series 2002, dated February 1, 2002, issued in the original aggregate principal amount of \$27,800,000 (the "Series 2002 Bonds") shall be applied as set forth on Schedule 2 attached hereto and incorporated herein, including any additional determinations deemed necessary by the President of the Board.
9. The form of the Bond Purchase Agreement which is attached hereto as Exhibit 1 is hereby approved, with such amendments as may be approved by an Authorized Officer (as defined in the Order), the execution and delivery thereof by an Authorized Officer being conclusive evidence of the approval of any such amendments. The Authorized Officers are hereby authorized to execute and deliver the Bond Purchase Agreement in connection with the issuance of the Bonds.

10. The form of the Escrow Agreement which is attached hereto as Exhibit 2 is hereby approved, with such amendments as may be approved by an Authorized Officer, the execution and delivery thereof by an Authorized Officer being conclusive evidence of the approval of any such amendments. The Authorized Officers are hereby authorized to execute and deliver the Escrow Agreement in connection with the issuance of the Bonds.

11. The form of the Continuing Disclosure Agreement which is attached hereto as Exhibit 3 is hereby approved, with such amendments as may be approved by an Authorized Officer, the execution and delivery thereof by an Authorized Officer being conclusive evidence of the approval of any such amendments. The Authorized Officers are hereby authorized to execute and deliver the Escrow Agreement in connection with the issuance of the Bonds.

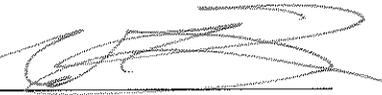
12. The Preliminary Official Statement of the Board dated January 24, 2012, is hereby ratified and deemed final within the meaning of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, with such changes, omissions, insertions and revisions as the Authorized Officer shall deem advisable. Such signature to evidence approval thereof.

[Remainder of Page Intentionally Blank]

The undersigned hereby certifies that the foregoing terms and conditions of the Bonds are within the limitations prescribed by the Order, and the Bonds may be issued with such terms and conditions as authorized by the Order.

WITNESS my signature this day of January 26, 2012.

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

By: 
Its: President of the Board

Schedule 1

Maturities

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u>
05/01/2013	\$2,165,000	2.00%	.550%	084239 FN7
05/01/2014	2,270,000	2.00	.700	084239 FP2
05/01/2015	2,320,000	3.00	.900	084239 FZ0
05/01/2016	2,385,000	2.00	1.100	084239 FR8
05/01/2017	2,430,000	1.10	1.25	084239 FS6

Schedule 2

Application of Bond Proceeds and Funds on Deposit with Bond Commission.

Sources of Funds:

Par Amount of Bonds	\$11,570,000
Reoffering Premium	\$ 328,066.30
Transfers from Debt Service Account and Surplus Collections Account for Series 2002 Bonds	<u>\$2,336,832.50</u>
Total Sources	<u>\$14,234,898.80</u>

Total Uses of Funds:

Deposit to Escrow Fund	\$14,057,882.50
Underwriting Discount	\$ 92,560.00
Costs of Issuance	\$ 83,409.68
Rounding Amount	\$ 1,046.62
Total Uses	<u>\$14,234,898.80</u>

EXHIBIT 1

[Form of Bond Purchase Agreement]
(See Bond Transcript Document No. 18)

EXHIBIT 2

[Form of Escrow Agreement]
(See Bond Transcript Document No. 16)

EXHIBIT 3

[Form of Continuing Disclosure Agreement]
(See Bond Transcript Document No. 19)

General Certificate of Issuer

\$11,570,000

**THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012**

**GENERAL CERTIFICATE OF THE BOARD OF EDUCATION
OF THE COUNTY OF BERKELEY ON:**

1. TERMS
2. NO LITIGATION
3. SALE OF BONDS; SIGNATURES
4. DELIVERY AND PAYMENT
5. CERTIFICATION OF BOND DOCUMENTS
6. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
7. MEETINGS, ETC.
8. INCUMBENCY AND OFFICIAL NAME
9. DEPOSIT OF FUNDS IN ESCROW FUND AND DEFEASANCE OF PRIOR BONDS
10. DESIGNATION OF REGISTRAR, PAYING AGENT AND ESCROW AGENT
11. CERTIFICATIONS PURSUANT TO PARAGRAPH 6(c)(5) OF THE BOND PURCHASE AGREEMENT
12. SPECIMEN BOND
13. CONTINUING DISCLOSURE AGREEMENT

The undersigned PRESIDENT and the undersigned SECRETARY of The Board of Education of the County of Berkeley (the "Issuer"), a public corporation of the State of West Virginia (the "State"), HEREBY CERTIFY, for and on behalf of the Issuer, to Crews & Associates, Inc., as original purchaser (the "Purchaser") from the Issuer of the above-captioned bond issue, Steptoe & Johnson PLLC, as bond counsel to the Issuer, and other interested parties as follows, jointly unless otherwise stated, all capitalized terms not otherwise defined herein to have the meanings given in the Resolution, herein defined:

1. TERMS: Except as otherwise provided, all capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meanings as in the Resolution and Order of the Issuer adopted January 23, 2012 (the "Resolution").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining, or affecting in any manner the issuance, sale and delivery of the Bonds or the collection of the ad valorem tax levies or the pledge thereof to the payment of the principal of and interest on the Bonds, nor in any manner questioning the proceedings and authority by which the Issuer authorized the issuance, sale and delivery of the Bonds nor in any manner affecting the validity or enforceability of the Bonds, the Resolution, the Escrow Agreement, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Preliminary Official Statement, the Official Statement or any other agreement or instrument relating thereto (collectively, the "Bond Documents"), the sale of the Bonds, the Refunding of the Prior Bonds, herein defined, the creation of the Escrow Fund or any provisions made or

authorized for the payment of the Bonds; nor in any manner questioning the valid existence of the Issuer or the authority or titles of the President, Secretary and the members of the Board and other officials of the Issuer to their respective offices; nor in any manner questioning any proceeding, procedure, action or thing followed, taken or done in connection with the authorization, sale and delivery of the Bonds; nor wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Issuer or adversely affect the power of the Issuer to levy, collect and enforce the collection of taxes or other revenues for the payment of the Bonds.

3. SALE OF BONDS; SIGNATURES: The Bonds were sold to the Purchaser, upon a negotiated basis at a price equal to the par amount of \$11,570,000, plus a net reoffering premium in the amount of \$328,066.30, less an underwriting discount of \$92,560 (total purchase price of \$11,805,506.30). As of the date hereof, the Bonds were duly signed by the manual signature of the President and countersigned by the manual signature of the Secretary, and the official seal of the Issuer, which seal is impressed upon this Certificate, was affixed thereto.

4. DELIVERY AND PAYMENT: The undersigned President did, on the date hereof, deliver to the Purchaser, through The Depository Trust Company, in New York, New York, the entire issue of the Bonds, in denominations equal to the principal amounts maturing May 1, in each of the years 2013 to 2017, and numbered R-1 to R-5, inclusive.

At the time of delivery of the Bonds, there was paid to the Issuer the agreed price therefor as follows:

Par Amount.....	\$11,570,000.00
Plus: Reoffering Premium	328,066.30
Less: Underwriter's Discount.....	<u>(92,560.00)</u>
 TOTAL RECEIVED	 <u>\$11,805,506.30</u>

5. CERTIFICATION OF BOND DOCUMENTS: There are delivered herewith true and correct copies of the following documents, all which remain in full force and effect and have not been amended, modified, supplemented or repealed unless changed by the terms of other documents listed below:

Parameters Resolution and Order

Cross-Receipt for Bonds and Bond Proceeds

Direction to Authenticate and Deliver Bonds

Certificate of Determinations

Tax and Non-Arbitrage Certificate of the Issuer

Joint Certificate of Issuer and Escrow Agent on Sufficiency of Escrow Fund
And Discharge of Lien of Prior Bonds

Escrow Agreement

Bond Purchase Agreement
Continuing Disclosure Agreement

Preliminary Official Statement

Official Statement

S&P Rating Letter

DTC Blanket Letter of Representations

Minutes on Adoption of: (i) Preliminary Resolution, and (ii) Parameters
Resolution and Order (Meetings of December 19, 2011 and January 23, 2012)

IRS Information Return (Form 8038-G) and Letter of Transmittal

Accountants' Report Regarding Sufficiency of Escrow Fund and Debt
Service Savings

6. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since June 30, 2011. On the date hereof, the Issuer has defeased the lien of The Board of Education of the County of Berkeley Public School Bonds, Series 2002 (the "Prior Bonds"), on the ad valorem property taxes of the Berkeley County School District. Accordingly, with the exception of the Board's outstanding Public School Bonds, Series 2010, dated February 17, 2010, issued in the original aggregate principal amount of \$51,500,000 (the "Series 2010 Bonds"), which Series 2010 Bonds are on a parity as to lien on, source of and security for payment with the Bonds, as of the date hereof, has no outstanding obligations which have a lien on such tax revenues prior to or on a parity with that of the Bonds. Thus, with the exception of the Series 2010 Bonds, as of the date hereof, there is not any indebtedness or obligation of the Issuer outstanding and unpaid or for which full and irrevocable provision for payment has not been made which has priority over or ranks on a parity with the Bonds as to the sources of and security for payment.

7. MEETINGS, ETC.: All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds or the refunding of the Prior Bonds were authorized or adopted at meetings of the Board of the Issuer duly and regularly called and held pursuant to all applicable statutes, including Chapter 6, Article 9A of the Official West Virginia Code of 1931, as amended, and a quorum of duly elected, qualified and acting members of the Issuer was present and acting at all times during all such meetings.

8. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "The Board of Education of the County of Berkeley" and it is a public corporation of the State of West Virginia, in Berkeley County of said state. The governing body of the Issuer consists of five members. The names and dates of commencement and termination of current terms of office of the members of the Issuer are as follows:

<u>Name and Office</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Dr. William F. Queen - President and Member	July 1, 2008	June 30, 2012
Todd M. Beckwith - Member	July 1, 2010	June 30, 2014
James R. Gray - Member	July 1, 2008	June 30, 2011
Dr. Darin L. Gilpin - Member	July 1, 2010	June 30, 2014

The duly appointed and acting Superintendent of Schools and Board Secretary is Manuel P. Arvon, II. The duly appointed and acting counsel to the Board is Laura Sutton, Esq.

9. DEPOSIT OF FUNDS IN ESCROW FUND AND DEFEASANCE OF PRIOR BONDS: The funds on deposit in the Escrow Fund established by the Escrow Agreement by and between the Issuer and the West Virginia Municipal Bond Commission, as Escrow Agent, dated as of February 9, 2012, have been deposited as provided in the Escrow Agreement and the amount of such deposited funds is sufficient to pay the principal of and the interest on the Prior Bonds on the respective maturities and interest payment dates thereof and, on May 1, 2012, to pay the redemption price of the Bonds. Accordingly, the Prior Bonds have been discharged and the lien of the Resolution authorizing the Prior Bonds has been discharged as of the date hereof.

10. DESIGNATION OF REGISTRAR, PAYING AGENT AND ESCROW AGENT: The Issuer hereby confirms the appointment of United Bank, Inc., Charleston, West Virginia, as Registrar and The West Virginia Municipal Bond Commission as Paying Agent and Escrow Agent.

11. CERTIFICATIONS PURSUANT TO PARAGRAPH 6(c)(5) OF THE BOND PURCHASE AGREEMENT: In addition to the foregoing, the undersigned hereby certify, as follows:

(i) the Board has duly performed all of its obligations to be performed at or prior to the Closing and that each of the Board's representations and warranties contained in the Bond Purchase Agreement are true as of Closing;

(ii) the Board has authorized, by all necessary action the execution, delivery, receipt and due performance of the Bonds, the Undertaking, the Resolution, the Escrow Agreement and any and all such other agreements and documents as may be required to be executed, delivered and received by the Board in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement;

(iii) to the Board's knowledge no litigation is pending, or to the Board's knowledge threatened, to restrain or enjoin the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds or the Resolution; and

(iv) the execution, delivery, receipt and due performance of the Bonds, the Undertaking, the Resolution and the other agreements contemplated hereby and by the Official Statement under the circumstances contemplated thereby and the Board's compliance with the provisions thereof will not conflict with or constitute on the Board's part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which the Board is subject or by which the Board is or may be bound.

12. SPECIMEN BOND: Delivered concurrently herewith is a true and accurate specimen of the Bonds.

13. CONTINUING DISCLOSURE AGREEMENT: The Board is obligated by the Continuing Disclosure Agreement to comply with the continuing disclosure requirements of Rule 15c2-12(b)(5). The Board is in compliance with its previous continuing disclosure agreements with the exception that the Board failed to file the annual financial information for Fiscal Year 2005 in a timely fashion, which filing was made on January 13, 2010.

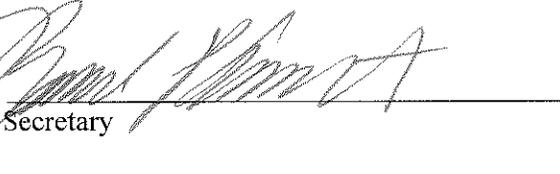
WITNESS our signatures on this February 9, 2012.

THE BOARD OF EDUCATION OF THE
COUNTY OF BERKELEY

[SEAL]

By: 

President

By: 

Secretary

Tax and Arbitrage Certificate

\$11,570,000
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

TAX AND ARBITRAGE CERTIFICATE

The undersigned, PRESIDENT and the undersigned SUPERINTENDENT and SECRETARY of The Board of Education of the County of Berkeley, West Virginia (the "Issuer"), being officials of the Issuer duly charged with the responsibility for the issuance of the **\$11,570,000** Public School Refunding Bonds, Series 2012, of the Issuer, dated February 9, 2012 (the "Bonds"), hereby certify as follows, jointly, unless otherwise stated, and all capitalized terms used herein and not otherwise defined to have the meanings ascribed thereto in the Resolution and Order adopted by the Issuer on January 23, 2012 (the "Resolution"), pursuant to which the Bonds are issued:

A. DEFINITIONS

In addition to the terms defined in the Resolution, the following words and phrases shall have the following meanings when used herein:

"**Bona Fide Debt Service Fund**" shall mean a fund which may include proceeds of an issue, that:

(a) Is used primarily to achieve a proper matching of revenues with principal and interest payments within each Bond Year; and

(b) Is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of:

(i) the earnings on the fund for the immediately preceding bond year; or

(ii) one-twelfth (1/12th) of the principal and interest payments on the issue for the immediately preceding Bond Year.

"**Bond Commission**" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia which succeeds to the functions of the Bond Commission.

"**Bond Year**" means the one-year periods during the term of the Bonds beginning on the first day of May of any calendar year and ending on the last day of April of the succeeding calendar year, provided, that the first Bond Year shall begin on the Date of Issue of the Bonds and end on April 30, 2012.

"**Bond Yield**" means the yield of the Bonds, calculated in accordance with the provisions of Section 1.148-4 of the Regulations.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"Computation Date" means each Installment Computation Date and the Final Computation Date.

"Computation Date Credit" means \$1,000.00. Only one Computation Date Credit for each Computation Date is permitted for the Bonds.

"Costs of Issuance" means all costs incurred in connection with the borrowing. Examples of costs of issuance include (but are not limited to):

- (a) Underwriter's Discount;
- (b) counsel fees (including Bond Counsel, Underwriter's Counsel, Issuer's Counsel, and any other specialized counsel fees incurred in connection with the issuance of the Bonds);
- (c) financial advisor and placement agent fees incurred in connection with the issuance of the Bonds;
- (d) paying agent, disbursement agent, and registrar and authenticating agent fees related to issuance of the Bonds;
- (e) accountant fees related to verification of yield and other matters in connection with issuance of the Bonds;
- (f) printing costs (for the Bonds and of preliminary and final offering materials); and
- (g) costs incurred in connection with any required public approval process (e.g., publication costs for public notices generally and costs of the public hearing or voter referendum).

"Date of Issue" means February 9, 2012.

"Debt Service Account" means the fund described in Section D(4) hereof.

"Discharged" means with respect to any Bond, the date on which all amounts due with respect to such Bond are actually and unconditionally due if cash is available at the place of payment and no interest accrues with respect to the Bond after such date.

"Fair Market Value" of an Investment means as follows:

- (a) In General. Except as specifically otherwise provided below, the Fair Market Value of an Investment is the price at which a willing buyer would purchase the Investment from a willing seller in a bona fide arm's length transaction. The Fair Market Value of an Investment that is purchased directly from the United States Treasury is its purchase price.
- (b) Investment Contracts. The purchase price of a guaranteed investment contract is treated as its Fair Market Value on the purchase date if -

- (i) The Issuer makes a bona fide solicitation for a specified guaranteed investment contract and receives at least three (3) bona fide bids from providers that have no material financial interest in the issue (e.g. as underwriters or brokers);
 - (ii) The Issuer purchases the highest yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees);
 - (iii) The yield on the guaranteed investment contract (determined net of broker's fees) is not less than the yield then available from the provider on reasonably comparable guaranteed investment contracts, if any, offered to persons from a source of funds other than gross proceeds of tax exempt bonds;
 - (iv) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the Issuer's reasonably expected draw down schedule for the amounts to be invested, exclusive of amounts deposited in debt service funds and reasonably required reserve or replacement funds;
 - (v) The terms of the guaranteed investment contract, including collateral security requirements, are reasonable; and
 - (vi) The obligor on the guaranteed investment contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the guaranteed investment contract.
- (c) Certificates of Deposit. The Fair Market Value of a certificate of deposit is its purchase price if it has a fixed rate of interest, a fixed payment schedule, and a substantial penalty for early withdrawal and the yield on the certificate of deposit is not less than (1) the yield on comparable direct obligations of the United States, and (2) the highest yield published or posted by the provider to be currently available on reasonably comparable certificates of deposit.

"**Final Computation Date**" means the date on which the last Bond is Discharged.

"**Future Value**" means the amount determined by using the following formula:

$$FV = PV(1+i)^n$$

where:

FV = The future value of the nonpurpose receipt or payment at the end of the interval. Each interval ends on the last day of a compounding interval. The compounding interval is the same compounding interval used in computing the Bond Yield.

PV = The future value of the nonpurpose receipt or payment at the beginning of the interval, or the amount thereof if the computation is for the first interval. The first interval begins on the date the nonpurpose receipt or payment is actually or constructively received or paid (or otherwise is taken into account). The amount of every nonpurpose receipt and payment with respect to an issue that is taken into account at the beginning of the first interval may be rounded to the nearest whole dollar. The preceding sentence shall not apply to receipts and payments with respect to investments in a restricted escrow within the meaning of Section 1.148-8(g) of the Regulations.

i = The Bond Yield during the interval (expressed as a decimal) divided by the number of compounding intervals in a year.

n = A fraction, the numerator of which is the length of the interval and the denominator of which is the length of a whole compounding interval.

"**Gross Proceeds**" means Proceeds and Replacement Proceeds of the Bonds within the meaning of the Regulations.

"**Installment Computation Date**" means the last day of the fifth Bond Year and each succeeding fifth Bond Year.

"**Investment**" means any security, obligation, annuity contract, or investment type property as defined in section 148(b) of the Code.

"**Investment Proceeds**" means any amounts actually or constructively received from investing Proceeds of an issue of bonds.

"**IRS**" means the Internal Revenue Service.

"**Issue Price**" means \$11,898,066.30, being the initial offering price to the public at which price a substantial amount of the Bonds is sold, plus interest accrued thereon from the date thereof to the date of delivery thereof. For this purpose, ten percent (10%) is a substantial amount, and the term "the public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers. The Issue Price generally is the first price at which the Bonds are sold to the public, and the issue price will not change if part of the issue is subsequently sold at a different price. The Issue Price of bonds that are not substantially identical is determined separately. The Issue Price of a bond issue for which a bona fide public offering is made is determined as of the sale date based on reasonable expectations regarding the initial public offering price. The Issue Price of the Bonds may not exceed their fair market value as of the sale date. The "issue price" of the Bonds for purposes of IRS Form 8038-G, based upon the price paid to the Issuer, is \$11,898,066.30.

"**Net Sale Proceeds**" means Sale Proceeds less the amount of those proceeds invested in a reasonably required reserve or replacement fund under section 148(d) of the Code and as part of a minor portion under section 148(e) of the Code.

"**Nonpurpose Investment**" means any Investment that is not acquired to carry out the governmental purpose of an issue.

"**Payment**" means a payment as defined in section 1.148-3(d) of the Regulations for purposes of computing the rebate amount, and a payment as defined in section 1.148-5(b) of the Regulations for purposes of computing the yield on an investment.

"**Present Value**" means the amount determined by using the following formula:

$$PV = \frac{FV}{(1+i)^n}$$

where i equals the discount rate divided by the number of compounding intervals in a year and n equals the sum of (i) the number of whole compounding intervals for the period ending on the date as of which the Future

Value is determined and (ii) a fraction the numerator of which is the length of any short compounding interval during such period and the denominator of which is the length of a whole compounding interval.

"Present Value of an Investment" shall mean the value of an investment computed under the economic accrual method; using the same compounding interval and financial conventions used to compute the yield on the Bonds. On any valuation date, the Present Value of an Investment is equal to the Present Value of all unconditionally payable receipts to be received from the payments to be paid for the investment after that date, using the Yield on the Investment as the discount rate.

"Prior Bonds" means the Issuer's Public School Bonds, Series 2002, dated February 1, 2002, issued in the original aggregate principal amount of \$27,800,000.

"Proceeds" means Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue of bonds. Proceeds do not include amounts that are actually or constructively received that with respect to an investment that is acquired for the governmental purpose of an issue that are properly allocable to the immaterially higher yield under section 1.148-2(d) of the Regulations or section 143(g) of the Code or to qualified administrative cost recoverable under section 1.148-5(e).

"Rebate Amount" means, in respect of the Bonds, the amount determined pursuant to the Code and Regulations in accordance with section E hereof. Generally, under the Regulations, the rebate amount, as of any date, equals the excess of the Future Value of all Receipts with respect to Nonpurpose Investments allocated to the Gross Proceeds of the Bonds over the Future Value of all the Payments with respect to such Nonpurpose Investments computed in accordance with the Regulations.

"Rebate Analyst" means the entity or person chosen by the Issuer in accordance with Section E(8) hereof to determine the Rebate Amounts.

"Rebate Fund" means the fund created by the Issuer herein by that name.

"Rebate Payment Date" means the date following a Computation Date on which the Rebate Amount is mailed or otherwise filed with the IRS. The Rebate Payment Date cannot be a date which is more than 60 days after a Computation Date.

"Receipt" means a receipt as defined in section 1.148-3(d) of the Regulations for purposes of computing the Rebate Amount, and a receipt as defined in section 1.148-5(b) for purposes of computing Yield on an Investment.

"Regulation" or **"Regulations"** means the temporary, proposed or final Income Tax Regulations promulgated by the Department of the Treasury that are applicable to the Bonds.

"Replacement Proceeds" means amounts that are treated as replacement proceeds of an issue of bonds under section 1.148-1(c) of the Regulations. Generally, amounts are Replacement Proceeds of an issue if the amounts have a sufficiently direct nexus to the governmental purpose of the issue to conclude that the amounts would have been used for that governmental purpose if the proceeds of the issue were not used or to be used for that governmental purpose. Replacement Proceeds include, but are not limited to, sinking funds or pledged funds to the extent that those funds are held by or derived from a substantial beneficiary of the issue (which, for this purpose includes the issuer and any related party to the issuer).

"Sale Proceeds" means amounts actually or constructively received from the sale of an issue of bonds (including amounts used to pay underwriter's discount and compensation and accrued interest other than pre-issuance accrued interest).

"SLGS" means United States Treasury Obligations, State and Local Government Series.

"**Tax-Exempt Bond**" means any tax-exempt bond within the meaning of section 103 of the Code and section 1.150-1 of the Regulations that is not investment property within the meaning of section 148(b)(3) of the Code.

"**Transferred Proceeds**" means Proceeds of a prior issue of bonds that have ceased to be allocated to that prior issue and are treated as Proceeds of a refunding issue under section 1.148-9 of the Regulations.

"**Transferred Proceeds of the Bonds**" means amounts that have ceased to be allocated to the Prior Bonds and are treated as Transferred Proceeds of the Bonds.

"**Underwriter**" means Crews & Associates, Inc., Morgantown, West Virginia.

"**Universal Cap**" means the maximum value of Nonpurpose Investments which may be allocated to the Bonds under section 1.148-6 of the Regulations and is determined by reference to the Value of all outstanding Bonds of the issue. For purposes of this determination Nonpurpose Investments include cash, Tax-Exempt Bonds (i.e., any tax-exempt bond that is not investment property under section 148(b)(3) of the Code), qualified mortgage loans, and qualified student loans.

"**Valuation Date**" means the date on which the value of the Universal Cap and the Nonpurpose Investments allocable to the Bonds thereunder must be determined under section 1.148-6 of the Regulations. In general, beginning with the first Bond Year beginning after the second year anniversary of the Issue Date, the first day of each Bond Year constitutes a Valuation Date. In addition, the Regulations provide with respect to a refunded issue (e.g., the Prior Bonds) and a refunding issue (i.e., the Bonds) each date on which proceeds of the refunded issue would become transferred proceeds of the refunding issue, e.g., each date on which principal of the refunded issue is paid with proceeds of the refunding bonds, constitutes a Valuation Date.

"**Value of a Bond**" means the value of a bond determined under section 1.148-4(e) of the Regulations. Under those Regulations, value generally means:

(a) In the case of a plain par bond (within the meaning of section 1.148-1(b) of the Regulations), its outstanding stated principal amount, plus accrued unpaid interest or in the case of a plain par bond actually redeemed, or that is treated as redeemed, its stated redemption price on the redemption date plus accrued unpaid interest; and

(b) In the case of a bond other than a plain par bond, the value on a date of such a bond is generally its Present Value on that date, using the yield on the issue of which the bonds are a part as the discount factor. In determining the Present Value of a variable rate bond, the initial interest rate on the bond established by the index or other rate setting mechanism is used to determine the interest payments on that bond.

"**Value of an Investment**" means the value of an investment determined under section 1.148-5(d) of the Regulations. Under those Regulations, value as of any date generally means, for any fixed rate investment (within the meaning of section 1.148-1(b) of the Regulations) or Yield Restricted Investment, Present Value on that date, and for any plain par investment (within the meaning of section 1.148-1(b) of the Regulations), the outstanding stated principal amount, plus accrued unpaid interest, as of that date.

"Yield" or "yield" means the yield computed under section 1.148-4 of the Regulations for the Bonds, and the yield computed under Section 1.148-5 of the Regulations for an Investment.

"Yield Restricted Investments" means any Investments which either (1) bear a yield that is no greater than the Bond Yield, or (2) are investments in one or more Tax-Exempt Bonds.

B. GENERAL

1. This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (the "Code"). We are officers of the Issuer charged with the responsibility of issuing the Bonds. We are familiar with the facts, circumstances, and estimates herein certified and are duly authorized to execute and deliver this certificate on behalf of the Issuer.

2. This certificate may be relied upon as the certificate of the Issuer.

3. The Issuer has not been notified by the Internal Revenue Service of any listing or proposed listing of it as an issuer the certification of which may not be relied upon by holders of their respective obligations or that there is any disqualification thereof by the Internal Revenue Service because a certification made by it contains a material misrepresentation.

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on February 9, 2012, the date on which the Bonds are to be physically delivered in exchange for the issue price thereof, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

5. The Issuer has covenanted in the Resolution that it will not permit at any time or times any of the proceeds of the Bonds or any funds of the Issuer to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

6. The Issuer is a governmental unit and has general taxing powers; no Bonds are private activity bonds; 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer).

7. The Bonds were sold and delivered on February 9, 2012, to Crews & Associates, Inc., Morgantown, West Virginia (the "Original Purchaser") for a purchase price of **\$11,805,506.30** (representing the Issue Price of **\$11,898,066.30** less an underwriting discount in the amount of **\$92,560**).

8. The Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of providing moneys necessary (i) to currently refund the Prior Bonds to their first redemption date, being May 1, 2012, and (ii) to pay costs of issuance of the Bonds and related costs. The purpose of the refunding is to achieve present value debt service savings and to make available to the Issuer accumulated tax levy moneys and earnings thereon relating to the Prior Bonds ("Surplus Funds"), which will be released to the Issuer as described in Section C(3).

9. The Prior Bonds were issued for the purposes of (i) providing funds to pay costs of acquisition, construction and equipping of new public school facilities in the Berkeley County School District (the "District") and to pay costs of capital improvements, repairs or and improvements to existing public school facilities in the District, which improvements and facilities, together with the location thereof, are described in the bond election order adopted by the Issuer on October 16, 2001, in connection with the issuance of the Prior

Bonds and (ii) paying costs of issuance of the Prior Bonds, and the Proceeds of the Prior Bonds were applied for such purposes.

10. The face amount of the Bonds is **\$11,570,000**. The sources and uses of proceeds of the Bonds and certain funds on deposit with the Bond Commission in connection with the Prior Bonds is as follows:

Sources

Par amount of Bonds	\$11,570,000.00
Net original issue premium.....	328,066.30
Amounts transferred from	
Bond Commission	
(Prior Bonds Debt Service Account and Surplus Collections Account).....	2,336,832.50
Amounts transferred from	
Bond Commission	
(Prior Bonds Surplus Collections Account).....	<u>900,000.00</u>
 Total Sources	 <u>\$15,134,898.80</u>

Uses

Escrow Fund deposit	
(from Bond proceeds)	\$11,721,050.00
Escrow Fund deposit	
(from Prior Bonds Debt Service Account and Surplus Collections Account)...	2,336,832.50
Prior Bonds Surplus Collections Account Release to Board	
For Application to Projects Approved in Connection with Prior Bonds	900,000.00
Underwriter's Discount	92,560.00
Rounding Amount	1,046.62
Costs of Issuance	<u>83,409.68</u>
 Total Uses	 <u>\$15,134,898.80</u>

11. The Underwriter has stated, in its certificate, a copy of which is attached hereto as **EXHIBIT A - UNDERWRITER'S CERTIFICATE** (the "Underwriter's Certificate") that all of the Bonds have been purchased directly by it at the initial offering prices set forth in the Official Statement relating to the Bonds, dated January 26, 2012. The computation of the yield on the Bonds has been determined by the Underwriter using the present value method in accordance with Section 1.148-4 of the Regulations using a 360-day year, compounding interest semiannually. The yield on the Bonds, as so computed, has been determined by the Underwriter to be **1.0154%**, based on a "purchase price" equal to the Issue Price for the Bonds. As stated in the Underwriter's Certificate, the Underwriter has calculated the weighted average maturity of the Bonds to be **3.274** years.

C. THE REFUNDING

1. The Issuer has entered into an Escrow Agreement (the "Escrow Agreement"), dated February 9, 2012, by and between the Issuer and the Bond Commission, as Escrow Agent. The Issuer and the Escrow Agent will cause Bond proceeds in the amount of **\$11,721,050.00**, together with funds on deposit with the Bond Commission in the Debt Service Account and Surplus Collections Account in the amount of

\$2,336,832.50 (total of **\$14,057,882.50**) to be deposited in the Escrow Fund, and thereupon **\$14,057,882** to be applied to the purchase of the SLGS from the United States Treasury Department and to hold the remaining **\$.50** as cash, uninvested, in the Escrow Fund. The yield on the Escrow Fund will not exceed the yield on the Bonds.

2. Proceeds of the Bonds in the amount of **\$83,409.68** shall, within 30 days of the Closing Date, be applied to payment of Costs of Issuance of the Bonds.

3. **\$900,000** from funds on deposit with the Bond Commission in the Surplus Collection Account for the Prior Bonds will, on the Closing Date, be withdrawn by the Issuer and deposited with a commercial bank eligible to receive such deposits, and applied solely by the Issuer to costs of capital improvements, repairs or replacements for those school facilities described in the bond election order adopted by the Issuer in connection with the issuance of the Prior Bonds, no later than February 9, 2013. Such amount shall be subject to rebate until expended.

4. Concurrently with the delivery of the Bonds, the balance of moneys then remaining in the Debt Service Account and the Surplus Collection Account for the Prior Bonds at the Bond Commission (approximately **\$569,168.42**) will be transferred by the Bond Commission to a Special Surplus Account established at the Bond Commission.

5. The funds in the Special Surplus Account will be available, if needed, to pay the principal of and interest on the Bonds and shall not be used for any other purpose until May 15, 2013. On or after May 15, 2013, the Issuer shall review the balances in the Debt Service Account for the Bonds and in the Special Surplus Account, and, upon determination in writing by the Issuer that sufficient reserves are on hand at the Bond Commission, the Issuer may withdraw a portion of the funds then remaining in the Special Surplus Account so as to leave a balance of not less than \$284,584.21. On or after May 15, 2013, the Board shall again review the balances in the Debt Service Account for the Bonds and in the Surplus Collections Account, and upon determination in writing by the Board that sufficient funds are on hand at the Bond Commission, the Board may withdraw all or any portion of the funds then remaining in the Special Surplus Account. All such funds withdrawn from the Special Surplus Account shall be applied solely by the Issuer to costs of capital improvements, repairs or replacements for those school facilities described in the bond election order adopted by the Issuer in connection with the issuance of the Prior Bonds. Each withdrawal request of the Issuer shall be specifically authorized by resolution of the Issuer. All funds released from the Special Surplus Account will be expended for their governmental purpose within 6 months from the date of such release. The Special Surplus Account shall be closed by the Bond Commission when all the funds therein have been withdrawn or used to pay debt service.

D. THE BONDS

1. The principal amounts, interest rates, yields, purchase price and CUSIP numbers with respect to the Bonds are set forth in **EXHIBIT B** attached hereto.

2. Using the initial offering price of the Bonds as the "purchase price", the yield on the Bonds has been computed by the Underwriter to be **1.0154%** (the "Bond Yield").

3. A Debt Service Account for the Bonds is established by the Bond Commission. Moneys deposited to the Debt Service Account, including subsequent deposits thereto, will be spent within a 13-month period beginning on the date of deposit and will be depleted at least once a year, except for a reasonable carryover amount not in excess of 1/12 of the annual debt service with respect to the Bonds or as otherwise required by law. The Bonds all bear interest at a fixed interest rate. The Debt Service Account is designed to achieve a proper matching of the Issuer's revenues and debt service on the Bonds within each Bond Year. All moneys held in the Debt Service Account will be used to pay debt service on the Bonds. All Sale Proceeds of

the Bonds deposited in the Debt Service Account (if any) will constitute accrued interest on the Bonds and will be applied to pay interest on the Bonds on the first interest payment date, being November 1, 2012. To the extent that the Debt Service Account qualifies as a Bona Fide Debt Service Fund, all moneys in the Debt Service Account will be invested without restriction as to yield and are not subject to rebate.

4. A Surplus Collections Account for the Bonds is also established by the Bond Commission. Tax levy receipts and earnings thereon in excess of the amounts necessary to pay principal of and interest on the Bonds are transferred from the Debt Service Account and accumulated in the Surplus Collections Account for the Bonds. Moneys in the Surplus Collections Account are used to pay debt service on the Bonds in the event that tax levies for any particular period are insufficient therefor. All moneys in the Surplus Collections Account will be invested at a yield not to exceed the yield on the Bonds.

5. No Reserve Account or similar fund is established with respect to the Bonds.

6. Other than the Debt Service Account, the Surplus Collections Account and temporarily, the Special Surplus Account described above, there are no other funds or accounts of the Issuer which (i) are reasonably expected to be used to pay Debt Service on the Bonds or which are pledged as collateral to secure repayment of Debt Service on the Bonds and (ii) for which there is a reasonable assurance that amounts therein will be available to pay Debt Service on the Bonds.

7. Accrued interest with respect to the Bonds, if any, in an amount less than 6 month's interest on the Bonds will be applied within one year from the date hereof toward the payment of interest first due on the Bonds. Pending such disbursement, such monies will be invested without restriction as to yield.

8. All amounts deposited into the Debt Service Account (other than Sale Proceeds of the Bonds that constitute accrued interest on the Bonds) will constitute Replacement Proceeds to the extent that those funds are allocable to the Bonds under Section 1.148-6 of the Regulations and will not be invested at a Yield that exceeds the Yield on the Bonds unless such moneys, or a part of such moneys, qualify as a Bona Fide Debt Service Fund. There is no accrued interest on the Bonds.

E. REBATE

1. Undertakings. The Issuer has covenanted to comply with certain requirements of the Code. The Issuer acknowledges that the United States Department of the Treasury has issued Regulations with respect to these undertakings, including the proper method for computing whether any rebate amount is due the United States under Section 148(f) of the Code (i.e., Sections 1.148-0 through 1.148-11, 1.149(d)-1, 1.149(g)-1, 1.150-1 and 1.150-2 of the Regulations). The Issuer covenants that it will undertake to determine (or have determined on its behalf) what is required with respect to the rebate provisions contained in Section 148(f) of the Code from time to time and will undertake to comply with any requirements that may be applicable to the Bonds. The Issuer will undertake the methodology described in this Section E of this Tax Certificate, except to the extent inconsistent with any requirements of present or future law, regulations or future guidance issued by the United States Department of the Treasury or if the Issuer receives an opinion of Bond Counsel.

2. Rebate Fund. The Issuer hereby creates a special fund designated the "*Rebate Fund*" to be held by a commercial bank separate and apart from all other funds and accounts of the Issuer.

3. Recordkeeping. Detailed records with respect to each and every Nonpurpose Investment attributable to Gross Proceeds (within the meaning of Section 1.148-1(b) of the Regulations) of the Bonds must be maintained by the Issuer, including (i) purchase date, (ii) purchase price, (iii) any accrued interest paid, (iv) face amount, (v) coupon rate, (vi) date of interest payments, (vii) disposition price, (viii) any accrued interest received, (ix) disposition date, and (x) broker's fees. Such detailed record keeping is required for the calculation of the rebate amount (within the meaning of Section 1.148-3 of the Regulations) which, in part, will

require a determination of the difference between the actual aggregate earnings of all Nonpurpose Investments and the amount of such earnings assuming a rate of return equal to the yield on the Bonds.

4. Rebate Amount Calculation and Payment.

- (a) The Issuer represents, warrants and covenants that it will prepare or cause to be prepared a calculation of the rebate amount with respect to the Bonds consistent with the rules described in this Section 4. The Issuer will prepare or cause to be prepared a calculation of the rebate amount (i) within fifty-five (55) days after the close of the fifth Bond Year and each fifth Bond Year thereafter so long as any Bonds remain unpaid, and (ii) within fifty-five (55) days after the first date on which there are no unpaid Bonds. Not later than fifty-five (55) days after the end of the fifth Bond Year and each fifth Bond Year thereafter so long as any Bond remains unpaid, and within fifty-five (55) days after the last Bond is paid, the Issuer shall deposit in the Rebate Fund an amount so that the balance held by the Issuer in the Rebate Fund shall be equal to the rebate amount.
- (b) For purposes of calculating the rebate amount (i) the aggregate amount earned with respect to a Nonpurpose Investment shall be determined by assuming that the Nonpurpose Investment was acquired for an amount equal to its value at the time it becomes a Nonpurpose Investment, and (ii) the aggregate amount earned with respect to any Nonpurpose Investment shall include any unrealized gain or loss with respect to the Nonpurpose Investment on the first date when there are no unpaid Bonds or when the investment ceases to be a Nonpurpose Investment.
- (c) The Issuer shall pay to the United States Department of the Treasury out of designated funds (i) not later than sixty (60) days after the end of each fifth Bond Year, a payment equal to at least ninety percent (90%) of the rebate amount with respect to the Bonds, calculated as of the end of such fifth Bond Year, and (ii) not later than sixty (60) days after the first date when there are no unpaid Bonds, an amount equal to one hundred percent (100%) of the rebate amount (determined as of the first date when there are no unpaid Bonds) plus any actual or imputed earnings on such rebate amount, all as set forth in Sections 1.148-1 through 1.148-11 of the Regulations and as determined by or on behalf of the Issuer.
- (d) Each payment required to be made pursuant hereto and relating to the Bonds shall be filed with the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255, on or before the date such payment is due and shall be accompanied by Internal Revenue Service Form 8038-T. The Issuer must retain records of the calculations required by this Section 4.4 until six (6) years after the retirement of the last obligation of the Bonds.

5. Valuation of Investments.

- (a) General Rule. Except as otherwise provided in this Section 5, for all purposes of Section 148 of the Code, the value of an investment allocated to the Bonds (including a payment or receipt on the investment) on a date must be determined using one of the following valuation methods:
 - (i) Outstanding Principal Amount Method. A plain par investment (as defined in Section 1.148-1(b) of the Regulations) may be valued at its outstanding stated principal amount, plus any accrued unpaid interest on that date.
 - (ii) Present Value Method. An investment whose yield is fixed and determinable on the issue date (a "fixed rate investment") may be valued at its present value on that date. Present value of an investment is computed under the economic accrual method, using the same compounding interval and financial conventions used to compute the yield on

the Bonds (i.e., 360-day year basis with interest compounded semiannually). The present value of an investment on a date is equal to the present value of all unconditionally payable receipts to be received from and payments to be paid for the investment after that date, using the yield on the investment as the discount rate.

- (iii) Fair Market Value Method. An investment may be valued at its fair market value on that date. The fair market value of an investment is the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's-length transaction. Fair market value generally is determined on the date on which a contract to purchase or sell the nonpurpose investment becomes binding (i.e., the trade date rather than the settlement date). Except as otherwise provided in Subsections 5(e), (f) and (g) hereof, an investment that is not of a type traded on an established securities market, within the meaning of Section 1273 of the Code, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.
- (b) Mandatory Valuation of Certain Investments at Fair Market Value. Except as provided in Subsections 5(c) and (d), an investment must be valued at fair market value on the date that it is first allocated to the Bonds or first ceases to be allocated to the Bonds as a consequence of a deemed acquisition or deemed disposition.
- (c) Mandatory Valuation of Yield Restricted Investments at Present Value. Any yield restricted investment must be valued at present value.
- (d) Transferred Proceeds Allocations, Universal Cap Allocations and Commingled Funds. Notwithstanding Subsection 5(b) hereof, an investment need not be valued at fair market value if it is allocated to the Bonds or ceases to be allocated to the Bonds as a result of the transferred proceeds allocation rule under Section 1.148-9(b) of the Regulations or the universal cap rule under Section 1.148-6(b)(2) of the Regulations. In addition, investments in a commingled fund (other than a bona fide debt service fund) need not be valued at fair market value unless it is a commingled fund described in Section 1.148-6(e)(5)(iii) of the Regulations.
- (e) Certificates of Deposit. The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal will be treated as its fair market value on the purchase date if:
 - (i) the yield on the certificate of deposit is not less than the yield on reasonably comparable direct obligations of the United States; and
 - (ii) the yield on the certificate of deposit is not less than the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.
- (f) Guaranteed Investment Contracts. The purchase price of a guaranteed investment contract will be treated as its fair market value on the purchase date if:
 - (i) the Issuer has made (or had made on its behalf) a bona fide solicitation for a specified guaranteed investment contract and received at least three (3) bona fide bids from providers that have no material financial interest in the Bonds;

- (ii) the Issuer purchased (or had purchased on its behalf) the highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees);
 - (iii) the yield on the guaranteed investment contract (determined net of broker's fees) is not less than the yield then available from the provider on reasonably comparable guaranteed investment contract, if any, offered to other persons from a source of funds other than gross proceeds of tax-exempt bonds. For purposes of computing the yield on a guaranteed investment contract acquired through a broker, any compensation received by such broker whether payable by or on behalf of the obligor or obligee of such investment contract may be taken into account in determining the cost of such guaranteed investment contract (as provided in Section 1.148-5(e)(2)(iii) of the Regulations) to the extent that the amount of compensation does not exceed the lesser of \$32,000 or 0.2% of the computational base (as defined in Section 1.148-5(e)(2)(iii)(B)(2) of the Regulations), provided that in no event shall the Issuer treat as qualified administrative costs more than \$90,000 in broker's commissions or similar fees with respect to all guaranteed investment contracts and investments for yield restricted defeasance escrows purchased with the gross proceeds of the issue.
 - (iv) the determination of the terms of the guaranteed investment contract took into account as a significant factor the Issuer's reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in debt service funds and reasonably required reserve or replacement funds;
 - (v) the terms of the guaranteed investment contract, including collateral security requirements, are reasonable; and
 - (vi) the provider of the guaranteed investment contract certified the administrative costs that it paid (or expects to pay) to third parties in connection with the guaranteed investment contract.
- (g) United States Treasury Obligations. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

6. Segregation of Proceeds. In order to perform the calculations required by the Code, it is necessary to track separately all of the Gross Proceeds. To that end, the Issuer hereby agrees to establish separate funds, accounts or subaccounts or take other accounting measures in order to account fully for all Gross Proceeds.

7. Filing Requirements. The Issuer shall file or cause to be filed such reports or other documents with the Internal Revenue Service as may be required by the Code from time to time (e.g., Form 8038-G and Form 8038-T).

8. Rebate Analyst. (a) A Rebate Analyst shall be appointed to perform the rebate calculations, as required herein.

(b) The Issuer may rely conclusively upon and shall be fully protected from all liability in relying upon the opinions, calculations, determinations, directions and advice of the Rebate Analyst. The charges and fees for such Rebate Analyst shall be paid by the Issuer upon presentation of an invoice for services rendered in connection therewith.

9. Failure to Pay Rebate Amounts. In the event the Issuer fails to pay at the proper time and in the proper amounts, any Rebate Amount, it will pay the rebate amount plus interest within 180 days after discovery of such failure as set forth in Section 1.148-3(h)(3) of the Regulations. Notwithstanding the foregoing, in the event the Issuer fails to pay at the proper time and in the proper amount any Rebate Payment or correction amount, it hereby covenants and agrees to pay any penalty required by Internal Revenue Service in lieu of a declaration of taxability on the Bonds.

F. MISCELLANEOUS

1. The amount designated as "Cost of Issuance" of the Bonds consists only of costs which are directly related to and necessary for the issuance of the Bonds and refunding of the Prior Bonds.

2. The Issuer shall file Form 8038-G in a timely fashion with the Internal Revenue Service Center, Ogden, Utah 84201. The information set forth in EXHIBIT C - IRS FORM 8038-G, attached hereto, is true and correct, and may be relied upon by Bond counsel in its preparation of IRS Form 8038-G.

3. No portion of the payments of principal or interest will be made, financed or secured by, directly or indirectly, by payments or property used in any trade or business of any person other than the Issuer. The Issuer will not permit any portion of the payment of the principal or interest on the Bonds to be secured, directly or indirectly, by (i) interests in property or (ii) payments in respect of such property, which property is used or to be used in any trade or business of any person other than the Issuer. The Issuer will not permit any portion of the payment of the principal or interest on the Bonds to be derived, directly or indirectly by payments (whether or not to the Issuer) in respect of property or borrowed money, used or to be used in any trade or business of any persons other than the Issuer.

4. None of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business carried on by, or will be used to make or finance loans to, any person who is not a governmental unit.

5. The original proceeds of the Bonds will not exceed the amount necessary for the purpose of the issue, except to the extent any such proceeds are required for rebate to the United States.

6. The Issuer shall use the proceeds of the Bonds solely to accomplish the refunding of the Prior Bonds.

7. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from treatment afforded by Section 103(a) of the Code by reason of classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and the Treasury Regulations promulgated or to be promulgated thereunder.

8. The Bonds are not, and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

9. The Issuer has not entered and will not enter into any transaction to reduce the Yield on an investment of the Gross Proceeds of the Bonds so as to cause the amount to be rebated to the United States Treasury to be less than it would have been had the transaction been at arm's length and the Yield on the Bonds not been relevant to either party to the transaction, and that all investments of Gross Proceeds will be made on an arm's length, Fair Market Value basis.

10. On each Valuation Date, the Issuer agrees to value the Universal Cap and the Nonpurpose Investments allocable to the Bonds thereunder in accordance with the Regulations. Notwithstanding anything herein to the contrary, the failure to perform the determination of Nonpurpose Investments allocable to the

Bonds as of a Valuation Date shall not be considered a violation of this provision if the application of the Universal Cap would not result in a reduction or reallocation of Gross Proceeds of an issue.

11. No portion of the proceeds of the Bonds will be used directly or indirectly to replace funds of the Issuer or other related governmental agency that have been used directly or indirectly to acquire securities or obligations which may reasonably be expected, on the date hereof, to produce a yield materially higher than the Yield on the Bonds.

12. In connection with the Bonds, there has not been created or established, and the Issuer does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in this Tax and Arbitrage Certificate), including without limitation any arrangement under which money, securities, or obligations are pledged directly or indirectly to secure the Bonds or any contract securing the Bonds or any arrangement providing for compensating or minimum balances to be maintained by the Issuer or related governmental agencies with any registered owner of the Bonds.

13. The Bonds are not and will not be part of a transaction or series of transactions that (i) attempt to circumvent the provisions of Section 148 of the Code, or any successor thereto, and the Regulations promulgated thereunder which enable the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (ii) increase the burden on the market for tax-exempt obligations in any manner, including, without limitation, by selling obligations that would not otherwise be sold or selling a larger amount of obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

14. No other obligations are being issued by the Issuer or any related entity at substantially the same time and sold pursuant to a common plan of financing and which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of substantially the same source of funds) as the Bonds or which will be paid directly or indirectly from proceeds of the sale of the Bonds.

15. Gross Proceeds of the Bonds, other than gross proceeds that are allocable to:

(a) the payment of principal of and, interest on the Prior Bonds;

(b) the payment of any pre-issuance accrued interest on the Bonds (there is no accrued interest on the Bonds);

(c) the payment of the Costs of Issuance of the Bonds;

(d) the payment of administrative costs allocable to repaying the Prior Bonds, or carrying and repaying the Bonds, or the reasonable investments of Proceeds of the Bonds;

(e) Transferred proceeds allocable to expenditures for governmental purpose of the Prior Bonds;

(f) amounts deposited in the Debt Service Account (including investment earnings thereon) to pay debt service on the Bonds; and

(g) qualified guarantee fees (within the meaning of the Regulations) for the Bonds or the Prior Bonds;

will not exceed 1% of the Sale Proceeds from the Bonds.

16. The issuance of the Bonds will not involve the use of a "device" or an "abusive transaction" within the meaning of Section 149(d)(4) of the Code and the Regulations thereunder.

17. The Issuer covenants to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be and continue to be excludable from gross income for federal income tax purposes.

18. The Issuer will rebate to the United States the amount, if any, required by the Code and to take all steps necessary to make such rebates. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, and take all other actions required of it in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

19. The Issuer shall comply with all yield restrictions on Bond proceeds as set forth in the Code.

20. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Bonds and the interest thereon. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of the Resolution.

21. The Bonds are a fixed yield issue. No interest or other amount payable on any of the Bonds (other than in the event of an unanticipated contingency) is determined by reference to (or by reference to an index that reflects) market interest rates or stock or commodity prices after the date of issue.

22. The Issuer hereby approves the use of the Tax Compliance Policies which are attached hereto as EXHIBIT D in an effort to comply with the provisions of this Certificate and in order to monitor compliance with the Code and Regulations relating to maintaining the tax-exempt status of the Bonds.

23. Under section 1.148-2(b) of the Regulations, an officer of the Issuer must certify the issuer's expectations as of the issue date. In accordance therewith, the undersigned PRESIDENT and the undersigned SUPERINTENDENT and SECRETARY of the Issuer hereby in good faith certify that the representations and covenants set forth in this Tax and Arbitrage Certificate constitute the reasonable expectations of the Issuer as of the Issue Date. Accordingly, the representations and covenants set forth herein are intended and may be relied upon as the certification described in section 1.148-2(b) of the Regulations and are being delivered as part of the record of proceedings in connection with the issuance of the Bonds.

24. To the best of our knowledge, information and belief there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

25. Steptoe & Johnson PLLC, is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Bonds.

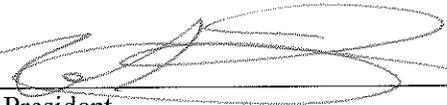
26. Notwithstanding any other provision hereof, any provision of this Tax and Arbitrage Certificate shall be amended at any time and such amendment shall be complied with, upon receipt by the Issuer of an opinion of Bond Counsel that such amendment is necessary or permissible under the then current Code and Regulations and is either necessary to or will not adversely affect the excludability of interest on the Bonds from gross income of the recipients thereof for federal income tax purposes.

27. To the best of our knowledge, information and belief, the foregoing expectations are reasonable.

[Remainder of Page Intentionally Blank]

WITNESS our signatures on this February 9, 2012.

THE BOARD OF EDUCATION OF THE
COUNTY OF BERKELEY

By: 

Its President

By: 

Its Superintendent and Secretary

EXHIBIT A

Underwriter's Certificate

[See Bond Transcript Document No. 11]

EXHIBIT B

Series 2012 Bonds

<u>Maturity</u> <u>(May 1)</u>	<u>Amount</u>	<u>Coupon</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP</u>
2013	\$2,165,000	2.000%	101.771%	0.550%	084239 FN7
2014	\$2,270,000	2.000%	102.868%	0.700%	084239 FP2
2015	\$2,320,000	3.000%	106.665%	0.900%	084239 FQ0
2016	\$2,385,000	2.000%	103.707%	1.100%	084239 FR8
2017	\$2,430,000	1.100%	99.242%	1.250%	084239 FS6

EXHIBIT C

IRS Form 8038-G

[See Bond Transcript Document No. 32]

EXHIBIT D

Tax Compliance Policies

[Attached Hereto]

TAX COMPLIANCE POLICIES

Purpose

Issuers of tax-exempt bonds must comply with federal tax rules pertaining to expenditure of proceeds for qualified costs, rate of expenditure, use of bond financed property, investment of proceeds in compliance with arbitrage rules, and retention of records. The following policies are intended to establish compliance by the Berkeley County Board of Education (the "Issuer") with these rules in connection with the issuance of the Issuer's Public School Refunding Bonds, Series 2012 (the "Tax-Exempt 2012 Bonds").

Tax Requirements Associated with Sale and Issuance of Bonds

Review and retention of tax documents related to the sale and issuance of Bonds will be supervised by the treasurer of the Issuer or his/her designee (the "Oversight Officer").

- Form 8038G (tax exempt bonds) will be reviewed and filed not later than the 15th day of the 2nd calendar month following the quarter in which the bonds were issued. Filing of appropriate version or versions of Form 8038G will be confirmed with bond counsel

Expenditure of Proceeds for Qualified Costs

Expenditure of bond proceeds will be reviewed by the Oversight Officer.

- Bond proceeds will be disbursed pursuant to an approved form of requisition stating the date, amount and purpose of the disbursement.
- Requisitions must identify the financed property in conformity with the Tax Certificate and Agreement executed by the Issuer at closing, including any certifications as to the character and average economic life of the bond-financed property.
- Requisitions for costs that were paid prior to the issuance of the bonds are, in general, limited to costs paid subsequent to, or not more than 60 days prior to, the date a "declaration of intent" to reimburse the costs was adopted by the Issuer. If proceeds are used for reimbursement, a copy of the declaration will be obtained and included in the records for the Tax-Exempt 2012 Bonds, if not already part of the bond transcript.
- Requisitions will be summarized in a "final allocation" of proceeds to uses not later than 18 months after the in-service date of the financed property (and in any event not later than 5 years and 60 days after the issuance of the Tax-Exempt 2012 Bonds).

- Expenditure of proceeds will be monitored against the Tax Certificate and Agreement expectations to spend or commit 5% of net sale proceeds within 6 months, to spend 85% of net sale proceeds within 3 years, and to proceed with due diligence to complete the project and fully spend the net sale proceeds. Expected expenditure schedules, project timelines, and plans and specifications will be maintained to support expectations. Reasons for failure to meet the expected schedule will be documented and retained in the records for the Tax-Exempt 2012 Bonds.
- If the 18-month spending exception to rebate applies, expenditure of gross proceeds will be monitored against the following schedule for the arbitrage rebate exception for the issue, if applicable:
 - 15% within 6 months
 - 60% within 12 months
 - 100% within 18 months
- If the 2-year spending exception to rebate applies, expenditure of “available construction proceeds” will be monitored against the following schedule for the arbitrage rebate exception for construction issues if applicable:
 - 10% within 6 months
 - 45% within 12 months
 - 75% within 18 months
 - 100% within 24 months

Expenditure of Proceeds

In addition to the general review of expenditures described above, expenditure of proceeds of the Tax-Exempt 2012 Bonds will be reviewed by the Oversight Officer.

- Only a small portion (5%) of the proceeds of Tax-Exempt 2012 Bonds can be used for operating expenses or other “working capital” costs. Requisitions for costs of the Project will accordingly be monitored to confirm that they are for capital costs of the Project.
- Investment earnings on sale proceeds of the Tax-Exempt 2012 Bonds will be tracked and will be requisitioned only for appropriate expenditures.

Use of Bond-Financed Property

Use of bond-financed property when completed and placed in service will be reviewed by the Oversight Officer.

- Average nonexempt use of bond-financed property over the life of the issue cannot exceed 10% of the proceeds.

- Agreements with business users or non-profit organizations for lease or management or services contracts, sponsored research, naming rights or any other potential nonexempt use of bond-financed property will be reviewed prior to execution of any contract to determine if property is bond-financed.
- Agreements with business users or other non-profit organizations for lease or management or services contracts or other private business use involving bond-financed property will be tracked and aggregated with other private business uses for compliance with the 10% limit, as set forth in the Tax Certificate and Agreement.
- No item of bond-financed property will be sold or transferred to a nonexempt party without advance arrangement of a “remedial action” under the applicable Income Tax Regulations.

Investments and IRS Filings

Investment of bond proceeds in compliance with the arbitrage bond rules and rebate of arbitrage will be supervised by the Oversight Officer.

- Guaranteed investment contracts (“GIC”) will be purchased only using the three-bid “safe harbor” of applicable Income Tax Regulations, in compliance with fee limitations on GIC brokers in the Income Tax Regulations.
- Other investments will be purchased only in market transactions.
- Calculations of rebate liability will be performed annually by outside consultants.
- Rebate payments will be made with Form 8038-T no later than 60 days after (a) each fifth anniversary of the date of issuance and (b) the final retirement of the issue. Compliance with rebate requirements will be reported to the bond trustee and the issuer.
- Identify date for first rebate payment at time of issuance. Enter in records for the issue.

Records

Management and retention of records related to tax-exempt bond issues will be supervised by the Oversight Officer.

- Records will be retained for the life of the bonds plus any refunding bonds plus three years. Records may be in the form of documents or electronic copies of documents, appropriately indexed to specific bond issues and compliance functions.
- Retainable records pertaining to the Tax-Exempt 2012 Bonds include transcript of documents executed in connection with the issuance of the bonds (including

authorizing resolutions, Form 8038G, and Tax Certificate and Agreement) and any amendments, and copies of rebate calculations and records of payments, including Forms 8038-T.

- Retainable records pertaining to expenditures of bond proceeds include requisitions, trustee statements and final allocation of proceeds.
- Retainable records pertaining to use of property include all agreements reviewed for nonexempt use.
- Retainable records pertaining to investments include GIC documents under the Income Tax Regulations, records of purchase and sale of other investments, and records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.

Overall Responsibility

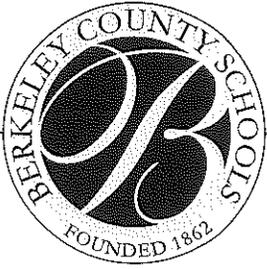
Overall administration and coordination of this policy is the responsibility of the Oversight Officer.

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY

By: 

Title: PRESIDENT

Date: January 31, 2012



Office of the Superintendent

Manny P. Arvon II

January 27, 2012

\$11,570,000 The Board of Education of the County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012

Craig A. Griffith, Esquire
Chairman
West Virginia Municipal Bond Commission
1207 Quarrier Street, Suite 401
Charleston, West Virginia 25301

Dear Mr. Griffith:

As evidenced by and in accordance with the attached Resolution and Order (the "Resolution"), The Board of Education of the County of Berkeley (the "Board") intends to issue the above-referenced bonds (the "Refunding Bonds") for the purpose of currently refunding the Board's Public School Bonds, Series 2002, dated February 1, 2002 (the "Prior Bonds"). The Prior Bonds had financed the construction and equipping of new public school facilities and the renovation and improvement of existing public school facilities in the Berkeley County School District (the "District") pursuant to the authority of a special bond election held on September 29, 2001 (the "2001 Bond Referendum"). In accordance with Section 1, Article 2, Chapter 13, of the West Virginia Code of 1931, as amended (the "Refunding Act"), the Board hereby requests that you certify the amount of taxes expected to be available in each year for the payment of debt service on the Refunding Bonds. In accordance with the Refunding Act, the amount of taxes expected to be available in each year shall be based upon the rates of levy stipulated in the order (the "Order") directing the 2001 Bond Referendum and upon the most recent assessed valuation of the affected property prior to such election.

The average rates of levy stipulated in the Order, for each \$100 valuation, were as follows:

Upon Class I property, approximately 6.0 cents
Upon Class II property, approximately 12.0 cents
Upon Class III property, approximately 24.0 cents
Upon Class IV property, approximately 24.0 cents

The assessed valuation of the affected property contained in the Order was as follows:

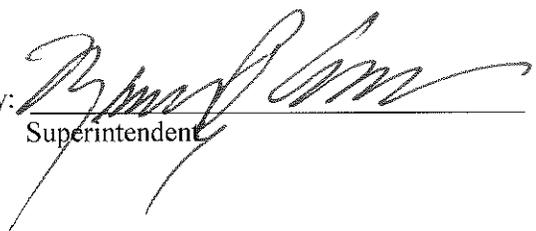
Class I.....	\$ 106,547,096
Class II.....	1,026,770,878
Class III.....	645,779,372
Class IV.....	<u>260,451,326</u>
TOTAL.....	<u>\$2,039,548,672</u>

The Prior Bonds will be paid with the proceeds of the Refunding Bonds and other available moneys; thus, after the refunding there will be no Prior Bonds issued and outstanding but not refunded or otherwise legally defeased. The debt service requirements on the Refunding Bonds are set forth in **Schedule A**, attached hereto. In addition to the Refunding Bonds, the Board has other bonds outstanding, being its Public School Bonds, Series 2010, dated February 17, 2010, issued in the aggregate principal amount of \$51,500,000.

Respectfully yours,

THE BOARD OF EDUCATION OF THE
COUNTY OF BERKELEY

By:


Superintendent

Copy to:

Tom Aman, Esq.
Mr. Robert Steptoe

SCHEDULE A

\$11,570,000
The Board of Education of the County of Berkeley
(West Virginia)
Public School Refunding Bonds, Series 2012

Maturity Date May 1	Principal Amount	Annual Interest Payments	Annual Debt Service
2013	\$2,165,000	\$285,740.72	\$2,450,740.72
2014	\$2,270,000	\$189,430	\$2,459,430
2015	\$2,320,000	\$144,030	\$2,464,030
2016	\$2,385,000	\$74,430	\$2,459,430
2017	\$2,430,000	\$26,730	\$2,456,730
Total	<u>\$11,570,000</u>	<u>\$720,360.72</u>	<u>\$12,290,360.72</u>

Final

\$11,570,000

The Board of Education of the County of Berkeley (West Virginia)

Public School Bonds

Refunding Series 2002 (AA/Non-BQ)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Existing D/S	Net New D/S
05/01/2012	-	-	-	-	2,058,826.25	2,058,826.25
11/01/2012	-	-	169,375.72	169,375.72	-	169,375.72
05/01/2013	2,165,000.00	2.000%	116,365.00	2,281,365.00	-	2,281,365.00
11/01/2013	-	-	94,715.00	94,715.00	-	94,715.00
05/01/2014	2,270,000.00	2.000%	94,715.00	2,364,715.00	-	2,364,715.00
11/01/2014	-	-	72,015.00	72,015.00	-	72,015.00
05/01/2015	2,320,000.00	3.000%	72,015.00	2,392,015.00	-	2,392,015.00
11/01/2015	-	-	37,215.00	37,215.00	-	37,215.00
05/01/2016	2,385,000.00	2.000%	37,215.00	2,422,215.00	-	2,422,215.00
11/01/2016	-	-	13,365.00	13,365.00	-	13,365.00
05/01/2017	2,430,000.00	1.100%	13,365.00	2,443,365.00	-	2,443,365.00
Total	\$11,570,000.00	-	\$720,360.72	\$12,290,360.72	\$2,058,826.25	\$14,349,186.97

Yield Statistics

Bond Year Dollars	\$37,990.39
Average Life	3.284 Years
Average Coupon	1.8961657%
Net Interest Cost (NIC)	1.2762555%
True Interest Cost (TIC)	1.2616633%
Bond Yield for Arbitrage Purposes	1.0154407%
All Inclusive Cost (AIC)	1.4857996%

IRS Form 8038

Net Interest Cost	1.0069391%
Weighted Average Maturity	3.274 Years

\$11,570,000 THE BOARD OF EDUCATION OF
THE COUNTY OF BERKELEY (WEST VIRGINIA)
PUBLIC SCHOOL REFUNDING BONDS, SERIES 2012

CERTIFICATE OF THE CHAIRMAN OF THE WV MUNICIPAL BOND COMMISSION

I, the undersigned, Craig Griffith, hereby certify as follows:

1. I am the duly appointed Tax Commissioner, and ex officio the Chairman of the West Virginia Municipal Bond Commission.

2. This certificate is delivered in response to a letter request, dated January 27, 2012, from The Berkeley County Board of Education, West Virginia, and pursuant to Chapter 13, Article 2, Section 1, of the Code of West Virginia, 1931, as amended.

3. According to the information provided to the Commission, on or about February 9, 2012, the Berkeley County Board of Education will issue its Series 2012 Public School Refunding Bonds, dated February 9, 2012, in the principal amount of \$11,570,000, with interest rates of 1.100 to 3.000%. This issue will refund its Series 2002 Public School Bonds, dated February 12, 2002, with remaining principal outstanding of \$11,605,000 and interest rates of 4.35 to 5.00%.

4. The amount of taxes expected to be available in each year for the purpose of paying debt service on the Series 2012 Refunding Bonds, and the projected debt service of those bonds are as follows:

Tax Year Beginning	Taxes	Projected Debt
<u>July 1</u>	<u>Available</u>	<u>Service</u>
2012	3,100,575	2,450,740.72
2013	3,100,575	2,459,430.00
2014	3,100,575	2,464,030.00
2015	3,100,575	2,459,430.00
2016	3,100,575	<u>2,456,730.00</u>
		\$12,290,360.72

5. The total debt service on the Series 2012 Refunding Bonds will be \$12,290,360.72 or \$1,074,351.78 less than the remaining debt service on the Series

2002 Bonds. The debt service due each year on the Series 2012 Refunding Bonds does not exceed the taxes expected to be available for the payment of the same, and the total debt service does not exceed the total remaining authorized levy of \$19,345,022.80.

WITNESS my signature this 2nd day of February 2012.

A handwritten signature in black ink, appearing to be 'M. J. ...', positioned above a horizontal line.

State Tax Commissioner and ex officio,
Chairman, WV Municipal Bond Commission

Certificate of Registrar

\$11,570,000
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

CERTIFICATE OF REGISTRAR

The undersigned Kathy Smith, a Vice President of United Bank, Inc., Charleston, West Virginia (the "Bank"), as Registrar for the above-captioned Bonds (the "Bonds"), hereby certifies as follows, all capitalized terms used herein to have the meanings set forth in the Resolution and Order of The Board of Education of the County of Berkeley (West Virginia) (the "Issuer") adopted January 23, 2012 (the "Resolution"):

1. The Bank is a West Virginia banking corporation, duly organized and validly existing and in good standing under the laws of the State of West Virginia, may lawfully conduct business in West Virginia, and is lawfully empowered, pursuant to such laws, to accept the duties and obligations contemplated and as provided under the Resolution and to serve in the capacity of Registrar under the Resolution.

2. The Bank has duly authorized, by all necessary action, the authentication of the Bonds and the execution and delivery of this Certificate and the acceptance of all duties and obligations of Registrar under the Resolution, and any and all other documents and agreements as may be required to be executed, delivered and received by the Bank in order to carry out, give effect to, and consummate the transactions contemplated thereby.

3. The person indicated in paragraph 4 below was at the time of the authentication of the Bonds, and is now, a duly elected, qualified and acting incumbent in his or her office; and, pursuant to authorization from the Board of Directors of the Bank, such person, in his or her official capacity, was and is authorized to authenticate the Bonds for and on behalf of the Bank.

4. Appearing opposite the name and title of the person indicated below is a true and correct specimen of his or her signature.

<u>Name</u>	<u>Title</u>	<u>Signature</u>
<u>Kathy Smith</u>	<u>Vice President</u>	<u></u>

5. The Bonds have been duly authenticated and delivered to the Purchaser, and proceeds of the Bonds have been deposited as required by the Resolution.

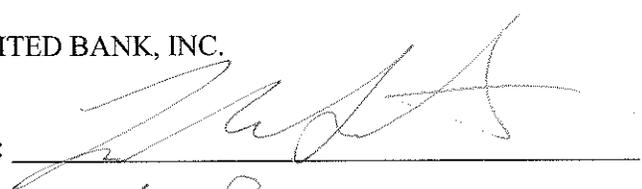
6. Attached hereto as EXHIBIT A is a correct listing of the Bond numbers, maturity dates, principal amounts, interest rates, yields and CUSIP numbers of the Bonds.

IN WITNESS WHEREOF, United Bank, Inc. has caused this Certificate to be executed by a duly authorized officer, this February 9, 2012.

UNITED BANK, INC.

By: _____

Its: _____


50P

SCHEDULE A

\$11,570,000

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)

Public School Refunding Bonds, Series 2012

<u>Maturity</u> <u>(May 1)</u>	<u>Amount</u>	<u>Coupon</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP</u>
2013	\$2,165,000	2.000%	101.771%	0.550%	084239 FN7
2014	\$2,270,000	2.000%	102.868%	0.700%	084239 FP2
2015	\$2,320,000	3.000%	106.665%	0.900%	084239 FQ0
2016	\$2,385,000	2.000%	103.707%	1.100%	084239 FR8
2017	\$2,430,000	1.100%	99.242%	1.250%	084239 FS6

Certificate of Paying Agent

\$11,570,000
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

CERTIFICATE OF PAYING AGENT AND ESCROW AGENT

The undersigned SARA BOARDMAN, Executive Director of the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Bond Commission"), hereby certifies as follows:

1. I am the duly appointed Executive Director of the Bond Commission.
2. The Bond Commission has duly authorized, by all necessary action, the acceptance of all duties of the Paying Agent for the above-captioned Bonds (the "Bonds") under the Resolution and Order, adopted January 23, 2012, pursuant to which they were issued, and of Escrow Agent under the Escrow Agreement dated February 9, 2012, between The Board of Education of the County of Berkeley (West Virginia) (the "Issuer") and the Bond Commission (the "Escrow Agreement").
3. As Executive Director, I am duly authorized to execute and deliver on behalf of the Bond Commission the Escrow Agreement.
4. By such execution and delivery of the Escrow Agreement and this Certificate, the Bond Commission evidenced its acceptance of, and hereby accepts the duties and obligations of Paying Agent for the Bonds and Escrow Agent as set forth in the Escrow Agreement.
5. Pursuant to the Escrow Agreement, as of this day there is on deposit in the Escrow Fund established pursuant to the Escrow Agreement, United States Treasury Obligations, State and Local Government Series in the amount of \$14,057,882, and the sum of \$.50 which will remain uninvested in the Escrow Fund to pay on May 1, 2012, the principal of and interest on the Issuer's Public School Refunding Bonds, Series 2002, all as set forth in the Escrow Agreement.

WITNESS my signature this February 9, 2012.

WEST VIRGINIA MUNICIPAL BOND
COMMISSION



By: _____

Sara Boardman
Executive Director

Underwriter's Certificate

\$11,570,000
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

UNDERWRITER'S CERTIFICATE

The undersigned Robert Steptoe, Director, Public Finance, Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, as purchasers of the above-captioned Bonds (the "Bonds"), hereby certifies that:

1. At least 10% of each maturity of the Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), made pursuant to the Bond Purchase Agreement (the "Bond Purchase Agreement"), dated January 26, 2012, between The Board of Education of the County of Berkeley, West Virginia (the "Issuer") and the Underwriter, at initial offering prices no higher than, or yields no lower than, those shown on the cover of the Official Statement dated January 26, 2012, relating to the Bonds. We have made a bona fide public offering of all Bonds at the public offering price. At the time we agreed to purchase the Bonds, based upon our assessment of the then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices or yields less than the yields, shown on the cover of the Official Statement.

2. The weighted average maturity of the Bonds is 3.274 years.

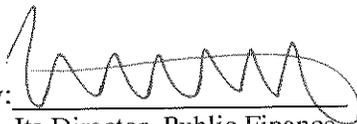
3. The weighted average maturity of the Issuer's Public School Bonds, Series 2002, dated February 1, 2002 (the "Prior Bonds") which are being currently refunded with the proceeds of the Bonds (par basis, from the date hereof) is 3.321 years.

4. The arbitrage yield on the Bonds is 1.0154%.

This certificate may be relied upon by the Issuer with respect to its Tax and Non-Arbitrage Certificate relating to the Bonds and by Steptoe & Johnson PLLC, Bond Counsel, in rendering their tax opinion that the interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes.

WITNESS my signature this February 9, 2012.

CREWS & ASSOCIATES, INC.

By:  (Rob Steptoe)
Its Director, Public Finance

RULE 15c2-12 CERTIFICATE
OF THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY

The undersigned hereby certify and represent to Crews & Associates, Inc. (the "Underwriter"), that they are the duly appointed and acting officers of The board of Education of the County of Berkeley (the "Board"), authorized to execute and deliver this Certificate and further certify on behalf of the Board to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Rule 15c2-12, as amended, under the Securities Exchange Act of 1934, as amended (the "Rule"), in connection with the offering and sale of The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012 (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated the date hereof, setting forth information concerning the Bonds and the Board (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms depending on such matters, all with respect to the Bonds and any underlying obligations.

(4) The information with respect to the Board included in the Preliminary Official Statement is final within the meaning of the Rule, except for Permitted Omissions, and is accurate and complete in all material respects except for Permitted Omissions.

(5) If, at any time prior to the execution of the final Bond Purchase Agreement, any event occurs as a result of which the Preliminary Official Statement might include an 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, the Board shall promptly notify the Underwriter thereof.

(6) The section of the Preliminary Official Statement entitled Continuing Disclosure describes the agreement the Board expects to make for the benefit of the Bondholders as authorized in the Resolution and Order of the Board adopted January 23, 2012, as defined by the Preliminary Official Statement, by which the Board will undertake to provide ongoing disclosure in accordance with Section (b)(5)(I) of the Rule.

IN WITNESS WHEREOF, we have hereunto set our hands as of this 24th
day of January, 2012.

THE BOARD OF EDUCATION OF THE
COUNTY OF BERKELEY

By: 

Its: President



400 White Oaks Boulevard
Bridgeport, WV 26330
(304) 933-8000 (304) 933-8183 Fax
www.steptoe-johnson.com

Writer's Contact Information

February 2, 2012

\$11,570,000
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

Ms. Sara Boardman
Executive Director
West Virginia Municipal Bond Commission
1207 Quarrier Street, Suite 401
Charleston, West Virginia 25301

Dear Ms. Boardman:

As bond counsel for The Board of Education of the County of Berkeley (the "Issuer"), we wish to advise you that on February 9, 2012 (the "Settlement Date"), the Issuer will deliver the above-captioned refunding bonds (the "Refunding Bonds") to the purchasers thereof. Proceeds of the Refunding Bonds, together with other funds, will be used to refund the Issuer's Public School Bonds, Series 2002, dated February 1, 2002 (the "Prior Bonds"). On the Settlement Date, the Issuer will be required to fund an Escrow Fund (the "Escrow Fund"), pursuant to an Escrow Agreement dated as of the Settlement Date (the "Escrow Agreement"), by and between the Issuer and the West Virginia Municipal Bond Commission (the "Bond Commission"), as Escrow Agent.

On the Settlement Date, Crews & Associates, Inc., as purchaser of the Refunding Bonds, will cause to be wired in immediately available funds, to:

To:	BB&T WV 250 East Second Avenue Williamson, WV 25661
Account Name:	State of West Virginia
Account #:	5270517317
ABA#:	051503394
Contact Person:	Sara Boardman, Executive Director 304/558-3971

on behalf of the Issuer, a portion of the sale proceeds of the Refunding Bonds in the amount of **\$11,721,050.00**, which amount should be deposited in the Escrow Fund established under the Escrow Agreement. In addition, funds from the Debt Service Account established for the Prior Bonds in the amount of **\$1,663,752.34** and funds from the Surplus Collection Account established for the Prior Bonds in the amount of **\$673,080.16** should also be transferred into the Escrow Fund as required by the Escrow Agreement.

5936532

From the moneys deposited into the Escrow Fund (total of \$14,057,882.50), you are hereby authorized and directed to purchase United States Treasury Obligations, State and Local Government Series (the "Investment"). The purchase price of the Investment is \$14,057,882. The balance of moneys remaining in the Escrow Fund (\$.50) shall be kept in the Escrow Fund uninvested.

Funds from the Surplus Collection Account established for the Prior Bonds in the amount of \$569,168.42 shall be retained by the Commission and transferred to the "Special Surplus Account" for the Refunding Bonds which is created pursuant to the Escrow Agreement. Funds from the Surplus Collection Account established for the Prior Bonds in the amount of \$900,000 shall be paid to the Issuer, by wire, on the Settlement Date or as soon thereafter as possible, and applied solely by the Issuer to payment of costs of capital improvements, repairs or replacements for school facilities in Berkeley County School District, which were specified in the bond referendum approved by the voters of Berkeley County, West Virginia, on September 29, 2001.

The funds on deposit in the Special Surplus Account shall be available, if needed, to pay the principal of or interest on the Refunding Bonds coming due on November 1, 2012, and thereafter, as set forth below, and shall not be used for any other purpose until May 15, 2013. On or after May 15, 2013, the Board shall review the balances in the Debt Service Account and Surplus Collections Account for the Refunding Bonds, and, upon determination in writing by the Board that sufficient funds are on hand at the Commission, the Board may withdraw a portion of the funds then remaining in the Special Surplus Account so as to leave a balance therein of not less than \$284,584.21. On or after May 15, 2014, the Board shall again review the balances in the Debt Service Account and the Surplus Collections Account for the Refunding Bonds, and, upon determination in writing by the Board that sufficient funds are on hand at the Commission, the Board may withdraw all or any portion of the funds then remaining in the Special Surplus Account. All such funds withdrawn from the Special Surplus Account shall be applied solely by the Board to payment or repayment of costs of capital improvements, repairs or replacements for school facilities in Berkeley County, West Virginia, which were specified in the bond referendum approved by the voters of Berkeley County, West Virginia on September 29, 2001. The Special Surplus Account shall be closed by the Commission when all the funds therein have been withdrawn or used to pay debt service as provided in this section.

If you have any questions regarding the foregoing, please feel free to call me.

Very truly yours,



Thomas L. Aman, Jr.

Copy of letter to:

Mr. Robert Steptoe, Director
Mr. James V. Butts, Jr., CPA,

Joint Certificate of Issuer and Escrow Agent

\$11,570,000

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

JOINT CERTIFICATE OF ISSUER AND ESCROW AGENT

The undersigned DR. WILLIAM F. QUEEN, President of the Board of Education of the County of Berkeley, a public corporation of the State of West Virginia (the "Issuer"), and the undersigned SARA BOARDMAN, Executive Director of the West Virginia Municipal Bond Commission (the "Escrow Agent"), hereby jointly certify as follows in connection with the above-captioned Bond issue:

1. We have executed the Escrow Agreement between the Issuer and the Escrow Agent, dated February 9, 2012 (the "Escrow Agreement"), on behalf of the Issuer and the Escrow Agent, respectively.

2. The Escrow Agent has the authority to act as Escrow Agent for and in connection with the Prior Bonds, as defined in the Escrow Agreement, and has the requisite powers to carry out its duties under the Escrow Agreement, and the Escrow Agreement has been duly and validly authorized, executed and delivered by the Escrow Agent, and assuming due authorization, execution and delivery thereof by the Issuer, the Escrow Agreement constitutes a valid and legally binding obligation of the Escrow Agent, enforceable in accordance with its terms.

3. The funds on deposit in the Escrow Fund established by the Escrow Agreement have been deposited as provided in the Escrow Agreement.

4. Based upon the gross funding of the Escrow Fund with proceeds of the Bonds and amounts transferred from the Debt Service Account and Surplus Collections Account for the Prior Bonds, the deposited funds are shown to be in amounts sufficient to fully pay the Prior Bonds, including payment of the principal of and interest on the Prior Bonds on May 1, 2012, and the lien of the Prior Bonds and the ordinances, orders and resolutions pursuant to which the Prior Bonds were issued have been discharged.

WITNESS our signatures this February 9, 2012.

THE BOARD OF EDUCATION OF THE COUNTY
OF BERKELY

By: 

President

WEST VIRGINIA MUNICIPAL BOND
COMMISSION

By: _____
Executive Director

WITNESS our signatures this February 9, 2012.

THE BOARD OF EDUCATION OF THE COUNTY
OF BERKELY

By: _____
President

WEST VIRGINIA MUNICIPAL BOND
COMMISSION


By: _____
Executive Director

NOTICE OF DEFEASANCE

\$27,800,000

**The Board of Education of the
County of Berkeley (West Virginia)
Public School Bonds, Series 2002
Dated February 1, 2002**

TO ALL REGISTERED OWNERS OF THE ABOVE CAPTIONED BONDS:

NOTICE IS HEREBY GIVEN that all Public School Bonds, Series 2002, issued by The Board of Education of the County of Berkeley, West Virginia, on behalf of the Berkeley County School District, originally issued in the aggregate principal amount of \$27,800,000 and outstanding on the date hereof in the aggregate principal amount of \$13,620,000, have been refunded to their next redemption date, being May 1, 2012, and are deemed to have been paid in accordance with the provisions of Chapter 13, Article 2 of the West Virginia Code of 1931, as amended, and the lien on the ad valorem property taxes in said School District on behalf of such bonds has been defeased. Sufficient United States Treasury Obligations, State and Local Government Series have been purchased and, together with certain cash amounts that may remain uninvested, are irrevocably credited to the West Virginia Municipal Bond Commission, as escrow agent, to pay the principal of and interest on such Bonds as the same become due and payable to and including May 1, 2012, and on such date, to redeem the then outstanding Bonds in full in accordance with the redemption provisions thereof.

THE BOARD OF EDUCATION OF THE
COUNTY OF BERKELEY

By: UNITED BANK, INC.

Dated: February 9, 2012

Escrow Agreement

ESCROW AGREEMENT

By and Between

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA),
as Issuer,

and

WEST VIRGINIA MUNICIPAL BOND COMMISSION,
as Escrow Agent

Dated as of February 9, 2012

ESCROW AGREEMENT

This ESCROW AGREEMENT, made and entered into as of February 9, 2012, by and between THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY (WEST VIRGINIA) (the "Issuer") and the WEST VIRGINIA MUNICIPAL BOND COMMISSION, as Escrow Agent (the "Commission" or the "Escrow Agent").

WITNESETH THAT:

WHEREAS, on February 12, 2002, the Issuer issued its Public School Bonds, Series 2002, in the original aggregate principal amount of \$27,800,000, of which \$13,620,000 is presently outstanding (the "Prior Bonds");

WHEREAS, the Issuer has determined to issue its Public School Refunding Bonds, Series 2012 (the "Refunding Bonds"), pursuant to a Resolution and Order adopted and entered on January 23, 2012 (the "Resolution"), and contemporaneously therewith, legally defease the Prior Bonds by applying proceeds of the Refunding Bonds, together with certain moneys currently on deposit with the Escrow Agent in a Debt Service Account and in a Surplus Collections Account from tax levies imposed in connection with the Prior Bonds ("Issuer's Funds") to the purchase of obligations of the United States government to be deposited, together with certain cash amounts, in the Escrow Fund herein described;

WHEREAS, the Commission, as Escrow Agent, will cause to be purchased on behalf of the Issuer, with such Refunding Bonds proceeds and Issuer's Funds, certain United States Treasury Obligations, State and Local Government Series (the "Government Securities") described in **EXHIBIT A** attached hereto;

WHEREAS, the Government Securities, plus residual cash amounts in the Escrow Fund, shall be in such principal amount and mature and bear interest at such rates and shall be payable at such times and in such amounts as to insure the payment, when due, of the principal of and interest on the Prior Bonds to and including May 1, 2012, and on such date (the "Redemption Date") to pay the remaining principal amount thereof together with the premium thereon, being \$11,721,050 (the "Redemption Price");

WHEREAS, the Issuer has found it desirable to appoint the Commission as Escrow Agent and the Commission has agreed to such appointment for the purposes of holding title, as agent for the Issuer, to the Government Securities, receiving payments of the principal thereof and interest thereon when due, disbursing to the Registered Owner of the Prior Bonds, on the appropriate dates, the amounts necessary to pay the principal of and interest on the Prior Bonds

as the same become due and on the Redemption Date, to pay the Redemption Price thereof, and holding and investing and reinvesting any cash balances which may at any time not be needed for immediate disbursement; and

WHEREAS, all capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Resolution;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and in order further to secure payment of the Prior Bonds, as heretofore provided, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

1. Creation of Escrow Fund. There is hereby created and established with the Escrow Agent, to be maintained in a separate and discrete deposit account, an irrevocable trust fund to be known as the Escrow Fund, to be held in the custody of the Escrow Agent, separate and apart from all other funds of the Issuer and the Escrow Agent. The deposit of securities or moneys in the Escrow Fund shall constitute an irrevocable deposit of said securities or moneys in trust for, and such moneys and securities, shall be applied, except as otherwise provided herein, solely to the payment of the principal of and interest on the Prior Bonds and on the Redemption Date, to pay the Redemption Price thereof, all in accordance with paragraph 4 hereof.

2. Creation of Special Surplus Account. In addition to the Escrow Fund, there is hereby created and established with the Commission a special account separate and apart from the Escrow Fund, hereby designated the "Special Surplus Account."

3. Deposits to Escrow Fund. Concurrently with the delivery of the Refunding Bonds, the Issuer and the Escrow Agent shall cause Refunding Bonds proceeds in the amount of \$11,721,050.00, together with Issuer's Funds in the amount of \$2,336,832.50 (total of \$14,057,882.50) to be deposited in the Escrow Fund, and thereupon \$14,057,882 to be applied to the purchase of the Government Securities and to hold the remaining \$.50 as cash, uninvested, in the Escrow Fund. Maturing principal and interest of the Government Securities, together with the uninvested cash in the Escrow Fund, if any, shall be applied solely to the payment, when due, of the principal of and interest on the Prior Bonds and on the Redemption Date, to pay the Redemption Price thereof. The Government Securities and the uninvested cash in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Prior Bonds and to pay the Redemption Price on the Redemption Date. The Issuer hereby authorizes and directs the Escrow Agent to purchase the Government Securities.

4. Application of Escrow Fund. The Escrow Agent, without further authorization from the Issuer, shall transfer from the Escrow Fund and pay directly to the Registered Owner of the Prior Bonds, in immediately available funds on May 1, 2012, the principal of and interest on the Prior Bonds then becoming due, and on the Redemption Date, an amount sufficient to pay the Redemption Price. Any earnings on the investments in the Escrow Fund which are not needed to pay the principal of and interest on the Prior Bonds as the same

becomes due and payable and to pay the Redemption Price of the Prior Bonds on the Redemption Date shall be transferred by the Paying Agent to the Debt Service Account for the Refunding Bonds and thereupon applied to the payment of debt service on the Refunding Bonds until the termination of this Escrow Agreement pursuant to the terms hereof.

Moneys in the Escrow Fund shall, and the Escrow Agent agrees such moneys will, be used solely for the purpose as above described and the deposit of such moneys into the Escrow Fund shall be irrevocable (with the exception of the transfers to the Debt Service Account for the Refunding Bonds and the transfers upon the termination of this Agreement herein described), and the Escrow Agent agrees it will not surrender or otherwise attempt to redeem or otherwise negotiate the investments in the Escrow Fund, except as they shall come due, unless such redemption or negotiation shall be in connection with the purchase of other securities permitted by the laws of the State of West Virginia, and the Escrow Agent shall have received (a) the written request of the Issuer for such purchase and setting forth the procedures to be followed, (b) an opinion by an independent certified public accountant (the "Accountant") that after such reinvestment the principal amount of the substituted securities, together with any beginning cash balance that is being held uninvested, will be sufficient to make the payments described in the first paragraph of this Section 4, and (c) an unqualified opinion of nationally recognized bond counsel (acceptable to the Issuer) familiar with the transactions contemplated by this Escrow Agreement to the effect that (i) such reinvestment will not cause the Prior Bonds or the Refunding Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") or the regulations in effect thereunder and applicable to the Prior Bonds or the Refunding Bonds, and (ii) such reinvestment complies with the Constitution and laws of the State of West Virginia and the provisions of all relevant documents relating to the issuance of the Prior Bonds. Subject to the foregoing requirements for the use of the Escrow Fund and the moneys and investments therein, the Issuer covenants and agrees that the Escrow Agent shall have full and complete control and authority over and with respect to the Escrow Fund and moneys and investments therein and that the Issuer shall not exercise any control or authority over and with respect to the Escrow Fund and the moneys and investments therein.

5. Deposit to Special Surplus Account. Concurrently with the delivery of the Refunding Bonds, funds on deposit with the Commission in the Surplus Collections Account for the Prior Bonds on the Closing Date in the amount of **\$900,000** shall, on the Closing Date, or as soon thereafter as practical, be paid by check from the Escrow Agent to the Issuer and applied by the Issuer solely to payment of costs of capital improvements, repairs or replacements to school facilities in Berkeley County School District, which were specified in the bond referendum approved by the voters of Berkeley County, West Virginia, on September 29, 2001. Such funds to be released to the Issuer are not available for or pledged to the payment of debt service on the Refunding Bonds.

Funds on deposit in the Surplus Collections Account for the Prior Bonds on the Closing Date in the amount of **\$569,168.42** shall be transferred on the Closing Date to the Special Surplus Account and shall be available, if needed, to pay the principal of and interest on the Refunding Bonds coming due on November 1, 2012, and thereafter, as set forth below, and shall not be used for any other purpose until May 15, 2013. On or after May 15, 2013, the Issuer

shall review the balances in the Debt Service Account and Surplus Collection Account for the Refunding Bonds, and, upon determination in writing by the Issuer that sufficient reserves are on hand at the Bond Commission, the Issuer may withdraw a portion of the Special Surplus Account deposit so as to leave a balance therein of not less than **\$284,584.21**. On or after May 15, 2014, the Issuer shall again review the balances on deposit in the Debt Service Account and Surplus Collection Account for the Refunding Bonds, and, upon determination in writing by the Issuer that sufficient funds are on hand at the Commission, the Issuer may withdraw all or any portion of the Special Surplus Account balance. All such funds withdrawn from the Special Surplus Account and not applied to the paying of debt service on the Refunding Bonds shall be applied solely by the Issuer to payment or repayment of costs of capital improvements, repairs or replacements for school facilities in Berkeley County, West Virginia, which were specified in the bond referendum approved by the voters of Berkeley County, West Virginia on September 29, 2001. Each withdrawal request of the Issuer shall be specifically authorized by resolution of the Issuer. The Special Surplus Account shall be closed by the Commission when all the funds therein have been withdrawn or used to pay debt service as provided in this section.

6. Lien of Prior Bonds. The holders of the Prior Bonds shall have an express lien on all moneys and securities in the Escrow Fund until paid out, used and applied in accordance with this Agreement.

7. Timing Inefficiencies. If, at any time, the Government Securities then held as an investment in the Escrow Fund mature or payments are made thereon to the Escrow Agent or the Escrow Agent otherwise holds or receives cash in advance of the time such cash is needed to make payment on the Prior Bonds, such amounts shall be reinvested as provided in Section 4 hereof; provided that:

(a) such moneys shall be invested only in Obligations of the United States of America which mature not later than the date on which the funds invested therein will be needed to make payments on the Prior Bonds;

(b) such moneys shall be invested only in Obligations of the United States of America which mature in an amount, together with interest thereon, not less than the full amount paid by the Escrow Agent to acquire such investments; and

(c) the composite yield on such Obligations of the United States of America may not exceed the yield on the Refunding Bonds.

8. Termination of This Escrow Agreement. This Escrow Agreement shall terminate when the Prior Bonds have been discharged and cancelled in accordance with the provisions hereof and the Commission shall have disbursed all funds then on deposit with the Commission in accordance with the terms of this Agreement. If any Prior Bonds are not

presented for payment when due and payable, funds for the payment of any nonpresented Prior Bonds shall be held by the Escrow Agent in accordance with the terms hereof for a period of one (1) year following the Redemption Date of such Prior Bonds and such funds shall thereafter be released to the Issuer to be held by the Issuer in accordance with the unclaimed property laws of the State of West Virginia. Any money or Government Securities held in the Escrow Fund following the earlier of: (i) the payment in full of the Prior Bonds, or (ii) one (1) year following the Redemption Date of the Prior Bonds, and which is not required for the payment of the principal of and interest on any of the Prior Bonds shall be paid or transferred to the Issuer, or to a third party at the Issuer's written direction.

9. Earnings on Escrow Fund. Any earnings on the investments in the Escrow Fund which are not needed to pay the principal of and interest on the Prior Bonds as the same becomes due and payable and to pay the Redemption Price of the Prior Bonds on the Redemption Date shall be transferred by the Paying Agent to the Debt Service Account for the Refunding Bonds and thereupon applied to the payment of debt service on the Refunding Bonds until the termination of this Escrow Agreement pursuant to the terms hereof.

10. Escrow Agent's Fees. The Issuer agrees to pay the Escrow Agent's reasonable and customary administrative fees and to reimburse the Escrow Agent for its reasonable and customary out-of-pocket expenses and reasonable fees of counsel incurred in connection with the discharge by the Escrow Agent of its duties and responsibilities under this Escrow Agreement. The Escrow Agent expressly waives any lien upon or claim against the moneys and investments in the Escrow Fund. Under no circumstances shall the Escrow Agent have a lien on the Escrow Fund for any charges, fees or expenses, and under no circumstances shall the Escrow Agent make any claim against the Escrow Fund for any charges, fees or expenses. Earnings from reinvestment proceeds described in Section 4 above may be used to pay Escrow Agent fees and fees for the paying agent for the Prior Bonds. To the extent such earnings are insufficient for such purposes, the Issuer will pay all Escrow Agent fees and fees of the paying agent for the Prior Bonds.

11. Beneficiaries of This Escrow Agreement. This Escrow Agreement shall inure to the benefit of and shall be binding upon the Issuer and the Escrow Agent and their respective successors and assigns, subject to the provisions of this Escrow Agreement. In addition, this Escrow Agreement shall constitute a third party beneficiary contract for the benefit of the registered owners of the Prior Bonds. Said third party beneficiaries shall be entitled to enforce performance and observance by the Issuer and the Escrow Agent of the respective agreements and covenants herein contained as fully and completely as if such third party beneficiaries were parties hereto. In the event the Escrow Agent is unwilling or unable to continue to serve as Escrow Agent, a successor Escrow Agent may be appointed by the Issuer which shall be any national banking association or any state bank within the State of West Virginia which is an institution insured by the Federal Deposit Insurance Corporation and which has trust powers. Any bank into which such successor Escrow Agent may be merged or with which it may be consolidated or any bank resulting from any merger or consolidation to which it shall be a party or any bank to which it may sell or transfer all or substantially all of its corporate trust business shall, unless the Issuer disapproves in writing, be the successor Escrow Agent without the execution of any document or the performance of any further act. In the event the Issuer

disapproves of the successor Escrow Agent resulting from any of the events described above, the Issuer shall immediately appoint any state bank or national banking association within the State of West Virginia which is an institution insured by the Federal Deposit Insurance Corporation and which has trust powers to be the successor Escrow Agent, whereupon such successor Escrow Agent shall immediately succeed to the respective agreements and covenants hereunder.

12. Insufficient Moneys or Investments in the Escrow Fund. The Escrow Agent shall immediately notify the Issuer by registered, first-class mail, postage prepaid, whenever, for any reason, the funds or accounts created pursuant to this Escrow Agreement plus the securities and investments therein and interest on said securities and investments, as the same accrues, will be insufficient to pay the principal of and interest on the Prior Bonds as required by the first paragraph of Section 4 hereof. The Issuer shall promptly remit from legally available funds the amount of such insufficiency to the Escrow Agent.

13. Examination of Records; Obligations and Responsibilities of Escrow Agent.

(a) The Issuer shall have the right, at any time, to examine all of the Escrow Agent's records regarding the status of the funds or accounts created pursuant to this Escrow Agreement, and the details of all income, investments, redemptions and withdrawals therefrom with respect to the funds or accounts created pursuant to this Escrow Agreement. After the Prior Bonds have been paid in full, the Issuer shall obtain all records and files relating to this Escrow Agreement from the Escrow Agent. The Issuer shall keep all of such records and files available for inspection for six years from such date the Prior Bonds have been paid in full.

(b) The Escrow Agent shall be under no obligation to inquire into or be in any way responsible for the performance or nonperformance by the Issuer of any obligation, or to protect any of the Issuer's rights under any bond resolution or any of said Issuer's other contracts with or franchises or privileges from any state, county, municipality or other governmental agency or with any corporation or individual; and the Escrow Agent shall not be liable for any act done or step taken or omitted by the Escrow Agent or any mistake of fact or law or for anything which the Escrow Agent may do or refrain from doing, except for its negligence or its willful default in the performance of any obligation imposed upon the Escrow Agent hereunder. The Escrow Agent shall not be responsible in any manner whatsoever for the recitals or statements contained herein, or in the Prior

Bonds or any proceedings taken in connection therewith,
as they are made solely by the Issuer.

14. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the Issuer or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

15. Successors and Assigns. All of the covenants, promises and agreements in this Escrow Agreement contained by or on behalf of the Issuer or the Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, whether or not so expressed.

16. Governing Law. This Escrow Agreement shall be governed by the applicable law of the State of West Virginia.

17. Headings. Any headings preceding the text of the several Sections hereof shall be solely for convenience of reference and shall not constitute a part of this Escrow Agreement, nor shall they affect its meaning, construction or effect.

18. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

19. Notices. Unless otherwise required herein, any notices, requests, complaints, demands, communications or other papers shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed to the parties as follows:

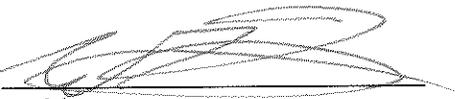
The Issuer: The Board of Education of the County of Berkeley
401 South Queen Street
Martinsburg, WV 25401

The Escrow Agent: West Virginia Municipal Bond Commission
1207 Quarrier Street, Suite 401
Charleston, West Virginia 25301

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Agreement to be executed by their duly authorized officers as of the date first above written.

THE BOARD OF EDUCATION OF THE
COUNTY OF BERKELEY

By: 
Its President

WEST VIRGINIA MUNICIPAL BOND
COMMISSION

By: _____
Its Executive Director

067600.00007

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Agreement to be executed by their duly authorized officers as of the date first above written.

THE BOARD OF EDUCATION OF THE
COUNTY OF BERKELEY

By: _____
Its President

WEST VIRGINIA MUNICIPAL BOND
COMMISSION

By:  _____
Its Executive Director

067600.00007

EXHIBIT A – DESCRIPTION OF GOVERNMENT SECURITIES

[Attach Subscription Confirmation]



DEPARTMENT OF THE TREASURY

BUREAU OF THE PUBLIC DEBT

PARKERSBURG, WV 26106-0396

SUBSCRIPTION CONFIRMATION

State and Local Government Series Securities

Treasury Case Number:	201200718
Program Type:	Time Deposit
Issue Amount:	\$14,057,882.00
Issue Date:	02/09/2012
Owner Name:	Berkeley County Board of Education
TIN:	55-6000297
Rate Table Date:	02/01/2012
Status:	Complete
Confirmation Date:	02/01/2012
Confirmation Time:	02:58 PM EST



**U.S. Treasury Securities
SLGS Time Deposit
Subscription View**

OMB: No: 1535-0092
Date/Time: 02/01/2012 02:59 PM EST
Page: 1 of 2

Issue Information

Treasury Case Number 201200718
Status Complete
Issue Date 02/09/2012
Issue Amount \$14,057,882.00
Rate Table Date 02/01/2012

Owner

Taxpayer Identification Number 55-6000297
Underlying Bond Issue Berkeley Cty 02 Schools GO
Owner Name Berkeley County Board of Education
Address Line 1 401 South Queen Street
Line 2
Line 3
City Martinsburg
State WV
Zip Code 25401
Contact Name James Butts, Treasurer
Telephone 304-267-3510
Fax
E-mail Sara.L.Boardman@wv.gov

Trustee

ABA Routing Number 011001234
Bank Reference Number
Bank Name WV Municipal Bond Commission
Address Line 1 1207 Quarrier Street
Line 2 Suite 401
Line 3
City Charleston
State WV
Zip Code 25301
Contact Name Sara Boardman
Telephone 304-558-3971
Fax 304-558-1280
E-mail Sara.L.Boardman@wv.gov

Funds for Purchase

ABA Routing Number 011001234
Bank Name WV Municipal Bond Commission
Contact Name Sara Boardman
Telephone 304-558-3971
Fax 304-558-1280
E-mail Sara.L.Boardman@wv.gov



**U.S. Treasury Securities
SLGS Time Deposit
Subscription View**

OMB: No: 1535-0092
Date/Time: 02/01/2012 02:59 PM EST

ACH Institutions & Instructions

ABA Routing Number 011001234
Bank Name WV Municipal Bond Commission
Address Line 1 1207 Quarrier Street
Line 2 Suite 401
Line 3
City Charleston
State WV
Zip Code 25301
Contact Name Sara Boardman
Telephone 304-558-3971
Fax 304-558-1280
E-mail Sara.L.Boardman@wv.gov

ABA Routing Number 011001234
Account Name WVBTI
Account Number WVBF0015002
Account Type Checking

Subscriber

ABA/TIN 011001234
Organization Name West Virginia Municipal Bond Commission
Address Line 1 8 Capitol Street, Suite 500
Line 2
Line 3
City Charleston
State WV
Zip Code 25301
Contact Name Sara Boardman
Telephone 304-558-3971
Fax 304-558-1280
E-mail sboardman@state.wv.us

Viewers

ABA/TIN	Organization Name
No Viewers Assigned	

Securities

Security Number	Security Type	Principal Amount	Interest Rate	Maturity Date	First Interest Payment Date	Security Description
1	C of I	\$14,057,882.00	0.040000000	04/30/2012		



400 White Oaks Boulevard
Bridgeport, WV 26330
(304) 933-8000 (304) 933-8183 Fax
www.step-toe-johnson.com

Writer's Contact Information

February 9, 2012

Defeasance and Redemption of The Board of Education
of the County of Berkeley Public School Bonds,

Series 2002

Dated: February 1, 2002

United Bank, Inc.
Corporate Trust Services
Attn: Kathy Smith, Vice President
500 Virginia Street, East
Charleston, West Virginia 25392

Dear Ms. Smith:

As bond counsel for The Board of Education of the County of Berkeley (the "Issuer"), we wish to advise you that on February 9, 2012 (the "Closing Date"), the Issuer will deliver its Public School Refunding Bonds, Series 2012 (the "Bonds") to Crews & Associates, Inc. (the "Purchaser"). Proceeds of the Bonds will be used to currently refund the Issuer's Public School Bonds, Series 2002, dated February 1, 2002, originally issued in the aggregate principal amount of \$27,800,000 (the "Refunded Bonds"). United Bank, Inc. is the Registrar and Paying Agent for the Refunded Bonds.

On the Closing Date, the Issuer will fund an Escrow Fund, pursuant to an Escrow Agreement, dated February 9, 2012, by and between the Issuer and the West Virginia Municipal Bond Commission (the "Commission"), as Escrow Agent. The Escrow Fund will be funded with United States Treasury Obligations, State and Local Government Series ("SLGS") and uninvested cash, purchased or otherwise obtained from the proceeds of the Bonds and funds currently on deposit with the Commission in connection with the Refunded Bonds. The amounts deposited in the Escrow Fund will be applied in accordance with the Escrow Agreement. The receipts from the SLGS to be purchased and retained in the Escrow Fund, together with any uninvested cash balances, will be sufficient to pay the principal of and interest on the Refunded Bonds to and including their first redemption date, being May 1, 2012, and on such date, to redeem the remaining Refunded Bonds at a redemption price of 101% of the par amount.

As Registrar for the Refunded Bonds, you are hereby authorized and directed to mail defeasance and redemption notices substantially in the form attached hereto, at the times, to the addressees and otherwise in accordance with provisions of the Refunded Bonds. Please send your invoice for such services to me and I will promptly forward it to the Issuer for payment.

United Bank, Inc.
February 9, 2012
Page Two

If you have any questions regarding the foregoing, please feel free to call me.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'T. Aman, Jr.', written in dark ink.

Thomas L. Aman, Jr.

TLA
Copy of letter to:
Mr. Craig A. Griffith, Esquire
Mr. Robert Steptoe, Director
Mr. Manny P. Arvon, Superintendent

\$11,570,000
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
PUBLIC SCHOOL REFUNDING BONDS, SERIES 2012

BOND PURCHASE AGREEMENT

January 26, 2012

The Board of Education of the County of Berkeley
401 South Queen Street
Martinsburg, WV 25401

Ladies and Gentlemen:

Crews & Associates, Inc. (the "Underwriter"), offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with The Board of Education of the County of Berkeley (the "Board"). This offer is made subject to acceptance and execution of this Purchase Agreement by the Board prior to 11:59 p.m., local prevailing time on the date hereof, or until withdrawn by the Underwriter upon written notice to the Board as permitted herein, whichever shall occur earlier. Upon such acceptance and approval, as evidenced by the signature of the President of the Board or the Superintendent of the Berkeley County School District (the "District") in the space provided below, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Board and the Underwriter.

All capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the meanings set forth in the hereinafter described Resolution.

1. The Board of Education of the County of Berkeley, Public School Refunding Bonds, Series 2012 (the "Bonds") are being issued and applied, along with other available funds, (i) to refund the Board's Public School Bonds, Series 2002, issued in the original principal amount of \$27,800,000 (the "Refunded Bonds"); and (ii) to pay costs of issuance of the Bonds and related costs.

The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of a Resolution of the Board adopted on January 23, 2012, as supplemented by the Board's Certificate of Determinations, dated as of the date hereof (the "Resolution"). The Resolution shall be substantially in the form previously submitted to the Underwriter with such changes and amendments as the Board's and Underwriter's counsel shall approve.

Upon the terms and conditions and upon the basis of the representations and warranties set forth in this Purchase Agreement, the Underwriter agrees to purchase from the Board, and the Board agrees to sell to the Underwriter, the Bonds, at an aggregate purchase price of \$11,805,506.30 (\$11,570,000 minus Underwriter's Discount of \$92,560.00 plus a net original issue premium of \$328,066.30 (consisting of an original

issue premium of \$346,485.70 less an original issue discount of \$18,419.40)). The Bonds shall mature on the dates and in the amounts, and shall bear interest from their date (each an "Interest Payment Date"), until maturity and payment on such date is provided for, payable semiannually on May 1 and November 1 of each year, commencing November 1, 2012, as more fully described on Exhibit A-1 attached hereto and incorporated herein by reference.

The Underwriter agrees to make a bona fide public offering of the Bonds at the initial offering prices as set forth in the Official Statement (as hereinafter defined) and in Exhibit A-1, which prices may be changed from time to time by the Underwriter.

2. Concurrently with the acceptance of this Purchase Agreement by the Board, the Board shall deliver or cause to be delivered to the Underwriter two copies of the Official Statement relating to the Bonds, substantially in the form of the Preliminary Official Statement dated January 24, 2012 (the "Preliminary Official Statement") and prior to delivery of the Bonds, seven copies of the Official Statement (the "Official Statement") dated the date of this Purchase Agreement, signed on behalf of the Board by its President as requested below.

3. The Official Statement has been approved for distribution by the Resolution. The Board authorizes the use of copies of the Official Statement and the Resolution in connection with the public offering and sale of the Bonds.

On January 24, 2012, the Board delivered to the Underwriter the Preliminary Official Statement and the Underwriter received a certificate from the Board which deemed the Preliminary Official Statement "final" within the meaning of clause (b)(1) of Rule 15c2-12 ("Rule 15c2-12") under the Securities and Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) and Rule G-32 and all other rules of the Municipal Securities Rulemaking Board. The Board shall deliver or cause to be delivered to the Underwriter, after the acceptance by the Board of this Purchase Agreement, and within the time required by Rule 15c2-12, an adequate number of copies of the Official Statement.

Unless otherwise notified in writing by the Underwriter on or prior to the date of Closing, the "End of the Underwriting Period" for the Bonds for all purposes of Rule 15c2-12 is the date of the Closing, as hereinafter defined. In the event such notice is given in writing by the Underwriter, the Underwriter agrees to notify the Board in writing following the occurrence of the End of the Underwriting Period for the Bonds as defined in Rule 15c2-12.

The Board covenants and agrees that if, after the date of this Purchase Agreement and until after the End of the Underwriting Period (as determined above), any event shall occur of which the Board has actual knowledge as a result of which it is necessary to amend or supplement the Official Statement to make the Official Statement not misleading in any material respect in light of the circumstances then existing, or if it is necessary to amend or supplement the Official Statement to comply with law, to notify

the Underwriter (and for the purposes hereof to provide the Underwriter with such information as they may from time to time reasonably request), and to cooperate in the preparation of a reasonable number of copies of either amendments or supplements to the Official Statement (in form and substance satisfactory to the Underwriter and its counsel) at the expense of the Board so that the Official Statement as so amended and supplemented will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading in any material respect.

For the purposes of this paragraph and for only so long as required by this paragraph, the Board will furnish such information with respect to itself as the Underwriter from time to time may reasonably request. The Underwriter hereby agrees that it will deposit or cause to be deposited with EMMA a copy of the Official Statement at or prior to the time contemplated by Rule 15c2-12.

The Underwriter acknowledges and agrees that any liability of the Board that may arise from its representations and agreements made in this paragraph 3 shall be limited to the proceeds of the Bonds (provided that the foregoing shall not be deemed to prevent the Underwriter or the Board from seeking to enforce such agreements).

4. At 10:00 a.m. prevailing time, on February 9, 2012, or such other dates as shall be agreed upon by the parties to this Purchase Agreement (the "Closing"), the Board will deliver or cause to be delivered to the Underwriter, (a) the Bonds in the form of one certificate for each maturity fully registered in the name of CEDE & CO., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), duly executed by the Board and authenticated by the Registrar, and (b) at such other place as we mutually agree upon, will deliver to the Underwriter the other documents required in this Purchase Agreement and by the Resolution. Upon such delivery of the Bonds, the Underwriter will accept such delivery and pay the purchase price therefor, plus any accrued interest thereon, in immediately available funds to the order of Branch Banking and Trust Company, as Depository Bank (the "Depository Bank"), for the account of the West Virginia Municipal Bond Commission, as Escrow Agent, hereinafter defined. Such delivery shall be made at DTC, with the payment and other requisite actions to be taken at the place designated by the parties to this Purchase Agreement. The respective Bonds shall be made available to the Underwriter at DTC at least forty-eight (48) hours before the Closing for the purpose of inspection and packaging; provided that if DTC Fast delivery is used, then the Bonds shall be made available to the Registrar by 4:00 p.m. on the date of Closing. The Board also agrees that it shall deliver to The Depository Trust Company the letter of representations, in the form required by The Depository Trust Company (the "DTC Letter of Representations") at the time required by The Depository Trust Company.

5. The Board represents and warrants to the Underwriter and agrees that:

{C2232632.2}

(a) The Board is duly organized and validly existing as a public corporation of the State of West Virginia authorized to administer the county school district pursuant to Chapter 18, Article 5 of the Code of West Virginia, 1931, as amended (the "Act");

(b) The Board shall have complied and will comply at the Closing in all respects with all applicable statutes and laws, including the Act;

(c) The Board has full legal right, power and authority to issue bonds for purposes provided in the Resolution and to enter into this Purchase Agreement, to adopt the Resolution and to issue, sell and deliver the Bonds to the Underwriter as provided herein and to carry out and consummate all other transactions contemplated by each of the aforesaid documents;

(d) The Board shall on or before the Closing have entered into an Escrow Agreement dated as of the date of the Bonds (the "Escrow Agreement") by and between the Board and the West Virginia Municipal Bond Commission (the "Escrow Agent" or "Paying Agent"), pursuant to which an escrow fund (the "Escrow Fund") shall be created. The Escrow Fund is to be held by the Escrow Agent in trust for the payment of the accruing principal and interest on the Refunded Bonds on May 1, 2012, and to pay the redemption price of the Refunded Bonds on May 1, 2012, and for the benefit of the holders thereof. The Escrow Fund is to be invested as described in the Escrow Agreement;

(e) The cash deposited in the Escrow Fund, and the income to be derived from the investment thereof shall be sufficient to defease the Refunded Bonds described in the Escrow Agreement and the liens of the resolutions authorizing such bonds, all in accordance with the provisions of Chapter 13, Article 2 of the Code of West Virginia, 1931, as amended (the "Refunding Act");

(f) The information contained in the Preliminary Official Statement dated January 24, 2012, and in the Official Statement, is and, as of the Closing Date will be true and does not contain and will not contain any untrue statement of a material fact and does not omit and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(g) At the time of the Board's acceptance hereof and (unless an event occurs of the nature described in subparagraph (i)) at all times during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the Bonds (as determined in accordance with subparagraph (i) hereof), the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the

statements therein, in the light of the circumstances under which they were made, not misleading;

(h) If the Official Statement is supplemented or amended pursuant to subparagraph (i) at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the Bonds (as determined in accordance with subparagraph (i) hereof), the Official Statement as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) If during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the Bonds (as determined in accordance with subparagraph (k) hereof) any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Board shall notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Board will prepare and furnish to the Underwriter (i) a reasonable number of copies of the supplement or amendment to the Official Statement in form and substance approved by the Board and acceptable to the Underwriter, and (ii) if such notification shall be subsequent to the Closing, such legal opinion, certification, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement;

(j) Prior to the Board's acceptance hereof, the Board delivered to the Underwriter copies of the Preliminary Official Statement which the Board deemed final (for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934) as of the date thereof; provided, however, that in making the representation and warranty contained in this paragraph (j) the Board shall not be deemed to have made any additional representation or warranty as to the Preliminary Official Statement other than the representation and warranty contained in paragraph (e);

(k) For purposes of this Purchase Agreement, the End of the Underwriting Period for the Bonds shall mean the earlier of (a) the day of the Closing unless the Board has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the Bonds for all purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule") will not occur on the day of the Closing, or (b) the date on which notice is given to the Board by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the Board

pursuant to clause (a) above that the "end of the underwriting period" for the Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the Board in writing as soon as practicable following the "end of the underwriting period" for the Bonds for all purposes of the Rule;

(l) At or prior to the Closing, the Board shall have duly authorized, executed and delivered a written continuing disclosure undertaking (an "Undertaking") which complies with the provisions of Rule 15c2-12(b)(5) and which shall be substantially in the form described in the Preliminary Official Statement;

(m) The Board has duly authorized all necessary action to be taken by you for: (1) the issuance and sale of the Bonds upon the terms set forth herein, in the Resolution and in the Official Statement; (2) the execution and delivery of the Resolution and the Undertaking; (3) the approval of the Official Statement and the execution of the Official Statement by the President of the Board or the Superintendent of the District; (4) the execution, delivery, receipt and due performance of this Purchase Agreement, the Bonds, the Undertaking, the Resolution, the Escrow Agreement and any and all such other agreements and documents as may be required to be executed, delivered and received by the Board in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement; and (5) the carrying out, giving effect to and consummation of the transactions contemplated hereby and by the Resolution and the Official Statement;

(n) When delivered to and paid for by the Underwriter in accordance with the terms of this Purchase Agreement, the Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute valid and binding general obligations of the Board payable from the ad valorem taxes levied upon all taxable property within the District and moneys pledged therefor under the Resolution and will be entitled to the benefit of the Resolution;

(o) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to our knowledge, threatened against or affecting the Board (or, to our knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby or by the Official Statement or the validity of the Bonds, the Resolution, the Undertaking, this Purchase Agreement, the Escrow Agreement or any agreement or instrument to which you are a party and which is used or contemplated hereby or by the Official Statement or the validity of the Bonds, the Resolution, this Purchase Agreement, the Undertaking, the Escrow Agreement or any agreement or instrument to which you are a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the Official Statement;

(p) The execution and delivery of the Official Statement, this Purchase Agreement, the Bonds, the Undertaking, the Resolution, the Escrow Agreement and the other agreements contemplated hereby and by the Official Statement, and compliance

with the provisions thereof, will not conflict with or constitute on the Board's part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which the Board is subject or by which the Board is or may be bound, and to our knowledge all consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the consummation of the transactions contemplated thereby have been obtained;

(q) All financial statements of the Board included as a part of the Preliminary Official Statement and the Official Statement (the "Financial Statements"), fairly present the financial condition of the Board as of the respective dates and have been prepared when so indicated in accordance with generally accepted accounting principles consistently applied and since the respective most recent dates as of which information is given in the Preliminary Official Statement or the Official Statement, there has not been any material change in the long-term debt of the Board or any material adverse change in the general affairs, management, financial position, or results of the Board and no material transactions or obligations other than in the ordinary course of business have been entered into with respect to the Board, except as reflected in or contemplated by the Official Statement; and

(r) Any certificate signed by the President or any of the Board's authorized officers and delivered to the Underwriter shall be deemed a representation and warranty by the Board to the Underwriter as to the statements made therein.

6. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and agreements of the Board made herein. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) At or prior to the time of the Closing, the Resolution, the Escrow Agreement and the Undertaking, as approved by the Underwriter or its counsel, shall have been approved by the appropriate parties, shall have been duly executed, acknowledged, sealed and delivered, shall be in full force and effect and shall not have been amended, modified or supplemented, except as therein permitted or as may have been agreed to in writing by the Underwriter;

(b) The Underwriter shall have the right to cancel their obligations hereunder to purchase the Bonds (such cancellation shall not constitute a default hereunder) by notifying the Board in writing of their election to do so between the date hereof and the Closing Date, if at any time hereafter and prior to the Closing Date:

(i) Any legislation, rule or regulation shall be introduced in, or enacted by, the United States House of Representatives or the United States Senate or any committee thereof, or a decision by a court established under Article III of the Constitution of the United States of America shall be rendered, or a ruling, regulation or

order of the Treasury Department of the United States shall be made or proposed, which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds;

(ii) Any legislation, Resolution, rule or regulation shall be introduced in or enacted by any governmental body, department or agency of the State of West Virginia or political subdivision thereof, or a decision by any court of competent jurisdiction within the State of West Virginia shall have been rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds;

(iii) A stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other government agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering for sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all the underlying obligations, as contemplated hereby or by the Official Statement, is in violation of any provisions of the Securities Act of 1933, as amended and as then in effect, or the registration provisions of the Securities and Exchange Act of 1934, as amended and as then in effect, or the qualification provisions of the Trust Indenture Act of 1939, as amended and as then in effect;

(iv) Any event shall have occurred or information become known which, in the Underwriter's reasonable opinion, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or the Official Statement or the Underwriter shall have determined that the Preliminary Official Statement or the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(v) A general banking moratorium shall have been established by Federal, New York State or West Virginia authorities;

(vi) In the reasonable opinion of the Underwriter, the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, has been adversely affected because (1) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, (2) the New York Stock Exchange, other national securities exchange or any governmental authority shall have imposed as to the Bonds or similar obligations any material restrictions not now in force, or increased materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter, or (3) war or any outbreak of hostilities or other national or international calamity or crisis shall have occurred or any armed conflict shall have occurred or escalated to such a magnitude as in

the reasonable opinion of the Underwriter to have a materially adverse effect on the ability of the Underwriter to market the Bonds;

(vii) The marketability of the Bonds or the market price thereof, in the opinion of the underwriter, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets;

(viii) There shall have occurred or any notice shall have been given of any intended downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service to any of the Board's obligations; or

(ix) There shall have been any materially adverse change in the affairs of the Board; and

(c) At or prior to the Closing, the Underwriter and the Board shall receive the following documents, in each case in form and substance satisfactory to us and our counsel:

(1) The unqualified approving opinions, dated as of the Closing Date, of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel, in the forms attached as Appendix C to the Official Statement accompanied by a supplementary opinion of Bond Counsel, dated as of the Closing Date, substantially in the forms attached hereto as Exhibit B;

(2) The opinion of Laura L. Sutton, Esq., Martinsburg, West Virginia, Counsel to the Board, dated as of the Closing Date and addressed to the Underwriter and the Board, in the forms attached hereto as Exhibit C;

(3) The opinion of Jackson Kelly PLLC, Charleston, West Virginia, counsel for the Underwriter, dated as of the Closing Date, substantially in the forms attached hereto as Exhibit D;

(4) A certificate of the Escrow Agent dated as of the Closing Date, to the effect that (a) the Escrow Agent has the authority to act as Escrow Agent and for and in connection with the Refunded Bonds and has requisite powers to carry out its duties under the Escrow Agreement; and (b) the Escrow Agreement has been duly and validly authorized, executed and delivered by the Escrow Agent, and assuming due authorization, execution and delivery thereof by the Board and Paying Agent, the Escrow Agreement constitutes a valid and legally binding obligation of the Escrow Agent, enforceable in accordance with its terms;

(5) A certificate of the President of the Board or any other of your duly authorized officers, satisfactory to the Underwriter, dated as of the Closing, to the effect that: (i) you have duly performed all of your obligations to be performed at or prior to the Closing and that each of your representations and warranties contained herein

are true as of Closing, (ii) you have authorized, by all necessary action the execution, delivery, receipt and due performance of the Bonds, the Undertaking, the Resolution, the Escrow Agreement and any and all such other agreements and documents as may be required to be executed, delivered and received by you in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement, (iii) to your knowledge no litigation is pending, or to your knowledge threatened, to restrain or enjoin the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds or the Resolution, (iv) the execution, delivery, receipt and due performance of the Bonds, the Undertaking, the Resolution and the other agreements contemplated hereby and by the Official Statement under the circumstances contemplated thereby and your compliance with the provisions thereof will not conflict with or constitute on your part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which you are subject or by which you are or may be bound;

(6) Copies of this Purchase Agreement and the Escrow Agreement executed by the parties thereto;

(7) Executed copies of the Undertaking described in paragraph 5(l), in form and substance satisfactory to the Underwriter and counsel to the Underwriter;

(8) A certificate of the Board executed by an authorized officer thereof, dated the Closing Date and in form and substance satisfactory to the Underwriter and counsel to the Underwriter, to the effect that the Board is obligated by such Undertaking and is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12(b)(5);

(9) The Resolution, certified by the Secretary under the seal of the Board, as having been duly adopted by the Board and as being in full force and effect, with only such amendments, modifications or supplements as may have been agreed to by the Underwriter;

(10) Evidence of an "AA" rating from Standard & Poor's;

(11) The approving opinion of Bond counsel or a reliance opinion from Bond Counsel providing that the Underwriter may rely on the Bond Counsel Opinion;

(12) An executed copy of Internal Revenue Service Form 8038-G;

(13) Evidence that the Board has adopted a formal post issuance policy sufficient to allow the Board to check boxes 43 and 44 on Form 8038-G; and

(14) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request.

If the Board shall be unable to satisfy or cause to be satisfied the conditions to the Underwriter's obligations in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and the Underwriter and the Board shall not have any further obligations, claims or rights hereunder. However, the Underwriter may in its discretion waive in writing one or more conditions imposed by this Purchase Agreement for the protection of the Underwriter and proceed with the Closing.

7. The Underwriter shall be under no obligation to pay, and, if the Bonds are issued, the Board shall pay or cause to be paid from the proceeds of the Bonds, any fees and expenses incident to the performance of the Board's obligations hereunder including (i) all expenses in connection with the printing and distribution of the Preliminary Official Statement, the Official Statement and any amendment or supplement to either; (ii) all expenses in connection with the preparation, printing, issuance and delivery of the Bonds; (iii) the fees and disbursements of Steptoe & Johnson PLLC, Bond Counsel; (iv) the fees and disbursements of Laura L. Sutton, Esq., Counsel for the Board; (v) rating agency fees; (vi) all advertising expenses in connection with the public offering of the Bonds; (vii) the fees and disbursements of the Registrar; (viii) the fees and expenses of Counsel to the Underwriter; (ix) the fees and expenses of the Escrow Agent and Paying Agent, if any; and (x) all other expenses and cost (including the fees and expenses of the Board) for the authorization, issuance, sale and distribution of the Bonds.

8. For so long as the Underwriter, or dealers or banks, if any, participating in the distribution of the Bonds, are offering the Bonds which constitute the whole or a part of their unsold participations, the Board will: (a) not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing or which shall be disapproved by Counsel for the Underwriter, unless, in the opinion of the Counsel to the Board, such amendment or supplement is required to make the Official Statement not misleading, and (b) if any event relating to or affecting the Board shall occur as a result of which it is necessary, in the opinion of Bond Counsel or Counsel for the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment or a supplement to the Official Statement (in form and substance satisfactory to the Counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. The expense of preparing such amendment or supplement shall be borne

by the Board. For the purposes of this paragraph, the Board will furnish such information with respect to themselves as the Underwriter from time to time may request.

9. Neither the officials of the Board nor its employees shall be personally liable for breach of any representation, agreement or warranty made by the Board within this Purchase Agreement.

10. Any notice or other communication to be given under this Purchase Agreement may be given by delivering the same in writing as follows:

To the Board:

The Board of Education of the County of Berkeley
401 South Queen Street
Martinsburg, WV 25401
Attention: President

To the Underwriter:

Crews & Associates, Inc.
521 President Clinton Ave., Suite 800
Little Rock, AR 72201

11. This Purchase Agreement is made solely for the benefit of the Board and the Underwriter (including the successors or assigns of the Underwriter) and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. All agreements of the Board in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

12. The Issuer acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Issuer and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Issuer; (iii) the Underwriter has not assumed a fiduciary responsibility in favor of the Issuer with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Issuer on other matters) or any other obligation to the Issuer except the obligations expressly set forth in this Purchase Agreement, (iv) the Underwriter has financial and other interests that differ from those of the Issuer; and (v) the Issuer has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

13. This Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

14. The approval of the Underwriter when required hereunder or the determination of its satisfaction with any document referred to herein shall be in writing signed by the Representative and delivered to the Board. This Purchase Agreement shall become legally effective upon its acceptance by the Board, as evidenced by the signature of the President of the Board in the space provided hereinafter therefor.

Crews & Associates, Inc.

By:  (Rob Steptoe)
Its: Director, Public Finance

This 26th Day of January, 2012.

The Board of Education of the County of Berkeley

By: _____
Its: President of the Board

Crews & Associates, Inc.

By: _____
Its: Director, Public Finance

This 26th Day of January, 2012.

The Board of Education of the County of Berkeley

By: 
Its: President of the Board

EXHIBIT A-1

Series 2012 Bonds

<u>Maturity</u> <u>(May 1)</u>	<u>Amount</u>	<u>Coupon</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP</u>
2013	\$2,165,000	2.000%	101.771%	0.550%	084239 FN7
2014	\$2,270,000	2.000%	102.868%	0.700%	084239 FP2
2015	\$2,320,000	3.000%	106.665%	0.900%	084239 FQ0
2016	\$2,385,000	2.000%	103.707%	1.100%	084239 FR8
2017	\$2,430,000	1.100%	99.242%	1.250%	084239 FS6

EXHIBIT B-1

[SUPPLEMENTAL BOND COUNSEL OPINION OF STEPTOE & JOHNSON PLLC]

February 9, 2012

The Board of Education of the County of Berkeley
401 South Queen Street
Martinsburg, WV 25401

Crews & Associates, Inc.
521 President Clinton Ave., Suite 800
Little Rock, AR 72201

Re: \$11,570,000 The Board of Education of the County of Berkeley
(West Virginia) Public School Refunding Bonds, Series 2012

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance and sale by The Board of Education of the County of Berkeley (West Virginia) (the "Board") of its \$11,570,000 aggregate principal amount of Public School Refunding Bonds, Series 2012 (the "Series 2012 Bonds"). In our capacity as Bond Counsel, we are delivering an opinion of even date herewith concerning the legality and tax exempt status of the Series 2012 Bonds (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other documents and matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings ascribed thereto in the Bond Purchase Agreement (the "Purchase Agreement") dated January 26, 2012, between the Board and Crews & Associates, Inc. (the "Underwriter").

Based upon the foregoing, we are of opinion that:

(1) The Purchase Agreement has been duly authorized, executed and delivered by the Board, and, assuming due authorization, execution and delivery by the other party thereto, is a legal, valid, binding and enforceable obligation of the Board (except to the extent that enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles affecting creditors' rights generally and to the exercise of judicial discretion).

(2) The Board, under the Act, has full power and authority to adopt the Resolution, enter into the Escrow Agreement and the Purchase Agreement and perform its obligations thereunder.

(3) The Board has duly ratified the distribution of the Preliminary Official Statement, the Official Statement has been duly approved, executed and delivered by the Board, and the Board has authorized the distribution of the Official Statement and the use thereof by the Underwriter in connection with the sale of the Series 2012 Bonds.

(4) The statements and information contained in the Official Statement under the captions or subcaptions "Introduction," "The Bonds," "Tax Matters," "Legal Matters," and "Appendix C" do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

(5) The Series 2012 Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

(6) Based on the foregoing, we are of the opinion that the Series 2002 Bonds are deemed to have been paid and the covenants, agreements and other obligations of the Board to the holders of the Series 2002 Bonds have been discharged and satisfied, and that such refunding will not adversely affect the excludability of the interest on the Series 2002 Bonds or the Series 2012 Bonds from gross income for federal income taxation.

Very truly yours,

EXHIBIT C-1

[LETTERHEAD OF LAURA L. SUTTON, ESQ. COUNSEL TO BOARD]

February 9, 2012

The Board of Education of the County of Berkeley
401 South Queen Street
Martinsburg, WV 25401

Crews & Associates, Inc.
521 President Clinton Ave., Suite 800
Little Rock, AR 72201

Re: \$11,570,000 The Board of Education of the County of Berkeley
(West Virginia) Public School Refunding Bonds, Series 2012

Ladies and Gentlemen:

I have served as counsel to The Board of Education of the County of Berkeley, West Virginia (the "Board") in connection with the sale of the above-referenced bonds (the "Series 2012 Bonds"), which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of January 26, 2012 (the "Purchase Agreement"), between Crews & Associates, Inc. (the "Underwriter") and the Board. Any capitalized terms used herein and not defined shall have the meaning ascribed thereto in the Purchase Agreement.

In this connection, I have reviewed and examined certain proceedings and documents with respect to the Series 2012 Bonds, any such records, certificates and other documents as I have considered necessary or appropriate for the purposes of this opinion, including Chapter 13, Article 2 of the Code of West Virginia, 1931, as amended (the "Refunding Act"), the Resolution of the Board, the Escrow Agreement, the Purchase Agreement, the Preliminary Official Statement dated January 24, 2012, and the Final Official Statement dated January 26, 2012, with respect to the issuance and offering of the Series 2012 Bonds (collectively, the "Official Statement") and a closing certificate of the Board. Based on such review and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

1. The Board is a validly existing statutory corporation charged with the supervision and control of the Berkeley County School District, which is a validly existing political subdivision of the State of West Virginia, and is authorized by the Refunding Act to issue and sell the Series 2012 Bonds. The Board is authorized by the laws of the State of West Virginia, as provided by the Refunding Act, to enter into and perform its obligations under the Resolution, the Escrow Agreement and the Purchase Agreement.

{C2232632.2}

2. The Board has full power and authority to consummate all transactions contemplated by the Series 2012 Bonds, the Purchase Agreement, the Escrow Agreement and any and other agreements relating thereto, to which the Board is a party.

3. The Board has duly authorized all action necessary to be taken by it or on its behalf for (i) the execution and delivery of the Escrow Agreement and the Purchase Agreement; (ii) the approval of the distribution of the Official Statement; (iii) the ratification of the actions of the Board and the issuance and delivery of the Series 2012 Bonds upon the terms set forth in the Resolution; and (iv) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Escrow Agreement and the Purchase Agreement have been duly and validly authorized, executed and delivered by the Board and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the Board, enforceable against the Board in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally and to the exercise of judicial discretion.

5. The Resolution authorizing issuance of the Series 2012 Bonds has been duly adopted and entered at meetings of the Board which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of such adoption.

6. The execution and delivery of the Escrow Agreement and the Purchase Agreement by the Board and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the Board or, to the best of my knowledge after diligent inquiry and reasonable review of the Board's records, any agreement or other instrument to which the Board is a party or by which it or its properties are bound.

7. All actions necessary to be taken by the Board have been taken, and no additional approval, authorization, consent or other order of the Board or any public board or body is legally required to allow the Board to enter into and perform its obligations under the Escrow Agreement and the Purchase Agreement or as described in the Official Statement.

8. The Board is not in violation of any provision of, or in default under, West Virginia statutes organizing and governing the Board.

9. There are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened by governmental authorities or to which the Board is a party or of which any property of the Board is subject, except as described in the

Official Statement, which, if determined adversely to the Board, would individually or in the aggregate (i) materially and adversely affect the validity or the enforceability of the Series 2012 Bonds, the Escrow Agreement or the Purchase Agreement, (ii) otherwise materially or adversely affect the ability of the Board to comply with its obligations under the Escrow Agreement or the Purchase Agreement, or (iii) materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the Board.

10. Based upon my experience as counsel to the Board and on my review of the Official Statement, and after diligent inquiry, but without having undertaken to verify the same through independent investigation, the statements and information contained in the Official Statement under the captions or subcaptions "Berkeley County School District," "Certain Financial Information," "Litigation in the State Concerning the School Financing System," "Litigation," "Legal Matters," "Continuing Disclosure," "Appendix A," "Appendix B" and "Appendix E" do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect, it being understood, that in rendering such opinion I express no opinion with respect to statistical data, financial statements, operating statistics and other financial data in the Official Statement, including Appendix A thereto.

This opinion may be relied upon by all counsel to this transaction as if specifically addressed to them.

I hereby consent to the references made to me in the Official Statement.

Very truly yours,

EXHIBIT D-1

[LETTERHEAD OF JACKSON KELLY PLLC]

February 9, 2012

Crews & Associates, Inc.
521 President Clinton Ave., Suite 800
Little Rock, AR 72201

Re: \$11,570,000 The Board of Education of the County of
Berkeley Public School Refunding Bonds, Series 2012

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by The Board of Education of the County of Berkeley (the "Board") of its Public School Refunding Bonds, Series 2012 (the "Series 2012 Bonds") in the aggregate principal amount of \$11,570,000. In connection with rendering this opinion, we have examined the Official Statement dated January 26, 2012, the Bond Purchase Agreement dated January 26, 2012 (the "Purchase Agreement"), the Continuing Disclosure Agreement between you and the Board dated as of the Closing Date (the "Undertaking"), and Rule 15c2-12 of the Securities Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing, we are of the opinion that the Undertaking complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the Board, counsel for the Board, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement (excluding therefrom the financial and statistical data included in the Official Statement, as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in its transcript of closing documents pertaining to the delivery of the Series 2012 Bonds.

Very truly yours,

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Agreement") dated as of February 9, 2012, is by and between the Board of Education of the County of Berkeley (the "Board") and United Bank, Inc., as Disclosure Agent (the "Disclosure Agent"), in connection with the issuance of the \$11,570,000 The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012 (the "Series 2012 Bonds"). Capitalized terms used in this Agreement shall have the respective meanings specified above, in Section 2 hereof or in the Resolution adopted by the Board on January 23, 2012, authorizing issuance of the Series 2012 Bonds (the "Resolution"). The Board agrees as follows:

SECTION 1. Purpose of Agreement. This Agreement is being executed and delivered by the Board and the Disclosure Agent for the benefit of the holders and beneficial owners of the Series 2012 Bonds and in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

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

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Board, provided at least annually, of the type included in those sections of the final official statement with respect to the Series 2012 Bonds in Appendix A entitled "Audit Report of Berkeley County Board of Education for Fiscal Year Ended June 30, 2010," which Annual Financial Information shall include Audited Financial Statements if available on the due date set forth herein, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Board's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants or the West Virginia Auditor's Office.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2012 Bonds (including persons holding Series 2012 Bonds through nominees, depositories or other intermediaries).

"Bond Purchase Agreement" shall mean the Bond Purchase Agreement dated January 26, 2012, entered into between Crews & Associates, Inc. (the "Underwriter"), and the Board, by which the Underwriter agreed to purchase the Series 2012 Bonds from the Board upon the terms set forth therein.

"Disclosure Agent" shall initially mean United Bank, Inc. and any later appointed Disclosure Agent or any successor Disclosure Agent designated in writing by the Board and which has filed with the Board a written acceptance of such designation.

"Disclosure Representative" shall mean the Treasurer of the Board.

"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.

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

"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.

“Participating Underwriter” shall mean the original underwriter of the Series 2012 Bonds who is required to comply with the Rule in connection with offering of the Series 2012 Bonds.

“Repository” shall mean each National Repository.

“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.

“Series 2012 Bonds” shall mean the \$11,570,000 The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012.

“State” shall mean the State of West Virginia.

SECTION 3. Provision of Annual Reports.

(a) The Board shall, or shall cause the Disclosure Agent to, not later than 270 days after the end of the Board’s fiscal years (presently June 30), commencing with the reports for the Fiscal Year ending June 30, 2011 (FY 2011), provide to each Repository: Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Agreement. The Annual Financial Information and Audited Financial Statements 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 Agreement. The Board shall provide the Disclosure Agent with a copy of each report filed under this Agreement. If the Board’s fiscal year changes, the Board shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to said date, the Board shall provide the Annual Financial Information and Audited Financial Statements to the Disclosure Agent. If the Board is unable to provide to the Repositories the Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Board shall, or shall cause the Disclosure Agent to, send a notice to the Repositories, in substantially the form attached as Exhibit A.

(c) The Disclosure Agent shall file a report with the Board certifying that the Annual Financial Information and Audited Financial Statements have been provided to EMMA pursuant to the Agreement and the date provided.

(d) All documents provided to EMMA shall be provided in a searchable, electronic format and shall be accompanied by identifying information as prescribed by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

SECTION 4. Content of Annual Financial Information and Audited Financial Statements. Within two hundred seventy (270) days of the Board’s fiscal year end, the Board or Disclosure Agent on its behalf shall submit to EMMA information and data of the Board for the prior fiscal year, including the Audited Financial Statements, prepared in accordance with generally accepted accounting principles in effect from time to time.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Board or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Board shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Board shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Series 2012 Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2012 Bonds, or other material events affecting the tax status of the Series 2012 Bonds;
7. modifications to rights of security holders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Series 2012 Bond, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership, or similar event of the Board¹;
13. the consummation of a merger, consolidation or acquisition involving the Board, or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its term, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Disclosure 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 Board promptly notify the Disclosure Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Board obtains knowledge of the occurrence of a Listed Event, classified under Section 5(a) (2), (7), (8), (10), (13) or (14), because of a notice from the Disclosure Agent pursuant to subsection

¹ For the purposes of the event identified in Section 5(a)(12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

(b) or otherwise, the Board shall as soon as possible determine if such event would be material under applicable federal securities laws, in any event such determination must be made and submitted to the Disclosure Agent within two (2) business days.

(d) If the Board determines that knowledge of the occurrence of any of the Listed Events, classified under Section 5(a) (2), (7), (8), (10), (13) or (14), would be material under applicable federal securities laws pursuant to subsection (b) or the Board received notice of any Listed Event that does not require a finding of materiality classified under Section 5(a) (1), (3), (4), (5), (6), (9), (11) or (12), the Board shall promptly file with the Disclosure Agent a notice of such occurrence to be provided to EMMA.

(e) If in response to a request under subsection (b), the Board determines that the Listed Event, classified under Section 5(a) (2), (7), (8), (10), (13) or (14), would not be material under applicable federal securities laws, the Board shall so notify the Disclosure Agent in writing and instruct the Disclosure Agent not to report the occurrence pursuant to subsection (f).

(f) If the Disclosure Agent has been instructed by the Board to report the occurrence of a Listed Event, the Disclosure Agent shall file a notice of such occurrence with EMMA with a copy to the Board. The Disclosure Agent must file such notice with EMMA within ten (10) business days of the occurrence of such Listed Event.

SECTION 6. Termination of Reporting Obligation. The Board's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2012 Bonds. If such termination occurs prior to the final maturity of the Series 2012 Bonds, the Board shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

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

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Agreement, the Board and the Disclosure Agent may amend this Agreement, and any provision of this 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 the Board with respect to the Series 2012 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 Series 2012 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 Series 2012 Bonds in the same manner as provided in the Resolution for amendments to the Resolution, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Series 2012 Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Board shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in

SECTION 16. Right to Counsel. The Disclosure Agent shall have the right to consult with counsel in carrying out its duties under the Agreement and to rely upon an opinion of counsel.

SECTION 17. Duties of Disclosure Agent. The Disclosure Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied. Any corporation or association into which the Disclosure Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Disclosure Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Disclosure Agent in its individual capacity may be sold or otherwise transferred, shall be the Disclosure Agent under this Agreement without further act. Anything in this Agreement to the contrary notwithstanding, in no event shall the Disclosure Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Disclosure Agent has been advised of such loss or damage and regardless of the form of action. The Board will, for the benefit of the Disclosure Agent and Disclosure Agent's employees, directors, agents, subsidiaries, affiliates, successors and assigns, assume all liability and/or be responsible to pay for any and all claims, demands, causes of action, losses, damages, liabilities, penalties, costs and expenses (including reasonable attorney's fees) relating to this Agreement, to the extent assessed by a court of competent jurisdiction.

IN WITNESS WHEREOF, the Board and the Disclosure Agent have caused this Agreement to be executed by its duly authorized representatives, all as of the date first above written.

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY

By:  _____

UNITED BANK, INC., as Disclosure Agent

By: _____

Its: _____

Date: February 9, 2012

IN WITNESS WHEREOF, the Board and the Disclosure Agent have caused this Agreement to be executed by its duly authorized representatives, all as of the date first above written.

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY

By: _____

UNITED BANK, INC., as Disclosure Agent

By: *[Handwritten Signature]*

Its: *VP*

Date: February 9, 2012

EXHIBIT A

**NOTICE TO REPOSITORIES
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: The Board of Education of the County of Berkeley
Name of Bond Issue: \$11,570,000 The Board of Education of the County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012
Date of Bond Issue: February 9, 2012

NOTICE IS HEREBY GIVEN that the Board has not provided an Annual Report with respect to the above-named Series 2012 Bonds as required by Section 3(b) of that certain Continuing Disclosure Agreement dated as of February 9, 2012, by and between the Board and United Bank, Inc., as disclosure agent, to be provided. The Board anticipates that the Annual Report will be filed by _____, 20__.

Dated: _____, 20__

United Bank, Inc., as Disclosure Agent
on behalf of the Board

cc: Board

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 24, 2012

**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; however, interest on the Bonds held by a corporation may be indirectly subject to alternative minimum tax because of its inclusion in adjusted current earnings of such corporate holder. 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

\$12,080,000*

**The Board of Education of the
County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012**

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 and the Bond Authorizing Resolution and Order adopted by the Board on January 23, 2012, both the principal of and interest on the Bonds are payable at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent. The Board has designated United Bank Inc., Charleston, West Virginia, as Registrar.

Interest on the Bonds will be payable May 1, 2012 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.

See "TAX MATTERS" herein for a description of the opinions of Bond Counsel and certain federal tax law consequences of ownership of the Bonds.

The Bonds are not subject to redemption.

MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS**

Maturing (May 1)	Principal Amount (\$)	Interest Rate (%)	Yield (%)	CUSIP Base #:
2012	90,000*			
2013	2,295,000*			
2014	2,350,000*			
2015	2,405,000*			
2016	2,445,000*			
2017	2,495,000*			

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, Esquire, Martinsburg, West Virginia, Counsel to the Board. Certain legal matters will be passed upon for the Underwriter by Jackson Kelly PLLC, Charleston, West Virginia, as Counsel to the Underwriter. It is expected that the Bonds will be available for delivery to DTC, New York, New York on or about February __, 2012.



January __, 2012

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$12,080,000*
**The Board of Education of the
County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012**

ELECTED OFFICIALS

Dr. William F. Queen, President
Richard A. Pill, Esquire
Todd M. Beckwith
Dr. Darin Gilpin
Ron Gray

APPOINTED OFFICIALS

Manuel P. Arvon, II, Superintendent
Don Dellinger, Deputy Superintendent
Dr. Kim Hough, Assistant Superintendent
James V. Butts, Jr., Treasurer/Chief Business Official

BOARD'S COUNSEL

Laura L. Sutton, Esquire
Martinsburg, West Virginia

BOND COUNSEL

Step toe & Johnson PLLC
Charleston, West Virginia

UNDERWRITER

Crews & Associates, Inc.
Little Rock, Arkansas

UNDERWRITER'S COUNSEL

Jackson Kelly PLLC
Charleston, West Virginia

** CUSIP numbers have been assigned by an independent company not affiliated with the Board and are included on this cover page solely for the convenience of the Owners of the Bonds only at the time of issuance of the Bonds. Neither the Underwriter nor the Board makes any representation with respect to the accuracy of such CUSIP numbers as indicated in the above table or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds.

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.

You should make your own decision whether this offering meets your investment objectives and risk tolerance level. No federal or state securities commission has approved, disapproved, endorsed or recommended this offering. No independent person has confirmed the accuracy or truthfulness of this disclosure, nor whether it is complete.

The Resolution, as hereinafter defined, has not been qualified under the Trust Indenture Act of 1939, as amended, because of available exemptions therefrom.

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Forward-Looking Statements

This Preliminary Official Statement, and particularly the information contained in the caption "BERKELEY COUNTY SCHOOL DISTRICT" and "CERTAIN FINANCIAL INFORMATION" contain statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Preliminary Official Statement, the words "estimated," "forecasted," "intended," "expected," "anticipated," "projected" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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**OFFICIAL STATEMENT
RELATING TO**

\$12,080,000*
**The Board of Education of the
County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012**

INTRODUCTION

This Official Statement provides certain information in connection with the sale of \$12,080,000* in aggregate principal amount of The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012 (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 therefor.

The Bonds are being issued to provide funds, along with other funds from accounts established for the Series 2002 Bonds, as hereinafter defined, to provide for the current refunding of the Board's Public School Bonds, Series 2002 issued in the original aggregate principal amount of \$27,800,000 ("Series 2002 Bonds") of which \$13,620,000 is outstanding. Proceeds of the Bonds will also be used to pay legal, consulting and other professional fees, printing and other issuance costs.

At a special election held on September 29, 2001, the issuance of bonds in an amount of up to \$27,800,000 and the imposition of a special property tax levy sufficient to pay principal of and interest on such bonds were authorized and approved for the purpose of paying costs associated with the construction of new public school facilities and costs associated with modifications, improvements, renovations and equipping of various existing public school facilities in the School District. The Bonds refund the Series 2002 Bonds.

In addition to the proposed Bonds, the Board also has outstanding its Public School Bonds, Series 2010, dated February 17, 2010, issued in the original principal amount of \$51,500,000 and currently outstanding in the amount of \$49,475,000 (the "Series 2010 Bonds"). The final maturity of the Series 2010 Bonds is May 1, 2025.

The Bonds will be 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.

* Preliminary, subject to change.

THE BONDS

General

The Bonds will be dated the date of delivery thereof and are 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:

Maturing (May 1)	Principal Amount (\$)
2012	
2013	
2014	
2015	
2016	
2017	

Pursuant to Chapter 13, Article 1 of the Code of West Virginia of 1931, as amended (the "Bond Act") and the Bond Authorizing Resolution and Order adopted by the Board on January 23, 2012 (the "Resolution"), both the principal of and interest on the Bonds are payable at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as its Paying Agent (the "Paying Agent"). The Board has designated United Bank, Inc., Charleston, West Virginia, as the Registrar.

Interest on the Bonds will be payable May 1, 2012 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 the address as shown on the registration books kept for that purpose by the Registrar as of the 15th day of the month preceding each such interest payment date. In the case of an owner of \$1,000,000 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 the record date for such interest payment date.

Authority and Purpose

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 Bond 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. Upon issuance of the 2012 Refunding Bonds, the percentage of aggregate indebtedness as a percentage of assessed valuation will be 1.27%. Article X, Section 8 of the Constitution and Sections 20 and 34 of the Bond Act require the annual levy and collection of a tax sufficient to pay the principal of and interest on such bonds. 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. Pursuant to the Bond Act and orders and resolutions duly entered and adopted by the Board, on September 29, 2001, the issuance of bonds up to the amount of \$27,800,000 and the levy of taxes sufficient to pay principal of and interest on such bonds were authorized and approved at a special election by 63.26% of the participating voters. Proceeds of the Series 2002 Bonds were applied, together with certain funds received by the Board from the School Building Authority of the State of West Virginia (the "State") to the cost of acquisition and construction of certain new public school facilities and modifications, improvements, renovations and equipping of various existing schools and other buildings in the School District. The ballot question limited the term of the bonds to fifteen and one-half (15 ½) years from their date and limited the rate of interest on the bonds to a rate not exceeding 7 ¼% per annum. Pursuant to the Bond Act, the Series 2002 Bonds were issued on February 12, 2002, in the aggregate principal amount of \$27,800,000 and designated Public School Bonds, Series 2002.

The Board is issuing the Bonds pursuant to Article 2, Chapter 13 of the Code of West Virginia, as amended (the "Refunding Act" and collectively with the Bond Act, the "Act") and resolutions of the Board adopted on December 19, 2011 and January 23, 2012 (collectively, the "Resolution"). The Board is issuing the Bonds for the purpose of currently refunding the Series 2002 Bonds. In accordance with the provisions of the Refunding Act, debt service on the Bonds will not exceed in each year the amount of taxes expected to be

available for payment of such debt service in accordance with the terms approved by the voters. The Series 2002 Bonds will be deemed paid upon the completion of the current refunding. Certain funds of the Board on deposit with the West Virginia Municipal Bond Commission (the "Bond Commission") relating to the Series 2002 Bonds will become surplus funds as a result of the current refunding and will be available for release to the Board.

Plan of Financing

The proceeds from the Bonds in the amount of \$ _____* will be combined with the sum of \$ _____ which will be transferred from accounts of the Board at the Bond Commission in connection with the Series 2002 Bonds and along with other funds made available to the Board will be applied towards the funding of an escrow to current refund the Series 2002 Bonds. Such proceeds will be used to pay the May 1, 2012 principal and interest payments on the Series 2002 Bonds and to pay the redemption price of the Series 2002 Bonds called for redemption. The proceeds will be held by the Bond Commission, as Escrow Agent under an Escrow Agreement to be entered into on or about February __, 2012 (the "Escrow Agreement"), by and among the Board and the Bond Commission. The 2002 Bonds are expected to be called so that their redemption will occur no later than 90 days following the date of issuance of the Bonds. During the period in which the proceeds of the Bonds are deposited with the Bond Commission (except amounts necessary for costs of issuance), such funds will be invested in United States Treasury Obligations. The maturing principal of and interest on the United States Treasury Obligations is not pledged to and will not be available to pay the Bonds. The savings realized from the refunding may be used to pay for capital improvements and other authorized purposes under the resolution originally passed by the Board on June 18, 2001.

Sources and Uses of Funds

Sources

Proceeds of the Bonds	\$ _____
[Original Issue Premium]	\$ _____
[Amounts Transferred from Bond Commission]	\$ _____
TOTAL	\$ _____

Uses

Deposit to Escrow Fund ¹	\$ _____
[Original Issue Discount]	\$ _____
Underwriter's Discount	\$ _____
Costs of Issuance ²	\$ _____
TOTAL	\$ _____

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 but in the same proportion as the maximum levy rates otherwise authorized by law.

Debt Administration

¹ The amount set forth in the Escrow Agreement as required, together with the income thereon and funds transferred from accounts established for the Series 2002 Bonds to effect the current refunding of the Series 2002 Bonds as described herein.

² Includes fees and expenses of Rating Agency, Bond Counsel, Underwriter's Counsel, Printing, Registrar and other fees and expenses associated with the issuance of the Bonds.

Pursuant to Chapter 13, Article 3 of the Code of West Virginia, the West Virginia Municipal Bond Commission (the "Bond Commission") shall serve as fiscal agent for all issuers of general obligation bonds issued by counties, municipalities, and school districts of the State when the Bond Commission is named fiscal agent by statute or is otherwise appointed fiscal agent by one of such entities and is charged with the administration of the interest and sinking funds created to service the debt when so named or appointed. The proceeds of taxes levied for debt service by the Board are collected by the Sheriff of Berkeley County, 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 for which it is serving as fiscal agent 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 between 100% and 110% of the annual principal and interest required in the upcoming year, depending upon the amount of surplus then on deposit with the Bond Commission with respect to such Bonds, 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 2011 Budget Bill is indicative:

Sec. 14. Sinking Fund deficiencies. - 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 nominated and 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 2012, the terms of two 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 2011-2012, the Berkeley County school system had a central office professional staff of 22 with the overall responsibility to coordinate and supervise the activities of 94 school administrators, 1,392 instructional staff (teachers and other professionals), and 886 service personnel. Total Full Time Equivalent positions are 2,394. The average pupil-teacher ratio for the 2011-2012 school year was 12.93 (combined elementary, middle and secondary schools). The total student enrollment (head count) was 18,002 students K-12.

Historical School Enrollment (School Year)

Grades	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
PK-EC	472	590	607	641	802	849
K	1312	1385	1345	1444	1389	1382
1	1324	1338	1390	1302	1368	1368
2	1179	1275	1336	1391	1284	1353
3	1225	1222	1263	1331	1386	1308
4	1228	1232	1238	1303	1353	1385
5	1152	1247	1255	1273	1293	1374
6	1262	1198	1338	1299	1293	1359
7	1285	1337	1229	1331	1305	1330
8	1229	1260	1331	1211	1314	1261
9	1537	1540	1533	1567	1450	1572
10	1136	1142	1176	1220	1246	1158
11	1090	1157	1147	1117	1186	1199
12	<u>891</u>	<u>945</u>	<u>1027</u>	<u>1032</u>	<u>1051</u>	<u>1104</u>
Total	16322	16868	17215	17462	17720	18002

Rate of Increase (Decrease) in Enrollment	
2006-2012	10.29%
Annualized	2.05%

Source: Berkeley County Board of Education

Projected Enrollment (School Year) (2% growth projected)

Year (October)	Enrollment
2012	18,362
2013	18,729
2014	19,103
2015	19,485

Source: Berkeley County Board of Education

Facilities

School	Grades	Construction Type	Construction Date	Additions/Improvements
High Schools				
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	2004/2011
Middle Schools				
Hedgesville Middle	6-8	Masonry	1926	1962/1969/1989/1995
Musselman Middle	6-8	Masonry	1999	2004
North Middle	6-8	Masonry	1962	1975/1982/2011
South Middle	6-8	Masonry	1955	1971/1985/2006/2007
Spring Mills Middle	6-8	Masonry	2004	---
Elementary Schools				
Back Creek Valley Elementary	K-3	Masonry/Frame	1955	1968/1975/1981/1984/1989/2002
Bedington Elementary	K-3	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	---
Spring Mills Primary School	K-2	Masonry	2011	---
Other Properties				
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 1/2% discount if paid by September 1; 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 1/2% 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 and 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
2006-2007				
General Current*	46,099,642	42,514,292	45,451,688	106.91
Bond Levy	4,528,078	4,119,110	4,649,979	112.89
2007-2008				
General Current*	56,002,400	51,655,426	58,836,737	104.22
Bond Levy	4,557,713	4,142,810	4,614,536	111.39
2008-2009				
General Current*	60,564,268	55,863,197	59,845,164	107.13
Bond Levy	4,379,708	4,172,090	4,465,997	107.04
2009-2010*				
General Current	61,902,684	57,025,811	60,720,571	106.48
Bond Levy	3,855,989	3,626,920	4,023,348	110.93
2010-2011*				
General Current	58,828,501	54,105,210	57,420,789	106.13
Bond Levy	7,357,072	6,802,844	7,106,266	104.46

*Includes Excess Levy

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 which was protested to the board of equalization and review 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. A taxpayer can elect to have its protest of an assessment heard by the county commission sitting as a board of assessment appeals in October, rather than by the county commission sitting as a board of equalization and review in February. In order to utilize this option the taxpayer must pay the disputed taxes. The assessor annually, not later than March 3, must furnish a certified statement to certain governmental 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 2011 assessment year valuations are made as of July 1, 2010, with taxes levied and collected during the fiscal year July 1, 2011, through June 30, 2012.

The State Tax Commissioner has the responsibility for preparing tentative valuations of 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 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 legislation 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 legislation specifically provided that assessors should not implement the reappraisal described above. The legislation 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*

Class	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
I	7,160,631	0	0	0	0
II	3,141,631,408	3,368,293,930	3,380,515,434	3,140,909,591	2,941,097,396
III	1,353,897,890	1,460,494,002	1,509,926,451	1,448,692,415	1,462,902,739
IV	<u>414,928,270</u>	<u>468,978,812</u>	<u>493,293,342</u>	<u>490,906,661</u>	<u>450,191,087</u>
Total	4,917,618,199	5,297,766,744	5,383,735,227	5,080,508,667	4,854,191,222

Source: State of West Virginia Tax Department

Assessed Valuation By Property Category*

Category	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Real	4,289,716,040	4,644,792,490	4,724,568,200	4,444,628,446	4,161,127,520
Personal	485,094,734	501,201,381	497,200,013	478,134,418	509,968,721
Public Utility	<u>142,807,425</u>	<u>151,772,873</u>	<u>161,670,014</u>	<u>157,745,803</u>	<u>183,094,981</u>
Total	4,917,618,199	5,297,766,744	5,383,735,227	5,080,508,667	4,854,191,222

Source: State of West Virginia Tax Department

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

\$110,547,207 in 2007-2008	\$120,260,634 in 2008-2009	\$124,706,222 in 2009-2010
\$130,069,302 in 2010-2011	\$135,839,716 in 2011-2012	

Also see the "Current Housing Environment in Berkeley County" on page 11.

Largest Assessed Valuations* (tax year 2011)

Property Owner	Assessed Valuation (\$)
The Potomac Edison Company	55,860,082
Trans Allegheny Interstate Line co.	21,868,191
Verizon West Virginia, Inc.	20,430,451
Hardy Cellular Telephone	18,660,987
Berkeley Business Park Assoc. (old GM Building)	18,195,200
Mountain State University	17,728,720
Capitol Cement Corporation	15,188,630
Guardian Fiberglass Inc.	14,279,400
Distribution Center of America LLC	12,852,780
CSX Transportation, Inc.	12,734,495

*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 and West Virginia State Auditor's Office

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 2011; Fiscal Year 2011 - 2012.

Rates of Levy*

County	Class I	Class II	Class III/IV
BERKELEY	61.35	122.70	245.40
Jefferson	56.64	113.28	226.56
Morgan	52.89	105.78	211.56

*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.

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.

Tax Rates - By Property Class (Cents Per \$100)

School Current Levy

Class	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
I	19.40	19.40	19.40	19.40	19.40
II	38.80	38.80	38.80	38.80	38.80
III and IV	77.60	77.60	77.60	77.60	77.60

School Excess Levy

Class	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
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

Class	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
I	3.41	3.03	3.03	5.24	5.61
II	6.82	6.06	5.22	10.48	11.22
III and IV	13.64	12.12	10.44	20.96	22.44

Source: State of West Virginia Tax Department

The maximum tax rates described above are divided among the several levying bodies by statute. Under Chapter 11, Article 8, Section 6b 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.

Rates of Levy (Source: West Virginia State Auditor)

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 2011-2012 fiscal year, are as follows:

Tax Type	Class I	Class II	Class III/IV
State Current	0.25	0.50	1.00
County Current	13.59	27.18	54.36
School Current	19.40	38.80	77.60
School Bonds	5.61	11.22	22.44
School Excess	22.50	45.00	90.00

Source: State of West Virginia Tax Department

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 2011-2012 fiscal year.

Municipality	Class I	Class II	Class IV
Hedgesville	5.30	10.60	21.20
Martinsburg	15.28	30.56	61.12

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:

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Summary of Statistical Debt Information

Population (2010)	104,169
Assessed Valuation*	4,990,030,938
Debt Limit (5% of Assessed Valuation)	249,501,546.90
Outstanding Debt (including the Series 2012 Bonds)**	63,570,000
Debt Contracting Margin**	185,931,546.90
Per Capita Debt**	610.26
Outstanding Debt as percentage of Assessed Valuation**	1.27%

Source: US Census Bureau and State of West Virginia Tax Department

*Assessed Value is estimated to be approximately 60% of appraised or market value (Assessment Year 2011, Fiscal Year 2012).

**Assumes a true interest cost of 2.01% on the refunding bonds. Preliminary and subject to change.

Current Housing Environment in Berkeley County

Due to the national subprime lending crisis, beginning in 2008 the foreclosure rate has risen steadily. While the percentage of mortgage payments that are ninety days past due has decreased from 6.07% to 4.37% from 2010 to 2011, the foreclosure rate has increased from 3.13% to 3.77% from 2010 to 2011 in Berkeley County. The increases in foreclosures in Berkeley County are a large reason why the total valuation of residential property has decreased since the 2009-2010 tax year (see "Assessed Valuation by Property Category" Chart on page 9). While it is unknown whether the subprime mortgage crisis will continue to result in increases in the foreclosure rate in Berkeley County, if the foreclosure rate continues to rise in Berkeley County, the valuation of residential property may continue to decrease in Berkeley County.

Source: Federal Reserve Bank of Richmond.

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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

Year Ending June 30	Series 2010 Principal	Series 2010 Interest	Series 2012 Principal	Series 2012 Interest	Total
2012	2,660,000	1,703,087.50			
2013	2,770,000	1,623,287.50			
2014	2,890,000	1,567,887.50			
2015	3,010,000	1,452,287.50			
2016	3,140,000	1,392,087.50			
2017	3,275,000	1,313,587.50			
2018	3,415,000	1,182,587.50			
2019	3,560,000	1,045,987.50			
2020	3,710,000	903,587.50			
2021	3,865,000	755,187.50			
2022	4,030,000	629,575.00			
2023	4,205,000	493,562.50			
2024	4,380,000	346,387.50			
2025	4,565,000	171,187.50			
TOTAL	49,475,000	14,580,287.50			

*Preliminary, subject to change.

Overlapping Debt

There is no overlapping county or city 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 Authority funds and from special funds that are categorically identified and authorized to supplement local bond proceeds or State School Building Authority 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 Review 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.

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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*

	2010 Budget	2010 Actual	2011 Budget	2011 Actual	2012 Budget
<i>Revenues Collected:</i>					
<i>Local Sources:</i>					
Property Taxes	61,390,811	61,206,21	59,205,210	57,969,376	57,898,574
Other Local Sources	2,421,560	2,428,297	2,468,012	2,711,069	2,349,180
State Sources	76,140,384	76,115,431	77,598,920	77,418,041	86,895,415
Federal Sources	<u>3,385,000</u>	<u>3,083,261</u>	<u>4,840,000</u>	<u>5,003,518</u>	<u>2,895,000</u>
Miscellaneous Sources	-	-	-	34,541,	-
Total Revenues Collected	143,338,205	142,833,210	144,112,142	143,136,545	150,038,169
<i>Expenditures Paid:</i>					
Instruction	83,661,352	80,071,279	85,734,909	82,019,782	90,368,470
<i>Supporting Services:</i>					
Students	7,637,628	7,280,705	7,907,903	7,494,733	8,046,970
Instructional Staff	4,067,102	3,959,281	4,308,021	4,221,582	4,572,170
Central Administration	2,478,495	2,125,819	2,100,608	1,795,335	1,833,830
School Administration	8,666,650	8,523,580	9,035,818	8,911,419	9,218,620
Business Administration	3,686,165	3,087,543	4,133,384	3,534,137	3,647,880
Operation & Maintenance of Facilities	16,581,734	14,408,436	14,795,173	13,763,730	14,126,650
Student Transportation	13,756,254	12,368,769	15,291,213	14,389,800	14,765,390
Food Services	4,200	1,898	8,400	5,755	4,400
Community Services	815,000	837,574	846,500	814,726	844,000
Capital Outlay	1,450,264	71,663	1,015,000	10,659	-
<i>Debt Service:</i>					
Principal Retirement	76,930	76,924	76,930	76,924	76,930
Interest & Fiscal Charges	-	-	-	-	-
Reserves	2,248,556	-	9,174,159	-	-
Total Expenditures	145,130,330	132,813,471	154,428,018	137,038,582	147,505,310
Excess (Deficiency) of Revenues over Expenditures	<u>(1,792,125)</u>	<u>10,019,739</u>	<u>(10,315,876)</u>	<u>6,097,963</u>	<u>2,532,859</u>
<i>Other Financing sources (uses)</i>					
Transfers in	150,000	443,371	130,000	2,228,171	350,000
Transfers (out)	(4,250,507)	(4,248,506)	(4,236,240)	(4,062,596)	(5,382,859)
Total Other Financing Sources (Uses)	(4,100,507)	(3,805,135)	(4,106,240)	(1,834,425)	(5,032,859)
Net change in Fund Balance	(5,892,632)	6,214,604	(14,422,116)	4,263,538	(2,500,000)
Fund Balance at July 1,	<u>5,892,632</u>	<u>5,892,632</u>	<u>14,442,116</u>	<u>12,107,236</u>	<u>2,500,000</u>
Fund Balance at June 30,	-	12,107,236	-	16,370,774	-

Source: Berkeley County Board of Education

*This does not include total estimated Other Post-Employment Benefits (OPEB) Liabilities of \$35,296,127 for all employees. See Notes to the Basic Financial Statements – Unaudited Annual Financial Statements Board of Education for the Fiscal Year Ended June 30, 2011 attached hereto as Appendix A.

Teachers Retirement System (Defined Benefit)*

The Teachers 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, 2010, there are 35,670 active members and 30,127 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, 2010 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, 2010, according to the actuarial valuation performed by Buck Consultants, the unfunded liability of TRS was \$4.76077 billion. The funded percentage was 46.5%. The State expects the TRS unfunded accrued liability to 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, 2010, there were approximately 4,778 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 vote 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.

*Source: State of West Virginia Consolidated Public Retirement Board

Insurance Coverage (Source: Berkeley County Board of Education)

1. Type	<u>Amount in Force (FY 2012)</u>
Fire, extended coverage/buildings & personal property	\$ 308,250,000
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 issue 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, 2011 to July 1, 2012. 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.

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

Source: Berkeley County Board of Education

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 corporates upon the conditions and subject to the limitations set forth in this section; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations, 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.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion regarding any such consequences.

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.

Original Issue Discount

The Bonds maturing on _____ 1, _____ through _____ 1, _____ (collectively, the "Discount Bonds") are being sold at an original issue discount. The original issue discount is the excess of the stated redemption price at maturity of such Discount Bonds over their initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Discount Bonds of such maturity were sold. Original issue discount, to the extent properly allocable to each owner of such Discount Bonds, is excluded from gross income for federal income tax purposes with respect to such owner.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bonds (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bonds which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bonds. The amount treated as original issue discount on such Discount Bonds for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bonds (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bonds at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bonds during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bonds the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bonds are sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Purchasers of any Discount Bond should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The Bonds maturing in _____ 1, 20__ through _____ 1, 20__ (each a "Premium Obligation" and collectively, the "Premium Obligations") are being sold at a premium. An amount equal to the excess of the issue price of a Premium Obligation over its stated redemption price at maturity constitutes premium on such Premium Obligation. An initial purchaser of a Premium Obligation must amortize any premium over such Premium Obligation's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Obligations callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Obligation prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed.

Owners of Premium Obligations should consult their own tax advisors as to the determination for federal income tax purposes of the premium properly accruable in any period with respect to such Premium Obligations and as to other federal tax consequences and the premium for state and local tax purposes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on debt obligations of state and local governments, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the inclusion of the interest on the Bonds in gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding may be allowed as a refund or credit against the owner's Federal income tax liability, depending on the purchaser's federal tax liability once the required information is furnished to the Internal Revenue Service.

West Virginia Tax

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.

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, 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 effect on the financial condition of the Board.

On February 22, 2010, forty-nine (49) county boards of education, including the Board, filed a Complaint in the Circuit Court of Kanawha County against the West Virginia Public Employees Insurance Agency ("PEIA"), the PEIA Finance Board and the West Virginia State Auditor seeking legislative funding through the Public School Support Program (the "Program") to offset the costs of providing other post-employment benefits to employees otherwise funded through the Program. The Circuit Court of Kanawha County dismissed the suit on the grounds that it was a political question better answered by the West Virginia Legislature. The county boards of education appealed this decision to the West Virginia Supreme Court. The

West Virginia Supreme Court upheld the Circuit Court of Kanawha County's decision to dismiss the suit. The State of West Virginia's OPEB liability and the Board's OPEB liability is subject to additional lawsuits and legislative discussion which may have an effect on the amount of the Board's OPEB liability. No representation can be made regarding the potential outcome of the lawsuits or the legislative discussions and any effect on the amount of the Board's OPEB liability. The Board does not expect the case to have a material adverse effect on its financial condition or its ability to pay debt service on the Bonds.

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 Bonds, in accordance with the Continuing Disclosure Agreement which shall be delivered in substantially the form attached hereto as APPENDIX F, to provide 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 ended June 30, 2011, and to provide notice of the occurrence of the enumerated events listed therein. The Annual Information and each notice of enumerated events will be filed electronically by United Bank, Inc., Charleston, West Virginia, 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 Bonds. Under the Continuing Disclosure Agreement, the sole remedy for such failure is to seek an order for specific performance. SEE "APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Board failed to comply with the Rule in filing annual financial information for Fiscal Year 2005 and 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. Certain legal matters will be passed upon for the Board by Laura L. Sutton, Esquire, Martinsburg, West Virginia, Counsel to the Board.

RATINGS

Standard & Poor's Corporation, 55 Waters Street, New York, New York, 10041, has assigned the Bonds its rating of 'AA' based on the Board's eligibility and participation in the West Virginia Municipal Bond Program. 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.

UNDERWRITING

The Bonds are being purchased by Crews & Associates, Inc. as Underwriter. The Purchase Contract provides that the Underwriter will purchase all the Bonds if any are purchased, the obligation to make such purchase being subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The initial public offering prices may be changed from time to time by the

APPENDIX A

Unaudited Annual Financial Statements of the Berkeley County Board of Education for the
Fiscal Year Ended June 30, 2011
Audit Report of Berkeley County Board of Education for the Fiscal Year Ended June 30, 2010
Audit Report of Berkeley County Board of Education for the Fiscal Year Ended June 30, 2009

The Audited Financial Statements of the Berkeley County Board of Education for the Fiscal Year Ended
June 30, 2011, will not be available until March 1, 2012.

**ANNUAL FINANCIAL STATEMENTS OF THE
BERKELEY COUNTY BOARD OF EDUCATION
ON A GAAP BASIS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

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, 2011. 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 \$102,698,974 at the close of the most recent fiscal year. Unrestricted net assets were \$(16,610,473). However, prior to recording the liability for Other Post Employment Benefits (OPEB), the unrestricted net assets were \$18,685,654. These amounts and this liability will be discussed further.
- The Board's total net assets decreased by \$4,026,971. This decrease is primarily attributable to the increase of the liability related to OPEB that exceeded the fixed asset additions for the Spring Mills Primary School. However, other factors were involved in the change in net assets.
- As of the close of the current fiscal year, the Board governmental funds reported combined ending fund balances of \$30,068,905, a decrease of \$22,105,540 in comparison with the prior year. The Bond Construction Fund decreased by \$8,920,147 as a result on ongoing construction projects. The general fund unreserved fund balance is \$(16,610,473). This is a result of recording the increase in OPEB liability of \$15,977,042 as a current liability in accordance with instructions from the West Virginia Department of Education.
- The administration of the Board does not think that the OPEB liability meets the definition of current liability as the payment of this amount is not likely to occur in the next twelve months nor has any payment been made for the liability that was recorded for the past three years.
- The general fund unrestricted fund balance would have been \$18,685,654 had the OPEB been listed as a long term debt.
- The Board has joined other Boards in the state in a lawsuit to clarify the proper classification and responsibility of the OPEB liability. It is argued that the State of West Virginia is primarily responsible for the liability and should not be reflected by individual Boards of Education.

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.

**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

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 8-20 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 six 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, the special revenue fund ARRA, 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-

**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

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 14 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 21 to 41 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 \$102,698,974 at the close of the most recent fiscal year.

	Governmental Activities	
	2011	2010
ASSETS		
Current and other assets	\$ 90,592,860	\$ 93,634,959
Capital assets	136,169,936	122,099,551
Total assets	\$ 226,762,796	215,734,510
LIABILITIES AND NET ASSETS		
Liabilities:		
Current and other liabilities	\$ 60,523,954	\$ 41,655,869
Long-term liabilities outstanding	63,539,868	67,352,696
Total liabilities	124,063,822	109,008,565
Net assets:		
Invested in capital assets, net of debt	72,630,068	54,746,855
Restricted	46,679,378	50,982,316
Unrestricted	(16,610,473)	996,774
Total net assets	102,698,974	106,725,945
Total liabilities and net assets	\$ 226,762,796	\$ 215,734,510

- A large portion of the Board's net assets, (71%) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles); less any debt used to acquire those assets that are 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 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.

**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

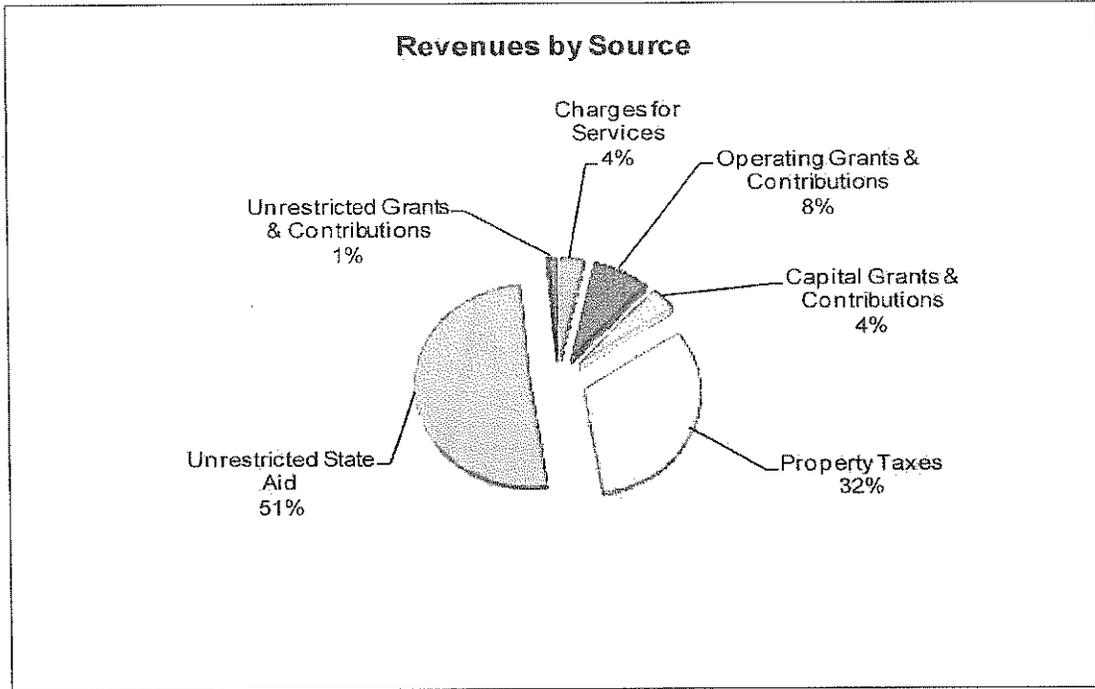
- An additional portion of the Board's net assets (45%) represents resources that are restricted for future capital projects.

The Board's net assets decreased by \$4 million during the current year. The following discussion and analysis on governmental activities focuses on this decrease.

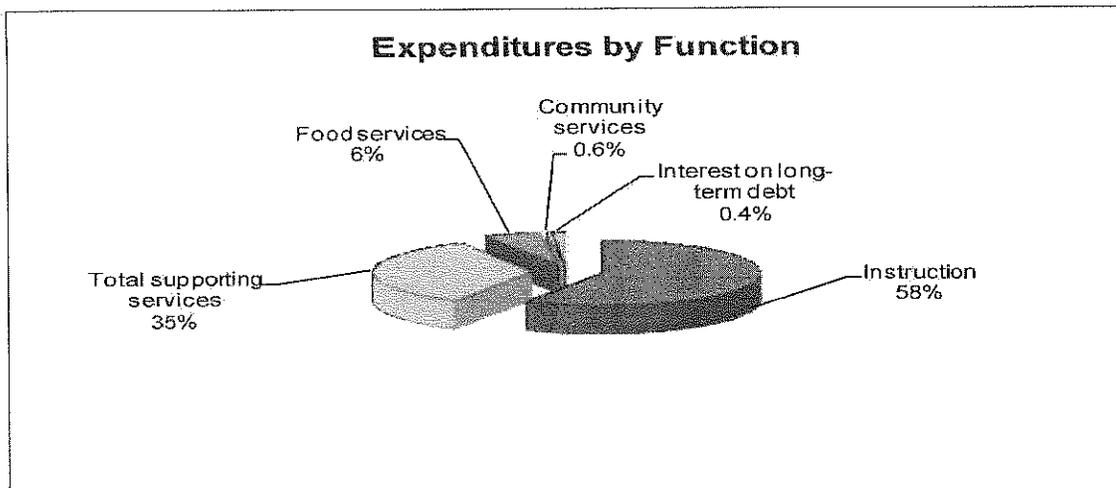
	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 7,086,432	\$ 5,083,632
Operating grants and contributions	16,727,411	18,832,800
Capital grants and contributions	7,398,496	59,333,819
General revenues:		
Property taxes	65,075,642	65,229,570
Unrestricted state aid	103,080,383	82,841,171
Unrestricted investment earnings	855,217	735,633
Unrestricted grants and contributions	1,901,227	2,291,102
Total revenues	<u>202,124,808</u>	<u>234,347,727</u>
Expenses:		
Instruction	<u>119,850,852</u>	<u>151,815,339</u>
Supporting services:		
Students	11,152,546	9,153,371
Instructional staff	7,560,594	6,506,169
District admin.	2,269,029	2,185,234
School admin.	11,277,444	12,377,547
Business services	4,125,637	3,227,758
Operation and Maint.	15,668,875	18,265,661
Transportation	18,862,381	16,448,942
Total supporting services	70,916,505	68,164,682
Food services	11,712,852	14,539,727
Community services	814,726	837,574
Interest on long-term debt	2,856,844	853,684
Total expenses	<u>206,151,779</u>	<u>236,211,006</u>
Change in net assets before transfers	(4,026,971)	(1,863,279)
Transfers		
Change in net assets	(4,026,971)	(1,863,279)
Net assets - July 1	<u>106,725,945</u>	<u>108,589,224</u>
Net assets - June 30	<u>\$ 102,698,974</u>	<u>\$ 106,725,945</u>

**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

The following chart shows the Board's revenues for fiscal year ended June 30, 2011 by source:



The following chart shows the Board's expenditures for fiscal year ended June 30, 2011 by function:



**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

Property tax decreased \$153 thousand. State revenues increased by \$21.2 million of which \$18 million was the retirement paid on behalf of the County (see Note 3 and Note 10). Federal revenues decreased by \$1 million from the prior year. Other local decreased by \$52 million as a result of the construction bonds being sold in FY10. The following is a comparison of revenue sources:

	Total Governmental	
	2011	2010
Revenues:		
Property taxes	\$ 65,075,642	\$ 65,229,570
Other Local sources	5,060,688	57,352,414
State sources	107,195,354	85,939,848
Federal sources	<u>24,793,124</u>	<u>25,825,895</u>
Total revenues	<u>\$202,124,808</u>	<u>\$234,347,727</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 \$ 30.1 million. If OPEB had not been recorded as a current liability, the combined fund balances would have been \$65.4 million.

Governmental funds report the differences between their assets and liabilities as fund balance, which is then classified as nonspendable, restricted, committed, assigned, or unassigned.

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 \$15.4 million or 10.8% in total general fund expenditures. The most significant difference may be summarized as follows:

- Budgeting of prior year (2010) balances of \$11.9 million.
- State Sources for \$1.2 million.
- Federal Sources for \$1.9 million.

**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$136.2 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:

	Governmental Activities
Land	\$ 4,390,053
Buildings and improvements	112,645,740
Furniture and equipment	1,042,847
Vehicles	7,967,104
Construction in process	10,124,192
Total capital assets	\$ 136,169,936

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 \$58.4 million and capital lease obligations of \$153,048. The obligation for compensated absences for vacations was \$214,096 at June 30, 2011. The following chart identifies the total debts outstanding.

	Governmental Activities
Description:	
General obligation bonds	\$ 63,095,000
Capital Lease obligations	230,772
Compensated absences	214,096
Total debt outstanding	\$ 63,539,868

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, WEST VIRGINIA, BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 37,288,243
Investments	45,958,108
Taxes receivable, net of allowance for uncollectible taxes	2,331,468
Food services receivable	421,186
Other receivables	79,451
Due from other governments:	
PEIA allocation receivable	2,045,324
Reimbursements receivable	2,469,081
Capital Assets:	
Land	4,390,053
Buildings and improvements	148,696,009
Furniture and equipment	4,085,837
Vehicles	14,392,450
Construction in process	10,124,192
Less accumulated depreciation	(45,518,604)
Total capital assets, net of depreciation	<u>\$ 136,169,936</u>
Total assets	<u>\$ 226,762,796</u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Salaries payable and related payroll liabilities	\$ 15,756,995
PEIA premiums payable	4,546,808
Accounts payable	2,143,668
Other post employment benefit payable - state aid funded employees	27,323,407
Other post employment benefit payable - all other employees	7,972,720
Deferred revenues	2,780,357
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	4,751,924
Due beyond one year:	
Bonds, capital leases, and contracts	58,573,848
Compensated absences	\$ 214,096
Total liabilities	<u>\$ 124,063,822</u>
Net Assets:	
Invested in capital assets, net of debt	\$ 72,630,068
Restricted for:	
Debt service	2,609,712
Special projects	714,693
Capital projects	43,354,974
Unrestricted	(16,610,473)
Total net assets	<u>\$ 102,698,974</u>
Total liabilities and net assets	<u><u>\$ 226,762,796</u></u>

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 STATEMENT OF ACTIVITIES
 JUNE 30, 2011

Functions	Expenses	Program Revenues		Net (Expense), Revenue & Changes in Net Assets Governmental Activities	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
Instruction	\$ 119,850,852	\$5,072,105	\$ 8,321,266	\$ 5,122,404	\$ (101,335,076)
Supporting services:					
Students	11,152,546	-	1,605,074	-	(9,547,472)
Instructional staff	7,560,594	-	1,885,114	-	(5,675,480)
District administration	2,269,029	-	33,407	117,756	(2,117,865)
School administration	11,277,444	-	-	-	(11,277,444)
Business services	4,125,637	-	-	-	(4,125,637)
Operation and maintenance of facilities	15,668,875	16,000	344,352	471,026	(14,837,497)
Student transportation	18,862,381	170,067	57,116	1,510,675	(17,124,523)
Food services	11,712,852	1,828,260	4,481,082	-	(5,403,510)
Community services	814,726	-	-	-	(814,726)
Interest on long-term debt	2,856,844	-	-	176,635	(2,680,210)
Total governmental activities	\$ 206,151,779	\$7,086,432	\$ 16,727,411	\$ 7,398,496	\$ (174,939,440)
General revenues:					
Property taxes					\$ 65,075,642
Unrestricted state aid					103,080,383
Unrestricted investment earnings					855,217
Unrestricted grants and contributions					1,901,227
Transfers in					6,380,822
Transfers (out)					(6,380,822)
Total general revenues and transfers					\$ 170,912,469
Change in net assets					\$ (4,026,971)
Net assets - beginning, as restated					\$ 106,725,945
Net assets - ending					\$ 102,698,974

See Notes to Financial Statements

**BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011**

	11 General Current Expense	61 Special Revenue Fund	71 Special Revenue ARRA Fund	21 Debt Service Fund	31 Bond Construction Fund	51 Capital Projects Fund	Total Governmental
ASSETS							
Cash and cash equivalents	\$ 31,780,831	\$ 2,540,569	\$ (129,312)	\$ 2,609,712	\$ 433,065	\$ 53,378	\$ 37,288,243
Investments	2,174,049	-	-	-	43,784,059	-	45,958,108
Taxes receivable, net	2,083,723	-	-	247,746	-	-	2,331,468
Food service receivable, net	-	421,186	-	-	-	-	421,186
Other receivables	79,451	-	-	-	-	-	79,451
Due from other governments:							
PEIA allocation receivable	2,045,324	-	-	-	-	-	2,045,324
Reimbursements receivable	1,229,240	513,023	401,339	-	-	325,478	2,469,081
Total assets	\$ 39,392,617	\$ 3,474,778	\$ 272,028	\$ 2,857,457	\$ 44,217,124	\$ 378,856	\$ 90,592,860

LIABILITIES AND FUND BALANCES

Liabilities:							
Salaries payable and related payroll liabilities	\$ 14,060,485	\$ 1,455,041	\$ 241,469	\$ -	\$ -	\$ -	\$ 15,756,995
Other post employment benefits payable - state aid funded	27,323,407	-	-	-	-	-	27,323,407
Other post employment benefits payable - all other employees	7,972,720	-	-	-	-	-	7,972,720
PEIA premiums payable	4,008,402	507,848	30,559	-	-	-	4,546,808
Accounts payable	660,678	241,984	-	-	888,396	352,610	2,143,668
Deferred revenue	1,977,399	555,212	-	247,746	-	-	2,780,357
Total liabilities	\$ 56,003,090	\$ 2,760,085	\$ 272,028	\$ 247,746	\$ 888,396	\$ 352,610	\$ 60,523,955
Fund Balances:							
Nonspendable	\$ 41,905	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,905
Restricted	-	714,693	-	2,609,712	43,328,728	-	46,653,132
Assigned	-	-	-	-	-	26,246	26,246
Unassigned	(16,652,377)	-	-	-	-	-	(16,652,377)
Total fund balances	(16,610,473)	714,693	-	2,609,712	43,328,728	26,246	30,068,905
TOTAL LIABILITIES AND FUND BALANCES	\$ 39,392,617	\$ 3,474,778	\$ 272,028	\$ 2,857,457	\$ 44,217,124	\$ 378,856	\$ 90,592,860

Amounts reported for governmental activities in the statement of net assets differ due to:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 136,169,936
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	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds payable, due within one year	(4,675,000)
Bonds payable, due beyond one year	(58,420,000)
Capital leases payable	(230,772)
Compensated absences	(214,096)
Net assets of governmental activities	\$ 102,698,974

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 JUNE 30, 2011

	General Current Expense	Special Revenue	Special Revenue ARRA	Debt Service Fund	Bond Construction Fund	Capital Projects Fund	Total Governmental
Revenues:							
Property taxes	\$ 57,969,376	\$ -	\$ -	\$ 7,106,266	\$ -	\$ -	\$ 65,075,642
Other Local sources	2,711,069	1,808,713	74,000	9,519	422,846	-	5,026,147
State sources	95,739,114	5,349,167	-	-	-	6,107,074	107,195,354
Federal sources	5,003,518	12,482,479	7,219,476	-	-	87,650	24,793,124
Miscellaneous sources	34,541	-	-	-	-	-	34,541
Total revenues	\$161,457,618	\$ 19,640,359	\$ 7,293,476	\$ 7,115,785	\$ 422,846	\$ 6,194,724	\$202,124,808
Expenditures:							
Instruction	\$103,672,411	\$ 8,342,816	\$ 6,256,754	\$ -	\$ -	\$ -	\$118,271,981
Supporting services:							
Students	9,486,063	1,203,227	463,256	-	-	-	11,152,546
Instructional staff	5,368,004	1,783,793	408,797	-	-	-	7,560,594
Central administration	2,196,625	2,870	-	-	-	-	2,199,494
School administration	11,260,355	17,089	-	-	-	-	11,277,444
Business	4,124,137	-	-	-	1,500	-	4,125,637
Operation and maintenance of facilities	15,203,665	30,058	109,334	-	-	122,645	15,465,702
Student transportation	17,313,666	1,554,979	9,602	-	-	-	18,878,248
Food services	1,809,463	9,827,199	-	-	-	-	11,636,662
Community services	814,726	-	-	-	-	-	814,726
Capital outlay	10,659	-	-	-	9,341,493	6,611,394	15,963,546
Debt service:							
Principal retirement	76,924	-	-	3,950,000	-	-	4,026,924
Interest and fiscal charges	-	-	-	2,856,844	-	-	2,856,844
Total expenditures	\$171,336,697	\$ 22,762,031	\$ 7,247,744	\$ 6,806,844	\$ 9,342,993	\$ 6,734,039	\$224,230,347
Excess (deficiency) of revenues over expenditures	\$ (9,879,079)	\$ (3,121,672)	\$ 45,733	\$ 308,941	\$ (8,920,147)	\$ (539,315)	\$ (22,105,539)
Other financing sources (uses):							
Transfers in	\$ 2,228,171	\$ 4,090,406	\$ -	\$ -	\$ -	\$ 62,245	\$ 6,380,822
Transfers (out)	(4,062,595)	(403,689)	(94,733)	(1,742,372)	-	(77,432)	(6,380,822)
Total other financing sources (u)	\$ (1,834,425)	\$ 3,686,717	\$ (94,733)	\$ (1,742,372)	\$ -	\$ (15,187)	\$ -
Net change in fund balances	\$ (11,713,504)	\$ 565,045	\$ (49,000)	\$ (1,433,431)	\$ (8,920,147)	\$ (554,502)	\$ (22,105,539)
Fund balances - beginning	\$ (4,896,969)	\$ 149,648	\$ 49,000	\$ 4,043,143	\$ 52,248,875	\$ 580,748	\$ 52,174,445
Fund balances - ending	\$ (16,610,473)	\$ 714,693	\$ -	\$ 2,609,712	\$ 43,328,728	\$ 26,246	\$ 30,068,905

**BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2011**

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

Net change in fund balances - total governmental funds \$ (22,105,539)

Governmental funds report capital outlays as expenditures.
 However, in the statement of net assets, the cost of those assets is
 allocated over their estimated useful lives and reported as
 depreciation expense. The effect on net assets is the amount by
 which capital outlays exceed depreciation in the current period.

Depreciation expense	(3,581,770)
Capital outlays	22,735,099

The repayment of the principal of long-term debt (e.g., bonds,
 leases) consumes the current financial resources of governmental
 funds. However, such repayment has no effect on net assets. 4,026,924

Differences in the cost and accumulated depreciation on disposed
 capital assets are reported as a loss and reduction in net assets in
 the statement of activities.

Cost of assets disposed	(5,609,861)
Accumulated depreciation of assets disposed	526,917

Compensated absences are reported as liabilities in the statement of
 net assets, but are only reported in government funds to the extent
 they have matured. This is the amount by which compensated
 absences (increased)/decreased.

Accrued vacation payable	(18,741)
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Change in net assets of governmental activities	\$ (4,026,971)
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**BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS
JUNE 30, 2011**

	Cash Balance 7/1/2010	Revenues Received	Expenditures Paid	Cash Balance 6/30/2011
High Schools:				
Hedgesville High School - General Fund	355,359.00	510,527.65	498,722.66	367,163.99
Martinsburg High School - General Fund	102,606.08	694,042.18	740,708.27	55,939.99
Martinsburg High School - Faculty Senate Fund	1,592.48	23,721.81	24,167.50	1,146.79
Musselman High School - General Fund	441,145.50	585,111.36	566,824.81	459,432.05
Musselman High School - Faculty Senate Fund	14,180.58	21,765.14	26,645.16	9,300.56
Total High Schools	914,883.64	1,835,168.14	1,857,068.40	892,983.38
Middle and Junior High Schools:				
Hedgesville Middle School - General Fund	102,570.90	248,492.18	236,829.72	114,233.36
Musselman Middle School - General Fund	290,230.88	287,172.99	275,751.17	301,652.70
North Middle School - General Fund	13,659.25	93,786.08	101,663.60	5,781.73
North Middle School - Faculty Senate Fund	8,910.82	10,206.99	15,599.34	3,518.47
South Middle School - General Fund	85,235.65	160,385.91	183,582.67	62,038.89
South Middle School - Faculty Senate Fund	18,632.48	13,600.00	21,974.94	10,257.54
Spring Mills Middle School - General Fund	132,357.57	176,987.35	171,289.28	138,055.64
Total Middle and Junior High Schools	651,597.55	990,631.50	1,006,690.72	635,538.33
Elementary Schools:				
Back Creek Valley Elementary School - General Fund	7,160.93	36,347.68	29,124.22	14,384.39
Bedington Elementary School - General Fund	17,867.52	63,837.37	61,296.50	20,406.39
Bedington Elementary School - Faculty Senate Fund	2,492.36	3,800.00	2,190.49	4,101.87
Berkeley Heights Elementary School - General Fund	40,021.67	124,196.06	121,456.81	42,760.92
Bunker Hill Elementary School - General Fund	23,054.32	96,244.86	87,494.27	31,804.91
Burke Street Elementary School - General Fund	24,819.41	39,538.19	36,749.53	27,608.07
Burke Street Elementary School - Faculty Senate Fund	1,176.16	2,800.00	2,317.31	1,658.85
Eagle School Intermediate School - General Fund	15,017.28	151,956.41	118,778.50	48,195.19
Gerrardstown Elementary School - General Fund	30,956.79	45,168.11	43,113.02	33,011.88
Hedgesville Elementary School - General Fund	40,219.06	84,274.67	89,143.20	35,350.53
Inwood Primary School - General Fund	1,317.79	26,295.34	26,977.64	635.49
Inwood Primary School - Faculty Senate Fund	2,242.90	2,400.00	1,715.54	2,927.36
Marlowe Elementary School - General Fund	41,761.87	74,599.07	71,163.29	45,197.65
Marlowe Elementary School - Faculty Senate Fund	153.17	4,550.00	2,308.85	2,394.32
Mill Creek Intermediate School - General Fund	68,647.61	95,269.72	115,326.31	48,591.02
Mill Creek Intermediate School - Faculty Senate Fund	6,827.15	6,800.00	10,119.29	3,507.86
Mountain Ridge Intermediate School - General Fund	13,994.36	102,460.58	92,498.91	23,956.03
Opequon Elementary School - General Fund	90,586.81	95,586.33	89,423.32	96,749.82
Orchard View Intermediate School - General Fund	24,895.08	131,917.76	127,750.93	29,061.91
Pikaside Learning Center - General Fund	0.00	30,036.58	24,124.47	5,912.11
Potomack Intermediate School - General Fund	42,240.05	156,002.59	150,308.77	47,933.87
Potomack Intermediate School - Faculty Senate Fund	1,920.71	8,546.44	9,341.49	1,125.66
Rosemont Elementary School - General Fund	86,862.46	89,831.46	78,237.62	98,456.30
Rosemont Elementary School - Faculty Senate Fund	4,395.10	6,400.00	4,985.28	5,809.82
Tomahawk Elementary School - General Fund	53,299.37	151,369.22	150,897.84	53,770.75
Tuscarora Elementary School - General Fund	38,810.42	73,286.91	76,528.62	35,568.71
Tuscarora Elementary School - Faculty Senate Fund	7,908.70	5,850.00	4,304.32	9,454.38
Valley View Elementary School - General Fund	28,355.88	75,990.83	82,634.38	21,712.33
Valley View Elementary School - Faculty Senate Fund	6,184.33	7,659.80	6,929.47	6,914.66
Winchester Avenue Elementary School - General Fund	30,687.34	34,870.99	42,214.03	23,344.30
Winchester Avenue Elementary School - Faculty Senate Fund	2,727.61	2,248.53	2,901.71	2,074.43
Total Elementary Schools	756,604.21	1,830,135.50	1,782,355.93	824,383.78
Total	2,323,085.40	4,655,935.14	4,626,115.05	2,352,905.49

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
 JUNE 30, 2011

	Agency Funds		
	School Activity Funds	Regional Education Service Agency	Multi County Vocational center
ASSETS			
Cash and cash equivalents	\$ 2,352,905	\$ 1,416,527	\$ 605,091
Receivables	-	721,365	100,546
Total assets	\$ 2,352,905	\$ 2,137,892	\$ 705,637
LIABILITIES & FUND BALANCE			
Accounts payable and accrued liabilities		3,592,081	\$ 1,556,810
Fund Balance	\$ 2,352,905	\$ (1,454,189)	(851,173)
Total liabilities and fund balance	\$ 2,352,905	\$ 2,137,892	\$ 705,637

See Notes to Financial Statement

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 59,205,210	\$ 59,205,210	\$ 57,969,376	\$ (1,235,834)
Other Local sources	2,150,550	2,468,012	2,711,069	243,057
State sources	76,354,508	77,598,920	77,418,041	(180,879)
Federal sources	2,890,000	4,840,000	5,003,518	163,518
Miscellaneous sources	-	-	34,541	34,541
Total revenues	\$140,600,268	\$144,112,142	\$143,136,545	\$ (975,597)
Expenditures:				
Instruction	\$ 82,399,355	\$ 85,734,909	\$ 82,019,783	\$ 3,715,126
Supporting services:				
Students	7,684,770	7,907,903	7,494,733	413,170
Instructional staff	4,318,970	4,308,021	4,221,582	86,439
Central administration	2,185,490	2,100,608	1,795,335	305,273
School administration	8,812,000	9,035,818	8,911,419	124,400
Business	3,515,330	4,133,384	3,534,137	599,247
Operation and maintenance of facilities	14,500,553	14,795,172	13,763,730	1,031,442
Student transportation	14,624,130	15,291,213	14,389,800	901,413
Food services	-	8,400	5,755	2,645
Community services	846,500	846,500	814,726	31,774
Capital outlay	-	1,015,000	10,659	1,004,341
Debt service:				
Principal retirement	76,930	76,930	76,924	6
Reserves	-	9,174,160	-	9,174,160
Total expenditures	\$138,964,028	\$154,428,018	\$137,038,582	\$ 17,389,436
Excess (deficiency) of revenues over expenditures	\$ 1,636,240	\$ (10,315,876)	\$ 6,097,963	\$ 16,413,839
Other financing sources (uses):				
Transfers in	\$ 100,000	\$ 130,000	\$ 2,228,171	\$ 2,098,171
Transfers (out)	(4,236,240)	(4,236,240)	(4,062,595)	173,645
Total other financing sources (uses)	\$ (4,136,240)	\$ (4,106,240)	\$ (1,834,425)	\$ 2,271,815
Change in fund balances	\$ (2,500,000)	\$ (14,422,116)	\$ 4,263,538	\$ 18,685,654
Fund balances - beginning	\$ 2,500,000	\$ 14,422,116	\$ (4,896,969)	\$ (19,319,085)
Fund balances - ending	\$ -	\$ -	\$ (633,431)	\$ (633,431)

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local sources	\$ 2,239,942	\$ 2,663,316	\$ 1,808,713	\$ (854,604)
State sources	4,132,883	5,434,770	5,349,167	(85,603)
Federal sources	11,697,687	13,256,532	12,482,479	(774,053)
Total revenues	\$ 18,070,512	\$ 21,354,618	\$ 19,640,359	\$ (1,714,259)
Expenditures:				
Instruction	\$ 7,203,464	\$ 9,628,482	\$ 8,342,816	\$ 1,285,666
Supporting services:				
Students	993,770	1,236,885	1,203,227	33,657
Instructional staff	580,861	2,481,595	1,783,793	697,803
Central administration	-	2,870	2,870	-
School administration	14,000	24,000	17,089	6,911
Operation and maintenance of facilities	-	259,961	30,058	229,903
Student transportation	1,500,265	1,563,506	1,554,979	8,527
Food services	9,612,820	10,153,738	9,827,199	326,539
Total expenditures	\$ 19,905,180	\$ 25,351,036	\$ 22,762,031	\$ 2,589,006
Excess (deficiency) of revenues over expenditures	\$ (1,834,668)	\$ (3,996,418)	\$ (3,121,672)	\$ 874,746
Other financing sources (uses):				
Transfers in	\$ 3,925,000	\$ 4,121,218	\$ 4,090,406	\$ (30,812)
Transfers (out)	(2,090,332)	(274,447)	(403,689)	(129,242)
Total other financing sources (uses)	\$ 1,834,668	\$ 3,846,771	\$ 3,686,717	\$ (160,054)
Change in fund balances	\$ -	\$ (149,648)	\$ 565,045	\$ 714,693
Fund balances - beginning	\$ -	\$ 149,648	\$ 149,648	\$ -
Fund balances - ending	\$ -	\$ -	\$ 714,693	\$ 714,693

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND - ARRA
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local sources	\$ -	\$ 74,000	\$ 74,000	\$ -
Federal sources	5,753,235	10,122,143	7,219,476	(2,902,667)
Total revenues	\$ 5,753,235	\$ 10,196,143	\$ 7,293,476	\$ (2,902,667)
Expenditures:				
Instruction	\$ 5,471,775	\$ 8,982,180	\$ 6,256,754	\$ 2,725,426
Supporting services:				
Students	281,460	757,068	463,256	293,813
Instructional staff	-	341,565	408,797	(67,233)
Operation and maintenance of facilities	-	109,334	109,334	-
Student transportation	-	21,472	9,602	11,870
Total expenditures	\$ 5,753,235	\$ 10,211,620	\$ 7,247,744	\$ 2,963,876
Excess (deficiency) of revenues over expenditures	\$ -	\$ (15,477)	\$ 45,733	\$ 61,210
Other financing sources (uses):				
Transfers (out)	\$ -	\$ (33,523)	\$ (94,733)	\$ (61,210)
Total other financing sources (uses)	\$ -	\$ (33,523)	\$ (94,733)	\$ (61,210)
Change in fund balances	\$ -	\$ (49,000)	\$ (49,000)	\$ -
Fund balances - beginning		\$ 49,000	\$ 49,000	\$ -
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 OTHER SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local sources	\$ 6,802,844	\$ 6,802,844	\$ 7,106,266	\$ 303,422
State sources			9,519	9,519
Total revenues	\$ 6,802,844	\$ 6,802,844	\$ 7,115,785	\$ 312,941
Expenditures:				
Debt service:				
Principal retirement	\$ 3,950,000	\$ 5,200,000	\$ 3,950,000	\$ 1,250,000
Interest and fiscal charges	2,852,844	3,872,882	2,856,844	1,016,038
Total expenditures	\$ 6,802,844	\$ 9,072,882	\$ 6,806,844	\$ 2,266,038
Excess (deficiency) of revenues over expenditures	\$ -	\$ (2,270,038)	\$ 308,941	\$ 2,578,979
Other financing sources (uses):				
Transfers (out)	\$ -	\$ (1,773,105)	\$ (1,742,372)	\$ 30,732
Total other financing sources (uses)	\$ -	\$ (1,773,105)	\$ (1,742,372)	\$ 30,732
Change in fund balances	\$ -	\$ (4,043,143)	\$ (1,433,431)	\$ 2,609,712
Fund balances - beginning		\$ 4,043,143	\$ 4,043,143	\$ -
Fund balances - ending	\$ -	\$ -	\$ 2,609,712	\$ 2,609,712

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 OTHER SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - CAPITAL PROJECTS-BOND CONSTRUCTION FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Other local sources	\$ -	\$ -	\$ 422,846	\$ 422,846
Total revenues	\$ -	\$ -	\$ 422,846	\$ 422,846
Expenditures:				
Capital outlay	\$ -	\$ 52,247,375	\$ 9,341,493	\$ 42,905,882
Interest and fiscal charges		1,500	1,500	-
Total expenditures	\$ -	\$ 52,248,875	\$ 9,342,993	\$ 42,905,882
Excess (deficiency) of revenues over expenditures	\$ -	\$ (52,248,875)	\$ (8,920,147)	\$ 43,328,728
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers (out)		-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Change in fund balances	\$ -	\$ (52,248,875)	\$ (8,920,147)	\$ 43,328,728
Fund balances - beginning	\$ -	\$ 52,248,875	\$ 52,248,875	\$ -
Restatement of fund balance		-	-	-
Fund balances - beginning, as restated	\$ -	\$ 52,248,875	\$ 52,248,875	\$ -
Fund balance - ending	\$ -	\$ -	\$ 43,328,728	\$ 43,328,728

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 OTHER SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
State sources	\$ -	\$ 7,849,870	\$ 6,107,074	\$ (1,742,796)
Total revenues	\$ -	\$ 7,849,870	\$ 6,107,074	\$ (1,742,796)
Expenditures:				
Capital outlay	\$ -	\$ 8,018,545	\$ 6,611,394	\$ 1,407,151
Operation and Maintenance of Facilities	-	357,164	122,645	234,519
Total expenditures	\$ -	\$ 8,375,709	\$ 6,734,039	\$ 1,641,670
Excess (deficiency) of revenues over expenditures	\$ -	\$ (525,839)	\$ (626,965)	\$ (101,126)
Other financing sources (uses):				
Transfers in	\$ -	\$ 61,241	\$ 62,245	\$ 1,004
Transfers (out)	\$ -	\$ (77,432)	\$ (77,432)	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Change in fund balances	\$ -	\$ (16,191)	\$ (15,187)	\$ 1,004
Net Change in fund balances	\$ -	\$ (542,029)	\$ (642,152)	\$ (100,123)
Fund balance - beginning		\$ 542,029	\$ 580,748	\$ 38,719
Fund balance - ending	\$ -	\$ -	\$ 26,246	\$ 26,246

See Notes to Financial Statements

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies:

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 reporting principles.

A. Reporting Entity:

The Berkeley County Board of Education (School Board) is a corporation created under the authority of West Virginia Code §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 the 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 considered as program revenues are classified as general revenue and include 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 to be major funds for reporting purposes and are discretely presented in the accompanying financial statements.

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

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 Funds are operating funds of the Board and accounts for all revenues and expenditures attributable to state and federal grants (including ARRA) 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, 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 within 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

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

(30) days after year-end. Expenditures are recorded generally 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 accrual 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 in the appropriate fund balance category (restricted, committed or assigned) since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

E. Cash 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. Our General Fund Checking account earns interest but is included in our cash and cash equivalents and not as investments. Such deposits at June 30, 2011 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.

Investments of the Board at June 30, 2011 consisted of the following:

	Carrying Amount	Estimated Fair Value	Bank Balance
State Investment Pool	\$ 431,924	\$ -	\$ 431,924
Municipal Bond Commission	4,352,084	-	4,352,084
BB&T-CD	20,053,540	-	20,053,540
MVB	23,730,271	-	23,730,271
Total investments	<u>\$ 48,567,819</u>	<u>\$ -</u>	<u>\$ 48,567,819</u>

Money market 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 to it. The Board has limited its custodial credit risk by assuring that these deposits with financial institutions are adequately collateralized.

BERKELEY COUNTY BOARD OF EDUCATION
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For The Fiscal Year Ended June 30, 2011

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, 2011, the Board has \$4,352,084 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, 2011, 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 \$335,716 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 fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available 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.

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

I. Prepaid Items:

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

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, individual 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 or constructed capital assets are reported at cost or 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>Years</u>
Buildings	50
Site Improvements	20 – 35
Furniture and Equipment	5 – 20
Vehicles	8 – 12

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

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

personal leave was reported using the guidance of GASB Statement 16 for a 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.

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.

**BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011**

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, 2010 was determined to be:

	<u>Total</u>	<u>Amount/ Policy Holder</u>
Total Annual Required Contribution	\$ 816,274,000	\$ 10,844
Pay as you go – Retiree Subsidy	<u>(145,671,196)</u>	<u>(1,935)</u>
Remaining ARC	\$ 670,602,804	\$ 8,909

The following summarizes the Board's OPEB activity:

OPEB liability as of June, 30, 2010	\$ 17,004,205
FY11 OPEB liability	\$ 19,443,292
Less: 2011 Pay as you go payments and other credits	<u>(1,151,370)</u>
2011 OPEB at year end	\$ 35,296,127
Portion attributable to personnel funded through the PSSP	\$ 27,323,407

It is the opinion of the 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 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 costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Capital lease payments are reported in the general current expense or special revenue fund.

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

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:

Effective July 1, 2010, the Board adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which establishes new standards of accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. The classifications are based primarily on the extent to which the Board is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

- Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.
- Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to whom the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

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.

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

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. If an expense is incurred for purposes for which committed, assigned and unassigned fund balances are all available, the fund balances should be reduced in the following order: committed, assigned, and then unassigned.

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-16(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 deficiency in the general fund is a direct result of recording the OPEB liability as a current liability. As previously noted, the Board does not intend to remit payments that are constitutionally required to be appropriated by the state. The deficiency should have little impact on the financial results of the fund.

For the year ended June 30, 2011, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

SPECIAL REVENUE-ARRA FUND:

<u>Function</u>	<u>Amount</u>
Instructional Staff	\$67,233

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

The over expenditures in these programs were funded by a reduction of expenditures in the remaining functions, available beginning fund balance, revenues received in excess of the anticipated amounts budgeted.

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 24 – As of July 1, 2010, the Board implemented GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance". This statement requires the Board to record as a revenue and expenditure on behalf payments made by the State to the Consolidated Public Retirement Board for the unfunded liability of the Teachers Retirement System and discloses those amounts in the accompanying notes to the financial statements.

GASB 54 – As of July 1, 2010, the Board implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement changed the terminology used to describe fund balances in the governmental funds and expanded the disclosure of those new definitions in the accompanying notes to the financial statements of the Board for the year ended June 30, 2011.

Note 4 - Risk Management:

The Board is exposed to various risks or loss related to torts, theft, or damage to and destruction of assets, errors and omissions, 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 is 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 (PEIA): The Board provides employees health and basic life insurance benefits through the Public Employees Insurance Agency. 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 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. Members 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

BERKELEY COUNTY BOARD OF EDUCATION
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For The Fiscal Year Ended June 30, 2011

features of its indemnity plan, has fully transferred the risks of coverage of the Managed Care Organization (MCO) Plan to the plan provider and has transferred risk of life insurance coverage to a third party insurer.

Workers Compensation Fund (WCF): The Board has elected to have their workers compensation coverage through Traveler's Insurance Company. The cost of all coverage is paid by the employers.

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.
- 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 §11-8-6c, the maximum rates that county boards of education may impose on the various classes of property are: Class I - 22.95¢ per \$100 of assessed valuation; Class II - 45.90¢ per \$100 of assessed valuation; Class III - 91.80¢ per \$100 of assessed valuation; and Class IV - 91.80¢ per \$100 of assessed valuation.

Pursuant to West Virginia Code §11-8-6f, however, 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 Assessors 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 rates levied by the Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2011 were:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>	<u>Excess Levy</u>	<u>Permanent Improvement</u>	<u>Bond Purposes</u>
Class I	\$ -	19.40¢	22.50¢	¢	5.24¢
Class II	\$ 3,140,909,591	38.80¢	45.00¢	¢	10.48¢
Class III	\$ 1,448,692,415	77.60¢	90.00¢	¢	20.96¢
Class IV	\$ 490,906,661	77.60¢	90.00¢	¢	20.96¢

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

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 first of the year for which the assessment is made, and becomes delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first.

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, 2011. 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, 2010 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 \$ 31,161,288 was received by the Board from the excess levy during the fiscal year ended June 30, 2011.

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

Note 7 - Capital Assets:

Capital asset balances and activity for the year ended June 30, 2011, is as follows:

	Beginning Balance	Restatement	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:					
Land	\$ 9,056,195	\$ (4,666,143)	\$ -	\$ -	\$ 4,390,053
Construction in process	5,858,572	-	9,341,493	(5,075,873)	\$ 10,124,192
Total non-depreciable capital assets	14,914,767	(4,666,143)	9,341,493	(5,075,873)	14,514,245
Capital assets, depreciable:					
Buildings and improvements	131,816,757	4,724,811	12,154,441	-	148,696,009
Furniture and equipment	4,090,113	(24,195)	19,919	-	4,085,837
Vehicles	13,741,665	(401,506)	1,586,279	(533,988)	14,392,450
Total depreciable capital assets	149,648,535	4,299,110	13,760,639	(533,988)	167,174,296
Less accumulated depreciation for:					
Buildings and improvements	(33,356,083)	271	(2,694,456)	-	(36,050,268)
Furniture and equipment	(2,904,067)	25,573	(164,486)	-	(3,042,990)
Vehicles	(6,203,601)	403,000	(1,151,662)	526,917	(6,425,346)
Total accumulated depreciation	(42,463,751)	428,844	(4,010,614)	526,917	(45,518,604)
Total depreciable capital assets, net	107,184,784	4,727,954	9,750,025	(7,071)	121,655,691
Total capital assets, net	\$ 122,099,551	\$ 61,811	\$ 19,091,518	\$ (5,082,944)	\$ 136,169,936

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

Instruction	\$ 1,894,009
Supporting Services:	
Central administration	61,097
Operation and maintenance of facilities	244,388
Transportation	763,713
Food services	91,646
Total Depreciation expense - governmental activities	\$ 3,054,853

Note 8 - Long-term debt:

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

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year	Amounts due past one year
Bonds payable						
General obligation debt	\$ 67,045,000		\$ 3,950,000	63,095,000	\$ 4,675,000	\$ 58,420,000
Compensated absences	195,355	18,741		214,096		214,096
Capital lease payable	307,696		76,924	230,772	76,924	153,848
Long-term liabilities	\$ 67,548,051	\$ 18,741	\$ 4,026,924	\$ 63,539,868	\$ 4,751,924	\$ 58,787,944

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

The Board's future debt service requirements for bonded debt is as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2012	5%&3%	4,675,000	2,346,753	7,021,753
2013	5%&2%	4,880,000	2,179,301	7,059,301
2014	5%&4%	5,100,000	2,031,588	7,131,588
2015	5%&2%	5,325,000	1,816,538	7,141,538
2016	5%&2.5%	5,565,000	1,640,588	7,205,588
2017	5%&4%	5,820,000	1,440,838	7,260,838
2018	4.000%	3,415,000	1,182,588	4,597,588
2019	4.000%	3,560,000	1,045,988	4,605,988
2020	4.000%	3,710,000	903,588	4,613,588
2021	3.250%	3,865,000	755,188	4,620,188
2022	3.375%	4,030,000	629,575	4,659,575
2023	3.500%	4,205,000	493,563	4,698,563
2024	4.000%	4,380,000	346,388	4,726,388
2025	3.750%	4,565,000	171,188	4,736,188
Total		\$ 63,095,000	\$ 16,983,672	\$ 80,078,672

General Obligation Bonds – General obligation bonds payable at June 30, 2011, with their outstanding balance are comprised of the following individual issues:

Bond Issue of 2002:

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 requirements to amortize the 2002 general obligation bonds outstanding as of June 30, 2011, including interest payments are listed as follows:

Year	Principal	Interest	Total
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	2,315,000	364,250	2,679,250
2016	2,425,000	248,500	2,673,500
2017	2,545,000	127,250	2,672,250
Total	\$13,620,000	\$2,403,378	\$16,023,378

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

On February 17, 2010, the Board issued \$51,500,000 in general obligation bonds to provide funds for the improvement of existing facilities and the construction of new schools. The bonds mature in varying annual increments through May, 2025, and interest is payable semiannually at 2-4%. Payments on the general obligation bonds payable are made through the debt service fund.

The annual debt service requirements for the 2010 bond debt as of June 30, 2011 are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	2,660,000	1,703,087.50	4,363,087.50
2013	2,770,000	1,623,087.50	4,393,287.50
2014	2,890,000	1,567,887.50	4,457,887.50
2015	3,010,000	1,452,287.50	4,462,287.50
2016	3,140,000	1,392,087.50	4,532,087.50
2017	3,275,000	1,313,587.50	4,588,587.50
2018	3,415,000	1,182,587.50	4,597,587.50
2019	3,560,000	1,045,987.50	4,605,987.50
2020	3,710,000	903,587.50	4,613,587.50
2021	3,865,000	755,187.50	4,620,187.50
2022	4,030,000	629,575.00	4,659,575.00
2023	4,205,000	493,562.50	4,698,562.50
2024	4,380,000	346,387.50	4,726,387.50
2025	4,565,000	171,187.50	4,736,187.50
Total	\$49,475,000	\$14,580,287.50	\$64,055,287.50

Total bonded indebtedness at July 1, 2010	67,045,000
Issuances	0
Maturities	(3,950,000)
Total Bonded Indebtedness June 30, 2011	\$63,095,000

Note 9 - Leases:

The Board has entered into various lease 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 noncancelable 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, 2010 were \$576,000.

The following is a summary of the future minimum required payments by year under the operating lease agreement as of June 30, 2011 for the Board's operating leases:

<u>Year</u>	<u>576,000</u>
2012	576,000
2013	576,000
2014	576,000
2015	576,000
Total minimum operating lease payments	\$ 2,304,000

**BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011**

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 as of June 30, 2011 for the Board's capital leases:

Year	
2012	76,924
2013	76,924
2014	76,924
Total minimum capital lease payments	\$ <u>230,772</u>

Note 10 - Employee 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, 2011, the Board's total payroll for all employees was \$103,848,690 and the payroll was \$91,547,289 for employees covered by the two retirement programs.

Of the total amount appropriated by the State for retirement, the portion equal to the 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 state revenue (Contributions For/On Behalf of the LEA) in the Board's financial statements. The balance is considered to be 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 Benefit 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

**BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011**

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% 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% or 100% 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 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 a 100% 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 2010 Actuarial Valuation Report of the Teachers' Retirement System, the plan's actuarial unfunded liability was \$ 4.8 billion as of July 1, 2010.

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 6% of their gross compensation and the board of education contributes 15% of covered members' gross compensation to the retirement plan, for a total of 21% 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 of education contributes 7.5% of covered members' gross compensation to the retirement plan, for a total of 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, 2010 and the two previous years were:

<u>Year ended June 30</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Required contributions	\$ 345,412,000	\$ 404,547,000	\$ 487,886,000
As a % of current year covered payroll	23.30 %	25.89 %	26.57%

The financial statements include amounts paid for/on behalf of the county by the State of West Virginia for the unfunded liability portion of retirement benefits. The for/on behalf payment for the year ended June 30, 2011 was \$ 18,321,073.

Total payments reflected in the Board's financial statements to the defined benefit plan for FY 2011 were:

Employees' contributions (6%)	\$ <u>4,532,182</u>
Employer's contributions (15% or 7.5%)	<u>7,268,195</u>
Total contributions	\$ <u>11,800,377</u>

**BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011**

Teachers' Defined Contribution Retirement System:

Plan Description: All Board 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 could 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 benefit plan could change to this plan and transfer the funds that were deposited in the old plan to this plan. Once a member transferred to the defined contribution plan, the member was 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. Existing members of the Teachers' Defined Contribution Plan were given the option to transfer to the teachers' Defined Benefit Retirement System during the 2009-09 fiscal year. To earn full benefits at retirement, however, members electing to transfer are required to contribute the 1.5% difference between the two plans employee rates.

A unique feature of 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: Orchard SecureFoundation Balanced, Orchard Lifetime 2015 Fund II, Orchard Lifetime 2025 Fund II, Orchard Lifetime 2035 Fund II, Orchard Lifetime 2045 Fund II, Orchard Lifetime 2055 Fund II, American Funds EuroPacific R5, Mutual Global Discovery Fund – Z, Heartland Value Plus Inst, Sentinel Small Company I, Vanguard Small-Cap Index Fund – Inv, Scout Mid Cap, Westcore Select, JHancock Large Cap Equity I, Putnam Equity Income Y, Vanguard Large Cap Index Inv, PIMCO Total Return Fund – Admin, TIAA-CREF High-Yield Inst, Vanguard Interm-Term Bond Index Fund 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 6 years, two-thirds after 9 years, and 100% after 12 years. The member is fully vested at death or disability. As of June 30, 2010, this plan had approximately \$222 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. The accounting 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 since 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 Teachers' Defined Benefit Retirement 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% of their gross salary and the board of education contributes 7.5% of covered members' gross compensation to the retirement plan, for a total of 12% annually.

Total payments reflected in the Board's financial statements to the defined contribution plan for FY 2011 were:

Employees' contributions (4.5%)	\$	720,491
Employer's contributions (7.5%)		1,200,819
Total contributions	\$	1,912,219

**BERKELEY COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For The Fiscal Year Ended June 30, 2011**

Note 11 - Pending Litigation:

The Board is involved in a number of legal proceedings and claims, involving students, employees and citizens who have sued the Board for damages. The Board is also a party in the case previously mentioned regarding the allocation of funds and the determination of the OPEB liability. The outcome of that case, or future actions by the state legislature, could have a significant impact on the financial position of the Board. While it is not possible to determine the ultimate outcome of any other lawsuit 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 - Commitments, Contingencies and Subsequent Events:

The School Building Authority of West Virginia has awarded construction grants for two new schools. The first project is a new high school in the northern end of the county that the SBA will provide \$21.5 million in construction funds. The second project is a new middle school in the south end of the county that the SBA will provide \$13.5 million in construction funds. The funding for both projects will be matched with proceeds from the February, 2010 issuance of bonds.

The Board will have a new excess levy in effect during the fiscal year's ending June 30, 2012-2015. The levy was authorized by the voters of the county at an election held on November 2, 2010.

Encumbrances are classified as Restricted, Committed, or Assigned fund balance depending on the specific purpose of the encumbrance. As of June 30, 2011 the Board had the following encumbrances:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 814,004
Bond Constuction	22,102,250
Capital Projects	302,716
Special Revenue	910,079
Special Revenue-ARRA	11,313
Total	\$ 24,140,362

**BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011**

Note 13 - Interfund Balances and Transfers

The composition of interfund balances as of June 30, 2011 is as follows:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue-ARRA	\$ 94,733
General Fund	Debt Service	1,742,372
General Fund	Special Revenue	361,065
General Fund	Capital Projects	77,432
Capital Projects	General Fund	62,245
Special Revenue	General Fund	4,000,351
Interfund Transfers		90,055
Total		\$ 6,428,253

Interfund Transfers:

Transfers were for the following reasons:

1. \$1,742,372 excess receipts from completed Bond Issues to the General Fund
2. \$361,065 from Special Revenue for indirect costs.
3. \$81,067 from Special Revenue-ARRA for indirect costs.
4. \$77,432 from projects using local funds completed below budgeted costs.
5. \$13,666 from Opequon Elementary roof projected completed below budgeted costs.
6. \$62,245 from General Fund for School Safety Access.
7. \$3,765,000 from General Fund to Food Service Project.
8. \$125,896 from General Fund for Special Education.
9. \$64,571 from General Fund for Staff Development.
10. \$20,753 from General Fund for Mentoring Programs.
11. \$24,131 from General Fund for Curricular Trips.
12. \$90,055 was Intrafund Transfers.

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.

**BERKELEY COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For The Fiscal Year Ended June 30, 2011**

Note 17 – Fund Balance:

The detailed components of the various fund balance categories as of June 30, 2011 are as follows:

Fund Balances	General Current Expense	Special Revenue Fund	Debt Service Fund	Bond Construction Fund	Capital Projects Fund	Total Governmental
Nonspendable:						
Prepaid Items	41,905	-	-	-	-	41,905
Restricted for:						
Special Projects	-	714,693	-	-	-	714,693
Capital Projects	-	-	-	43,328,728	-	43,328,728
Debt Service	-	-	2,609,712	-	-	2,609,712
Assigned to:						
Capital Projects	-	-	-	-	26,246	26,246
Unassigned	(16,652,377)	-	-	-	-	(16,652,377)
Total fund balances	\$ (16,610,473)	\$ 714,693	\$ 2,609,712	\$ 43,328,728	\$ 26,246	\$ 30,068,905

STATE OF WEST VIRGINIA
COUNTY OF BERKELEY, TO WIT;

We, the undersigned President and Secretary of the Board of Education of the County of Berkeley, hereby state under oath that the preceding attached financial statement of the Berkeley County Board of Education as of and for the fiscal year ended June 30, 2011 are true and accurate to the best of our knowledge and belief. However, these statements are unaudited and thereby subject to change.



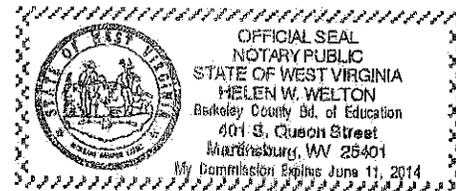
President



Secretary

Subscribed and sworn to before me in my said County, the 19th day of Sept.,
2011.


My commission expires on the 6/11/14.



BERKELEY COUNTY SCHOOLS
Special Projects Worksheet

FUND 31 - Bond Construction

Prog: WVF.550
Date: 9/20/11
Time: 9:02:40

Proj/ * Title	Prior Yrs	Revenues Curr Year	Total	* Prior Yrs	Expenditures Curr Year	Total	Encumbered Receivable	Earmarked
99302	.00	.00	.00	191,237.91	3,144,185.12	3,335,423.03	1,371,815.19 3,335,423.03-	.00
NORTH MIDDLE BOND Current Year Budget:		.00			8,433,762.09			.00
99306	.00	.00	.00	.00	.00	.00	.00	.00
MT RIDGE MIDDLE BOND Current Year Budget:		.00			8,000,000.00			
993**	.00	.00	.00	191,237.91	3,144,185.12	3,335,423.03	1,371,815.19 3,335,423.03-	.00
Current Year Budget:		.00			16,433,762.09			
99503	.00	.00	.00	193,317.91	3,326,138.87	3,519,456.78	1,056,503.39 3,519,456.78-	.00
MUSSELMAN HIGH BOND Current Year Budget:		.00			4,311,682.09			
99504	.00	.00	.00	298,143.00	2,871,168.75	3,169,311.75	19,673,931.26 3,169,311.75-	.00
SPRING MILLS HIGH BOND Current Year Budget:		.00			31,501,930.87			
995**	.00	.00	.00	481,460.91	6,197,307.62	6,688,768.53	20,730,434.65 6,688,768.53-	.00
Current Year Budget:		.00			35,813,612.96			
=====								
G R A N D T O T A L S:		.00	.00	682,698.82	9,341,492.74	10,024,191.56	22,102,249.84 10,024,191.56-	.00
Current Year Budget:		.00			52,247,375.05			

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

For the Year Ended June 30, 2010

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

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BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2010

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, 2010. 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 \$106,725,945 at the close of the most recent fiscal year. Unrestricted net assets were \$996,774. However, prior to recording the liability for Other Post Employment Benefits (OPEB), the unrestricted net assets were \$20,315,859. These amounts and this liability will be discussed further.
- The Board's total net assets decreased by \$1,863,279. This decrease is primarily attributable to the increase of the liability related to OPEB. However, other factors were involved in the change in net assets.
- As of the close of the current fiscal year, the Board governmental funds reported combined ending fund balances of \$52,174,445, an increase of \$40,396,319 in comparison with the prior year. However, \$48.5 million is reserved for capital projects as a result of the proceeds from the issuance of bonds during the fiscal year. The general fund unreserved fund balance is \$(6,607,115). This is a result of recording the increase in OPEB liability of \$17,004,205 as a current liability in accordance with instructions from the West Virginia Department of Education.
- The administration of the Board does not think that the OPEB liability meets the definition of current liability as the payment of this amount is not likely to occur in the next twelve months nor has any payment been made for the liability that was recorded for the past two years.
- The general fund unrestricted fund balance would have been \$12,711,970 had the OPEB been listed as a long term debt.
- The Board has joined other Boards in the state in a lawsuit to clarify the proper classification and responsibility of the OPEB liability. It is argued that the State of West Virginia is primarily responsible for the liability and should not be reflected by individual Boards of Education.

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 \$106,725,945 at the close of the most recent fiscal year.

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
ASSETS		
Current and other assets	\$ 92,618,231	\$ 34,078,109
Capital assets	<u>122,099,551</u>	<u>116,293,151</u>
Total assets	214,717,782	150,371,260
LIABILITIES AND NET ASSETS		
Liabilities:		
Current and other liabilities	41,460,514	22,497,416
Long-term liabilities outstanding	<u>67,352,696</u>	<u>19,284,620</u>
Total liabilities	108,813,210	41,782,036
Net assets:		
Invested in capital assets, net of related debt	54,551,500	96,811,196
Restricted	50,952,316	3,597,044
Unrestricted	<u>175,401</u>	<u>8,180,984</u>
Total net assets	<u>105,679,217</u>	<u>108,589,224</u>
Total liabilities and net assets	<u>\$ 214,522,427</u>	<u>\$ 150,371,260</u>

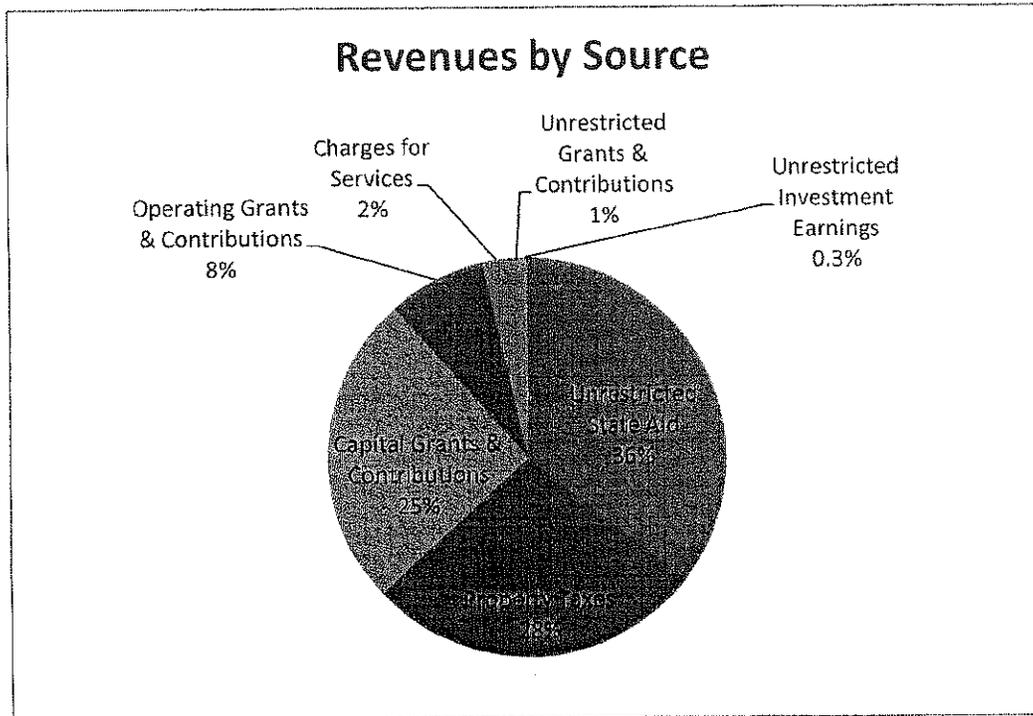
- A large portion of the Board's net assets, (51%) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide services to students; consequently, 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 (45%) represents resources that are restricted for future capital projects.

Restricted net assets increased by \$47,355,272 during the year ended June 30, 2010. This increase is resulted primarily from the proceeds on the issuance of bonds for capital projects.

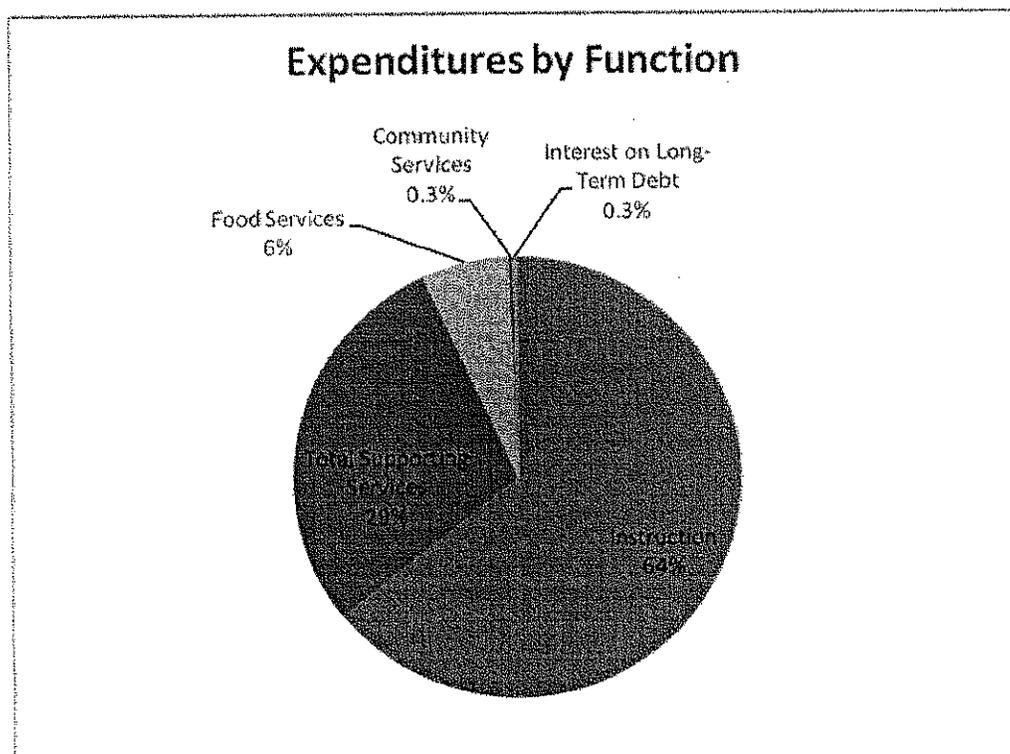
The Board's net assets decreased by \$2,910,007 during the current year. The following discussion and analysis on governmental activities focuses on the decrease:

	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues		
Charges for services	\$ 5,083,632	\$ 5,079,598
Operating grants and contributions	18,832,800	13,005,934
Capital grants and contributions	59,333,819	2,598,624
General revenues:		
Property taxes	65,229,570	64,854,210
Unrestricted state aid	82,841,171	82,748,974
Unrestricted investment earnings	735,633	775,262
Unrestricted grants and contributions	<u>2,291,102</u>	<u>1,555,435</u>
Total revenues	<u>234,347,727</u>	<u>170,618,037</u>
Expenses:		
Instruction	151,815,339	98,546,216
Supporting services:		
Students	9,153,371	6,347,963
Instructional staff	6,506,169	6,158,188
District administration	2,185,234	2,424,175
School administration	12,377,547	8,905,177
Business services	3,227,758	3,275,039
Operation and maintenance	18,265,661	14,413,748
Transportation	<u>16,448,942</u>	<u>15,156,338</u>
Total supporting services	<u>68,164,682</u>	<u>56,680,628</u>
Food services	14,539,727	9,329,232
Community services	837,574	780,400
Interest on long-term debt	853,684	966,090
Total expenses	<u>236,211,006</u>	<u>166,302,566</u>
Change in net assets	<u>(1,863,279)</u>	<u>4,315,471</u>
Net assets at beginning of year	<u>108,589,224</u>	<u>104,273,753</u>
Net assets at end of year	<u>\$ 106,725,945</u>	<u>\$ 108,589,224</u>

The following chart shows the Board's revenues for fiscal year ended June 30, 2010, by source:



The following chart shows the Board's expenditures for fiscal year ended June 30, 2010, by function:



Property tax increased \$435 thousand. State revenues decreased by \$1.4 million and federal revenues increased by \$11.5 million from the prior year. The following is a comparison of revenue sources:

	<u>2010</u>	<u>2009</u>
Property taxes	\$ 65,229,570	\$ 64,854,210
Other local sources	57,352,414	4,114,518
State sources	85,939,845	87,326,116
Federal sources	<u>25,825,898</u>	<u>14,323,193</u>
Total revenues	<u>\$ 234,347,727</u>	<u>\$ 170,618,037</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 \$ 52.1 million. If OPEB had not been recorded as a current liability, the combined fund balances would have been \$71.5 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.

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 \$2.0 million or 1.3% in total general fund expenditures.

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$122.1 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	\$ 9,056,195
Construction in process	5,858,572
Buildings and improvements	98,460,674
Furniture and equipment	1,186,046
Vehicles	<u>7,538,064</u>
Total capital assets	<u>\$ 122,099,551</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 \$67 million and capital lease obligations of \$307,696. The obligation for compensated absences for vacations was \$195,355 at June 30, 2010.

General obligation bonds	\$ 67,045,000
Capital lease obligations	307,696
Compensated absences	<u>195,355</u>
Total debt outstanding	<u>\$ 67,548,051</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, 2010

<u>Office</u>	<u>Elective</u>	<u>Term</u>
Board Members	Dr. William F. Queen	07/01/08 – 06/30/12
	Richard A. Pill	07/01/10 – 06/30/14
	Todd M. Beckwith	07/01/10 – 06/30/14
	Dr. Darin L. Gilpin	07/01/10 – 06/30/14
	Ron Gray	07/01/08 – 06/30/12

<u>Office</u>	<u>Appointive</u>	<u>Term</u>
Board President	Dr. William F. Queen	07/01/10 – 06/30/11
Treasurer	Kenneth Marsteller	

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Schedule of Funds

For the Year Ended June 30, 2010

GOVERNMENTAL FUND TYPES

General Current Expense Fund

Special Revenue Fund

Debt Service Fund

Capital Projects Fund

FIDUCIARY AGENCY FUND

School Activity

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, 2010, 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, 2010, 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 March 11, 2011, 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 36 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
March 11, 2011

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Statement of Activities

For the Year Ended June 30, 2010

		Program Revenues			Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net assets Governmental Activities
Governmental activities:					
Instruction	\$ 151,815,339	\$ 127,898	\$ 9,625,825	\$ 47,181,043	\$ (94,880,573)
Supporting services					
Students	9,153,371	2,985,624	2,398,050	217,471	(3,552,226)
Instructional staff	6,506,169	-	1,207,188	154,627	(5,144,354)
District administration	2,185,234	-	17,309	114,619	(2,053,306)
School administration	12,377,547	-	-	2,907,756	(9,469,791)
Business services	3,227,758	-	-	76,900	(3,150,858)
Operation and maintenance					
of facilities	18,265,661	76,981	631,131	2,599,983	(14,957,566)
Student transportation	16,448,942	98,090	1,332,936	1,740,032	(13,277,884)
Food services	14,539,727	1,795,039	3,620,361	4,341,388	(4,782,939)
Community services	837,574	-	-	-	(837,574)
Interest on long-term-debt	853,684	-	-	-	(853,684)
Total governmental activities	\$ 236,211,008	\$ 5,083,632	\$ 18,832,800	\$ 59,333,819	(152,960,755)
General revenues:					
Property taxes					65,229,570
Unrestricted State Aid					82,841,171
Unrestricted investment earnings					735,633
Unrestricted grants and contributions					2,291,102
Transfers in					4,847,436
Transfers (out)					(4,847,436)
Total general revenues and transfers					151,097,476
Change in net assets					(1,863,279)
Net assets at beginning of year					108,589,224
Net assets at end of year					\$ 106,725,945

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



BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Balance Sheet – Governmental Funds (continued)

For the Year Ended June 30, 2010

	<u>Debt Service</u>	<u>Bond Construction</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 4,159,244	\$ 1,349,912	\$ 32,052,560
Investments	3,995,569	48,146,931	-	54,547,337
Taxes receivable, net	76,053	-	-	1,885,388
Food services receivable	-	-	-	505,750
Due from other governments:				
PEIA allocation receivable	-	-	-	2,033,456
Reimbursements receivable	-	-	106,225	2,610,468
Total assets	<u>\$ 4,071,622</u>	<u>\$ 52,306,175</u>	<u>\$ 1,456,137</u>	<u>\$ 93,634,959</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Salaries payable and related payroll liabilities	\$ -	\$ -	\$ -	\$ 14,017,370
Accounts payable	-	57,300	875,389	2,904,481
OPEB liability	-	-	-	19,319,085
PEIA premiums payable	-	-	-	2,848,256
Deferred revenue	28,479	-	-	2,371,322
Total liabilities	<u>28,479</u>	<u>57,300</u>	<u>875,389</u>	<u>41,460,514</u>
Fund balances				
Reserved for:				
Encumbrances	-	3,773,964	6,511,825	12,582,687
Debt service	2,270,038	-	-	2,270,038
Capital projects	-	48,474,911	38,719	48,513,630
Unreserved:				
Undesignated	1,773,105	-	(5,969,796)	(11,191,910)
Total fund balances	<u>4,043,143</u>	<u>52,248,875</u>	<u>580,748</u>	<u>52,174,445</u>
Total liabilities and fund balances	<u>\$ 4,071,622</u>	<u>\$ 52,306,175</u>	<u>\$ 1,456,137</u>	<u>\$ 93,634,959</u>

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**

For the Year Ended June 30, 2010

Net assets of governmental funds	\$ 52,174,445
Capital assets used in governmental activities are not financial resources and therefore are not in the funds, net of accumulated depreciation	122,099,551
Certain revenues are not available to fund current expenditures and therefore deferred in the governmental funds	
Property taxes receivable and food service receivable will not be collected but are not available soon enough to pay for current period's expenditures, and are therefore deferred in the funds	
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(195,355)
Accrued interest on bonds	-
Bonds payable	(67,045,000)
Capital leases	<u>(307,696)</u>
Net assets of governmental activities	<u>\$ 106,725,945</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 (continued)

For the Year Ended June 30, 2010

	Debt Service	Bond Construction	Capital Projects	Total Governmental Funds
REVENUES				
Property taxes	\$ 4,023,349	\$ -	\$ -	\$ 65,229,570
Other local sources	6,106	53,016,802	-	57,352,414
State sources	-	-	5,493,502	85,939,848
Federal sources	-	-	-	25,825,895
Total revenues	<u>4,029,455</u>	<u>53,016,802</u>	<u>5,493,502</u>	<u>234,347,727</u>
EXPENDITURES				
Current				
Instruction	-	-	-	107,359,378
Supporting services:				
Students	-	-	-	9,153,371
Instructional staff	-	-	-	6,506,169
Central administration	-	-	-	2,187,214
School administration	-	-	-	9,700,256
Business	-	85,228	-	3,227,758
Operation and maintenance of facilities	-	-	357,836	16,123,827
Student transportation	-	-	-	17,024,565
Food services	-	-	-	10,256,060
Community services	-	-	-	837,574
Capital outlay	-	682,699	6,535,166	7,289,528
Debt service:				
Principal retirement	3,355,000	-	-	3,431,924
Interest and fiscal charges	853,684	-	-	853,684
Total expenditures	<u>4,208,684</u>	<u>767,927</u>	<u>6,893,002</u>	<u>193,951,308</u>
Excess (deficiency) of revenues over expenditures	<u>(179,229)</u>	<u>52,248,875</u>	<u>(1,399,500)</u>	<u>40,396,419</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	380,507	4,847,436
Transfers (out)	-	-	-	(4,847,436)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>380,507</u>	<u>-</u>
Net change in fund balances	(179,229)	52,248,875	(1,018,993)	40,396,419
Fund balances at beginning of year	4,222,372	-	1,599,741	11,778,026
Fund balances at end of year	<u>\$ 4,043,143</u>	<u>\$ 52,248,875</u>	<u>\$ 580,748</u>	<u>\$ 52,174,445</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, 2010

Amounts reported for governmental activities in the statement of activities are different due to:	
Net change in fund balances - total governmental funds	\$ 40,396,419
Governmental funds report capital outlays as expenditures. However, in the statement of net assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect on net assets is the amount by which capital outlays exceeds depreciation in the current period.	
Depreciation expense	(3,894,797)
Capital outlays	10,389,987
The repayment of the principal of long-term debt (e.g., bonds, leases) consumes the current financial resources of governmental funds. However, such repayment has no effect on net assets.	(48,068,076)
Differences in the cost and accumulated depreciation on disposed capital assets are reported as a loss and reduction in net assets in the statement of activities.	
Cost of assets disposed	(688,792)
Compensated absences are reported as liabilities in the statement of net assets, but are only reported in governmental funds to the extent they have matured. This is the amount by which compensated absences increased.	
Accrued vacation payable	<u>1,980</u>
Change in net assets of governmental activities	<u>\$ (1,863,279)</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, 2010

	<u>Agency Funds</u>		
	<u>School Activity Funds</u>	<u>RESA VIII</u>	<u>Multi County Vocational</u>
ASSETS			
Cash and cash equivalents	<u>\$ 2,415,983</u>	<u>1,534,281</u>	<u>578,714</u>
Total assets	<u>\$ 2,415,983</u>	<u>\$ 1,534,281</u>	<u>\$ 578,714</u>
LIABILITIES			
Due to other funds	<u>\$ 2,415,983</u>	<u>\$ 1,534,281</u>	<u>\$ 578,714</u>
Total liabilities	<u>\$ 2,415,983</u>	<u>\$ 1,534,281</u>	<u>\$ 578,714</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, 2010

	Cash Balance <u>7/1/2009</u>	Revenues <u>Received</u>	Expenditures <u>Paid</u>	Cash Balance <u>6/30/2010</u>
High Schools:				
Hedgesville High School	\$ 366,001	\$ 463,649	\$ 474,291	\$ 355,359
Martinsburg High School	138,498	580,664	614,963	104,199
Musselman High School	406,985	622,038	573,697	455,326
Total high schools	<u>911,484</u>	<u>1,666,351</u>	<u>1,662,951</u>	<u>914,884</u>
Middle and Junior High Schools:				
Hedgesville Middle School	77,263	237,520	212,212	102,571
Musselman Middle School	256,000	286,943	252,713	290,231
North Middle School	42,975	106,201	126,605	22,570
South Middle School	103,343	177,561	177,036	103,868
Spring Mills Middle School	111,675	174,075	153,392	132,358
Total middle schools	<u>591,256</u>	<u>982,300</u>	<u>921,958</u>	<u>651,598</u>
Elementary Schools:				
Back Creek Valley Elementary School	11,627	33,076	37,542	7,161
Bedington Elecmetary School	21,405	71,966	73,012	20,360
Berkeley Heights Elementary School	51,808	109,781	121,567	40,022
Bunker Hill Elementary School	22,011	94,992	93,948	23,054
Burke Street Elementary School	23,999	37,861	35,864	25,996
Eagle School Intermediate School	17,802	124,303	127,088	15,017
Gerrardstown Elementary School	25,782	47,104	41,929	30,957
Hedgesville Elementary School	27,089	81,874	68,744	40,219
Inwood Primary School	9,536	32,714	38,689	3,561
Marlowe Elementary School	36,625	114,588	107,433	43,780
Mill Creek Intermediate School	46,161	147,302	146,122	47,341
Mountain Ridge Intermediate School	13,659	94,193	93,858	13,994
Opequon Elementary School	64,149	110,946	84,508	90,587
Orchard View Intermediate School	34,956	94,674	104,735	24,895
Potomack Intermediate School	99,105	205,619	189,243	115,482
Rosemont Elementary School	68,433	96,088	73,264	91,258
Tomahawk Elementary School	45,994	156,649	149,343	53,299
Tuscarora Elementary School	48,937	72,858	75,075	46,719
Valley View Elementary School	24,116	92,139	81,715	34,540
Winchester Avenue Elementary School	73,053	164,997	156,790	81,259
Total elementary schools	<u>766,247</u>	<u>1,983,724</u>	<u>1,900,468</u>	<u>849,501</u>
Total	<u>\$ 2,268,988</u>	<u>\$ 4,632,375</u>	<u>\$ 4,485,377</u>	<u>\$ 2,415,983</u>

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, 2010

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 30 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, 2010, 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.

Investments of the Board at June 30, 2010, consisted of the following:

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
State Investment Pool	\$ 2,412,848	\$ 2,412,848
Municipal Bond Commission	3,995,569	3,995,569
Certificate of Deposit	<u>48,138,920</u>	<u>48,138,920</u>
Total investments	<u>\$ 54,547,337</u>	<u>\$ 54,547,337</u>

Certificate of Deposit 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, 2010, the Board had \$3,995,569 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, 2010, 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 \$337,039 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:

Assets	Straight-line Years
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.

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, 2010 was determined to be:

	<u>Total</u>	<u>Amount/ Policy Holder</u>
Total Annual Required Contribution	\$ 791,943,000	\$ 10,810.62
Pay as you go – Retiree Subsidy	(122,799,496)	(1,676.31)
Remaining ARC	<u>\$ 669,143,504</u>	<u>\$ 9,134.31</u>

The following summarizes the School Board's OPEB activity:

Total OPEB expense	\$ 17,609,857
Less:	
Pay as you go payments and other credits	<u>(605,652)</u>
2010 OPEB liability	<u>\$ 17,004,205</u>
Portion attributable to personnel funded through the PSSP	<u>\$ 13,948,290</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, 2010.

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

All funds had deficiencies in fund balances for year the year ended June 30, 2009 except the Debt Service Fund. Grant funds are available for the deficiencies in the special revenue fund, the capital projects fund and the special revenue ARRA fund. The deficiencies have no impact on the financial results of the funds.

The deficiency in the general fund is a direct result of recording the OPEB liability as a current liability. As previously noted, the Board does not intend to remit payments that are constitutionally required to be appropriated by the state. The deficiency should have little impact on the financial results of the fund.

NOTE 3. CHANGE IN ACCOUNTING POLICY

There were no changes in accounting policies for the year.

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, 2010, 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, 2010, were:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense	Excess Levy	Bond Purposes
Class I	\$ -	\$ 0.1940	\$ 0.2250	\$ 0.0303
Class II	\$ 3,272,704,554	\$ 0.3880	\$ 0.2250	\$ 0.0522
Class III	\$ 1,473,533,358	\$ 0.7760	\$ 0.2250	\$ 0.1044
Class IV	\$ 477,339,042	\$ 0.7760	\$ 0.2250	\$ 0.1044

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 1st of the year for which the assessment is made, and becomes delinquent on October 1st, and the second installment is payable on the first day of the following March and becomes delinquent on April 1st.

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, 2010. 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, 2010, 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 \$32,990,100 was received by the Board from the excess levy during the fiscal year ended June 30, 2010.

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010, is as follows:

	Totals June 30, 2009	Additions	Deletions	Totals June 30, 2010
Capital assets not being depreciated:				
Land	\$ 8,494,517	\$ 561,678	\$ -	\$ 9,056,195
Construction in process	<u>688,790</u>	<u>5,858,572</u>	<u>688,790</u>	<u>5,858,572</u>
Total capital assets not being depreciated	<u>9,183,307</u>	<u>6,420,250</u>	<u>688,790</u>	<u>14,914,767</u>
Capital assets being depreciated:				
Buildings and improvements	129,637,459	2,179,298	-	131,816,757
Furniture and equipment	3,907,979	182,134	-	4,090,113
Vehicles	<u>12,133,360</u>	<u>1,608,305</u>	<u>-</u>	<u>13,741,665</u>
Total capital assets being depreciated	<u>145,678,798</u>	<u>3,969,737</u>	<u>-</u>	<u>149,648,535</u>
Less accumulated depreciation for:				
Buildings and improvements	(30,689,016)	(2,667,067)	-	(33,356,083)
Furniture and equipment	(2,709,019)	(195,048)	-	(2,904,067)
Vehicles	<u>(5,170,919)</u>	<u>(1,032,662)</u>	<u>-</u>	<u>(6,203,581)</u>
Total accumulated depreciation	<u>(38,568,954)</u>	<u>(3,894,777)</u>	<u>-</u>	<u>(42,463,731)</u>
Total capital assets being depreciated, net	<u>107,109,844</u>	<u>74,960</u>	<u>-</u>	<u>107,184,804</u>
Capital assets, net	<u>\$ 116,293,151</u>	<u>\$ 6,495,210</u>	<u>\$ 688,790</u>	<u>\$ 122,099,571</u>

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

Instruction	\$ 2,414,774
Supporting services:	
Instructional staff	-
Central administration	77,896
School administration	-
Business	-
Operation and maintenance	311,584
Transportation	973,699
Food services	<u>116,844</u>
Total depreciation expense governmental activities	<u>\$ 3,894,797</u>

NOTE 8. LONG-TERM DEBT

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

Obligation	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year
General obligation debt	\$ 18,900,000	\$ 51,500,000	\$ 3,355,000	\$ 67,045,000	\$ 3,950,000
Capital lease payable	384,620	-	76,924	307,696	76,924
Compensated absences	197,335	-	1,980	195,355	-
Total	\$ 19,481,955	\$ 51,500,000	\$ 3,433,904	\$ 67,548,051	\$ 4,026,924

The Board's future debt service requirements for bonded debt at June 30, 2010:

FYE June 30	Interest Rate	Principal	Interest	Total
2011	5% and 3%	\$ 3,950,000	\$ 2,852,844	\$ 6,802,844
2012	5% and 3%	4,675,000	2,346,753	7,021,753
2013	5% and 2%	4,880,000	2,179,301	7,059,301
2014	5% and 4%	5,100,000	2,031,588	7,131,588
2015	5% and 2%	5,325,000	1,816,538	7,141,538
2016	5% and 2.5%	5,565,000	1,640,588	7,205,588
2017	5% and 4%	5,820,000	1,440,838	7,260,838
2018	4.000%	3,415,000	1,182,588	4,597,588
2019	4.000%	3,560,000	1,045,988	4,605,988
2020	4.000%	3,710,000	903,588	4,613,588
2021	3.250%	3,865,000	755,188	4,620,188
2022	3.375%	4,030,000	629,575	4,659,575
2023	3.500%	4,205,000	493,563	4,698,563
2024	4.000%	4,380,000	346,388	4,726,388
2025	3.750%	4,565,000	171,188	4,736,188
Total		\$ 67,045,000	\$ 19,836,516	\$ 86,881,516

General Obligation Bonds – General obligation bonds payable at June 30, 2010, 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, 2010, including interest payments are listed as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,315,000	364,250	2,679,250
2016 - 2017	<u>4,970,000</u>	<u>375,750</u>	<u>5,345,750</u>
Total	<u>\$ 15,545,000</u>	<u>\$ 3,129,818</u>	<u>\$ 18,674,818</u>

On February 17, 2010, the Board issued \$51,500,000 in general obligation bonds to provide funds for the improvements of existing facilities and the construction of new schools. The bonds mature in varying annual increments through May, 2025, and interest is payable semiannually at 2-4%. Payments on the general obligation bonds payable are made through the debt service fund.

Total annual debt service requirement for the 2010 bond debt, as of at June 30, 2010, including interest payment is:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	2,025,000	2,126,404	4,151,404
2012	2,660,000	1,703,088	4,363,088
2013	2,770,000	1,623,088	4,393,088
2014	2,890,000	1,567,888	4,457,888
2015	3,010,000	1,452,288	4,462,288
2016 - 2020	17,100,000	5,837,838	22,937,838
2021 - 2025	<u>21,045,000</u>	<u>2,395,900</u>	<u>23,440,900</u>
Total	<u>\$ 51,500,000</u>	<u>\$ 16,706,692</u>	<u>\$ 68,206,692</u>

Total bonded indebtedness at July 1, 2009	\$ 8,900,000
Issuances	51,500,000
Maturities	<u>(3,355,000)</u>
Total Bonded Indebtedness June 30, 2010	<u>\$ 67,045,000</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, 2010, were \$512,449.

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, 2010:

Future minimum payments:

<u>Year Ending</u>	<u>Amount</u>
2011	76,924
2012	76,924
2013	76,924
2014	<u>76,924</u>
Total minimum lease payments	<u>\$ 307,696</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, 2010, the Board's total payroll for all employees was \$100,225,851 and the payroll was \$90,233,353 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 Benefit 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% 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% or 100% 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% 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 2010 Actuarial Valuation Report of the Teachers' Retirement System, the plan's Unfunded Actuarial Accrued Liability (UAAL) was \$5.1 billion as of July 1, 2009.

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% of their gross compensation and the Board of Education contributes 15% of the covered member's gross compensation to the retirement plan, for a total of 21% 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% 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, 2010, and the two previous years are as follows:

	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/08</u>
Required Contributions	\$ 487,886,000	\$ 404,547,000	\$ 345,412,000
As a Percent of Current Year Covered Payroll	29.57%	25.89%	23.30%

Total payments reflected in the Board's financial statements to the defined benefit plan for fiscal year 2010 were:

Employees' contributions (6%)	\$ 4,457,892
Employer's contributions (15% or 7.5%)	<u>7,277,952</u>
Total contributions	<u>\$ 11,735,844</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, 2008, members of the Defined Contribution Plan who elected to transfer to the Defined Benefit Plan, as prescribed by HB 101 passed during the 2008 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% after 12 years. The member is fully vested at death or disability. As of June 30, 2009, this plan had approximately \$222 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% of their gross salary and the Board of Education contributes 7.5% of the covered member's gross compensation to the retirement plan, for 12% annually.

Total payments reflected in the Board's financial statements to the Defined Contribution Plan for the year ended June 30, 2010, were:

Employees' contributions (4.5%)	\$ 717,082
Employer's contributions (7.5%)	<u>1,195,137</u>
Total contributions	<u>\$ 1,912,219</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. The Board is also a party in the case previously mentioned regarding the allocation of funds and the determination of the OPEB liability. The outcome of that case, or future actions by the state legislature, could have a significant impact on the financial position of the Board. While it is not possible to determine the ultimate outcome of any other lawsuit 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. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

The school Building Authority of West Virginia has awarded two construction grants for a new high school in the northern end of the county that provides \$25 million in construction funds that will be matched with proceeds from the February, 2010 issuance of bonds. An additional \$20 million is expected in funds from the SBA toward the cost of the other three projects that were included in the bond election call. The total funding between bond proceeds and the SBA would be \$96.5 million. Two of the four projects included in the bond call have not been started as on June 30, 2010.

NOTE 13. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2010 is as follows:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	380,507
Special Revenue	General Fund	3,745,000
General Fund	Special Revenue	443,372
Special Revenue ARRA	General Fund	123,000
Intrafund Transfers		<u>155,557</u>
Total		4,847,436

Interfund Transfers

Transfers were for the following reasons:

1. \$3,745,000 from General Fund to Food Service project.
2. \$443,372 from Special Revenue for indirect costs.
3. \$380,507 for new Elementary school.
4. \$123,000 for Opequon Elementary roof.
5. \$155,557 was intrafund transfers.

NOTE 14. 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, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 61,390,811	\$ 61,390,811	\$ 61,206,221	\$ (184,590)
Other Local sources	1,975,000	2,421,560	2,428,297	6,737
State sources	79,273,577	76,140,834	76,115,431	(25,403)
Federal sources	1,685,000	3,385,000	3,083,261	(301,739)
Total revenues	<u>144,324,388</u>	<u>143,338,205</u>	<u>142,833,210</u>	<u>(504,995)</u>
EXPENDITURES				
Current				
Instruction	87,366,169	83,661,352	91,552,514	(7,891,162)
Supporting services:			-	
Students	5,550,420	7,637,628	7,437,844	199,784
Instructional staff	4,152,060	4,067,102	3,982,087	85,015
Central administration	2,197,500	2,478,495	2,169,905	308,590
School administration	8,593,650	8,666,650	9,688,138	(1,021,488)
Business	3,475,930	3,686,165	3,142,072	544,093
Operation and maintenance of facilities	13,994,388	16,581,734	15,411,453	1,170,281
Student transportation	13,803,830	13,756,254	14,301,915	(545,661)
Food Services	1,200	4,200	1,145,587	(1,141,387)
Community services	815,000	815,000	837,574	(22,574)
Debt Service	76,930	76,930	76,924	6
Capital Outlay	1,752,311	1,450,264	71,663	1,378,601
Reserves	2,000,000	2,248,556	-	2,248,556
Total expenditures	<u>143,779,388</u>	<u>145,130,330</u>	<u>149,817,676</u>	<u>(4,687,346)</u>
Excess (deficiency) of revenues over expenditures	<u>545,000</u>	<u>(1,792,125)</u>	<u>(6,984,466)</u>	<u>(5,192,341)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	150,000	443,371	293,371
Transfers (out)	<u>(3,545,000)</u>	<u>(4,250,507)</u>	<u>(4,248,506)</u>	<u>2,001</u>
Total other financing sources (uses)	<u>(3,545,000)</u>	<u>(4,100,507)</u>	<u>(3,805,135)</u>	<u>295,372</u>
Net change in fund balance	<u>(3,000,000)</u>	<u>(5,892,632)</u>	<u>(10,789,601)</u>	<u>(4,896,969)</u>
Fund balance at beginning of year	<u>3,000,000</u>	<u>5,892,632</u>	<u>5,892,632</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,896,969)</u>	<u>\$ (4,896,969)</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, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable
	Original	Final		(Unfavorable)
REVENUES				
Local sources	\$ 2,270,865	\$ 2,588,349	\$ 1,901,209	\$ (687,140)
State sources	3,919,375	4,607,098	4,330,915	(276,183)
Federal sources	<u>10,498,000</u>	<u>13,235,529</u>	<u>12,430,515</u>	<u>(805,014)</u>
Total revenues	<u>16,688,240</u>	<u>20,430,976</u>	<u>18,662,639</u>	<u>(1,768,337)</u>
EXPENDITURES				
Current				
Instruction	7,169,720	9,239,783	7,949,121	1,290,662
Supporting services:				
Students	590,330	1,312,413	1,249,212	63,201
Instructional staff	238,286	2,684,539	2,264,988	419,551
School administration	12,000	12,600	12,118	482
Central administration	229,690	17,442	17,309	133
Business	-	1,000	458	542
Operation and maintenance of facilities	-	192,352	114,188	78,164
Student transportation	1,343,005	1,358,376	1,392,485	(34,109)
Food services	9,027,000	9,106,958	9,104,100	2,858
Community services	-	-	-	-
Reserves	<u>1,708,209</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>20,318,240</u>	<u>23,925,463</u>	<u>22,103,979</u>	<u>1,821,484</u>
Excess (deficiency) of revenues over expenditures	<u>(3,630,000)</u>	<u>(3,494,487)</u>	<u>(3,441,340)</u>	<u>53,147</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,630,000	3,742,292	3,900,558	158,266
Transfers (out)	<u>-</u>	<u>(311,086)</u>	<u>(372,851)</u>	<u>(61,765)</u>
Total other financing sources (uses)	<u>3,630,000</u>	<u>3,431,206</u>	<u>3,527,707</u>	<u>96,501</u>
Net change in fund balance	-	(63,281)	86,367	149,648
Fund balance at beginning of year	-	63,281	63,281	375,180
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,648</u>	<u>\$ 149,648</u>

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Budgetary Comparison Schedule – Special Revenue (ARRA) Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUE				
Federal sources	\$ 11,873,229	\$ 11,873,229	\$ 10,312,119	\$ 1,561,110
Total revenues	<u>11,873,229</u>	<u>11,873,229</u>	<u>10,312,119</u>	<u>1,561,110</u>
EXPENDITURES				
Current				
Instruction	9,068,522	9,068,522	7,857,743	1,210,779
Supporting services:				-
Students	749,541	749,541	466,315	283,226
Instructional staff	396,721	396,721	259,094	137,627
Operation and maintenance of facilities	492,000	492,000	240,350	251,650
Student transportation	1,201,000	1,201,000	1,330,165	(129,165)
Food services	6,373	6,373	6,373	-
Total expenditures	<u>11,914,157</u>	<u>11,914,157</u>	<u>10,160,040</u>	<u>1,754,117</u>
Excess (deficiency) of revenues over expenditures	<u>(40,928)</u>	<u>(40,928)</u>	<u>152,079</u>	<u>(193,007)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	123,000	123,000	123,000	-
Transfers (out)	<u>(82,072)</u>	<u>(82,072)</u>	<u>(226,079)</u>	<u>(144,007)</u>
Total other financing sources (uses)	<u>40,928</u>	<u>40,928</u>	<u>(103,079)</u>	<u>(144,007)</u>
Net change in fund balance	-	-	49,000	49,000
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,000</u>	<u>\$ 49,000</u>

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Budgetary Comparison Schedule – Debt Service Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 3,626,920	\$ 3,626,920	\$ 4,023,349	\$ 396,429
Interest on investment	-	-	6,106	6,106
Miscellaneous sources	-	-	-	-
Total revenues	<u>3,626,920</u>	<u>3,626,920</u>	<u>4,029,455</u>	<u>402,535</u>
EXPENDITURES				
Debt service:				
Principal retirement	3,355,000	5,355,000	3,355,000	2,000,000
Interest and fiscal charges	<u>849,684</u>	<u>2,107,101</u>	<u>853,684</u>	<u>1,253,417</u>
Total expenditures	<u>4,204,684</u>	<u>7,462,101</u>	<u>4,208,684</u>	<u>3,253,417</u>
Excess (deficiency) of revenues over expenditures	<u>(577,764)</u>	<u>(3,835,181)</u>	<u>(179,229)</u>	<u>3,655,952</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	(964,955)	-	964,955
Total other financing sources (uses)	-	(964,955)	-	964,955
Net change in fund balance	(577,764)	(4,800,136)	(179,229)	4,620,907
Fund balance at beginning of year	577,764	4,800,136	4,222,372	(577,764)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,043,143</u>	<u>\$ 4,043,143</u>

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Budgetary Comparison Schedule – Capital Projects Bond
Construction Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Favorable (Unfavorable)
REVENUES				
Other local sources	\$ 52,862,011	\$ 52,862,011	\$ 53,016,802	\$ 154,791
State sources	-	-	-	-
Total revenues	<u>52,862,011</u>	<u>52,862,011</u>	<u>53,016,802</u>	<u>154,791</u>
EXPENDITURES				
Capital outlay	52,777,000	52,777,000	682,699	52,094,301
Business	<u>85,011</u>	<u>85,011</u>	<u>85,228</u>	<u>(217)</u>
Total expenditures	<u>52,862,011</u>	<u>52,862,011</u>	<u>767,927</u>	<u>52,094,084</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>52,248,875</u>	<u>52,248,875</u>
Change in fund balances	-	-	<u>52,248,875</u>	<u>52,248,875</u>
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,248,875</u>	<u>\$ 52,248,875</u>

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Budgetary Comparison Schedule – Capital Projects Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Other local sources	\$ 12,008,731	\$ 12,008,731	\$ 5,493,502	\$ (6,515,229)
Total revenues	<u>12,008,731</u>	<u>12,008,731</u>	<u>5,493,502</u>	<u>(6,515,229)</u>
EXPENDITURES				
Capital outlay	13,591,040	13,591,040	6,535,166	7,055,874
Current				
Operation and maintenance of facilities	<u>397,939</u>	<u>397,939</u>	<u>-</u>	<u>397,939</u>
Total expenditures	<u>13,988,979</u>	<u>13,988,979</u>	<u>6,535,166</u>	<u>7,453,813</u>
Excess (deficiency) of revenues over expenditures	<u>(1,980,248)</u>	<u>(1,980,248)</u>	<u>(1,041,664)</u>	<u>938,584</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	380,507	380,507	380,507	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>380,507</u>	<u>380,507</u>	<u>380,507</u>	<u>-</u>
Net change in fund balance	<u>(1,599,741)</u>	<u>(1,599,741)</u>	<u>(661,157)</u>	<u>938,584</u>
Fund balance at beginning of year	<u>1,599,741</u>	<u>1,599,741</u>	<u>1,599,741</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 580,748</u>	<u>\$ 580,748</u>

OTHER SUPPLEMENTARY INFORMATION

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through ID 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	C320798 C335844 C330783 C336411 C317229 C317980	\$ 3,428,064
Special Education -- Grants to States ARRA	84.391	C320612	3,517,457
Special Education -- Preschool Grants	84.173	C320862 C335830	52,883
Special Education -- Preschool Grants ARRA	84.392	C320961	136,109
Adult Education -- Basic Grants to States	84.002	C321837 C321916 C299828 C299950	62,217
Title I Grants to Local Educational Agencies	84.010	C322690 C329868 C301238 C314093 C300022	3,609,125
Title I Grants to Local Educational Agencies, ARRA	84.389	C318792	1,856,443
Vocational Education -- Basic Grants	84.048	C320059 C299357	167,720
Safe and Drug-Free Schools and Communities	84.186	C325682 C302828	160,730
Education for Homeless Children and Youth	84.196	C324975 C308648	10,259
Tech-Prep Education	84.243	C323343 C299805	82,736
Education Technology State Grants, ARRA	84.386	C326210	46,401
Title III -- English Language Acquisition Grants	84.365	C333372 C336499 C323947 C304590	72,109
Title III -- English Language Acquisition Grants	84.367	C330526 C282080 C309094	1,069,894
Data Collection	84.373	C330141	5,040
School Improvement Grants	84.377	C314072	84,854
Fiscal Stabilization	84.394	N/A	4,580,733
Total U.S. Department of Education			<u>18,942,774</u>
U.S. Department of Agriculture:			
Passed-Through West Virginia Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	3,528,257
Summer Food Service Program for Children	10.559	N/A	24,163
Fresh Fruit and Vegetable Program	10.582	C320121 C318592 C304723	14,715
Donated Food U S Department of Agriculture	10.550	N/A	435,746
Total U.S. Department of Agriculture			<u>4,002,881</u>
Total Federal Expenditures			<u>\$ 22,945,655</u>

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

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.

NOTE 2: NON-CASH ASSISTANCE

Berkeley County Board of Education's non-cash assistance received from the U.S. Department of Agriculture Donated Foods Program of \$435,746 is included in the Schedule of Federal Expenditures of Federal Awards based upon the fair market value of the commodities at the time of receipt and discloses the amount distributed for the year ended June 30, 2010

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

Teed & Associates, PLLC

Certified Public Accountants

Established 1992

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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 Regional Berkeley County Board of Education (Board), as of and for the year ended June 30, 2010, and have issued our report thereon dated March 11, 2011. 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 deficiency in internal control 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 and correct misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

The Honorable Members of the
Berkeley County Board of Education
Martinsburg, West Virginia
Page 2

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses over financial reporting, as defined above.

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 Advisory Council, management, Board, and other federal and state oversight 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
March 11, 2011

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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, 2010. 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 RESA's compliance with those requirements.

The Honorable Members of the
Berkeley County Board of Education
Charleston, West Virginia
Page 2

In our opinion, the RESA 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, 2010.

Internal Control Over Compliance

Management of the RESA 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 RESA'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 RESA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that a material noncompliance requirement with type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined 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
March 11, 2011

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2010

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)	Name of Federal Program or Cluster
84.373 84.365 84.367	Title III
84.027 84.391 84.173 81.392	Special Education Cluster
84.394	State Fiscal Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B Program: \$ 688,670

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, 2010

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.

RFP #: 08-082

**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

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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.

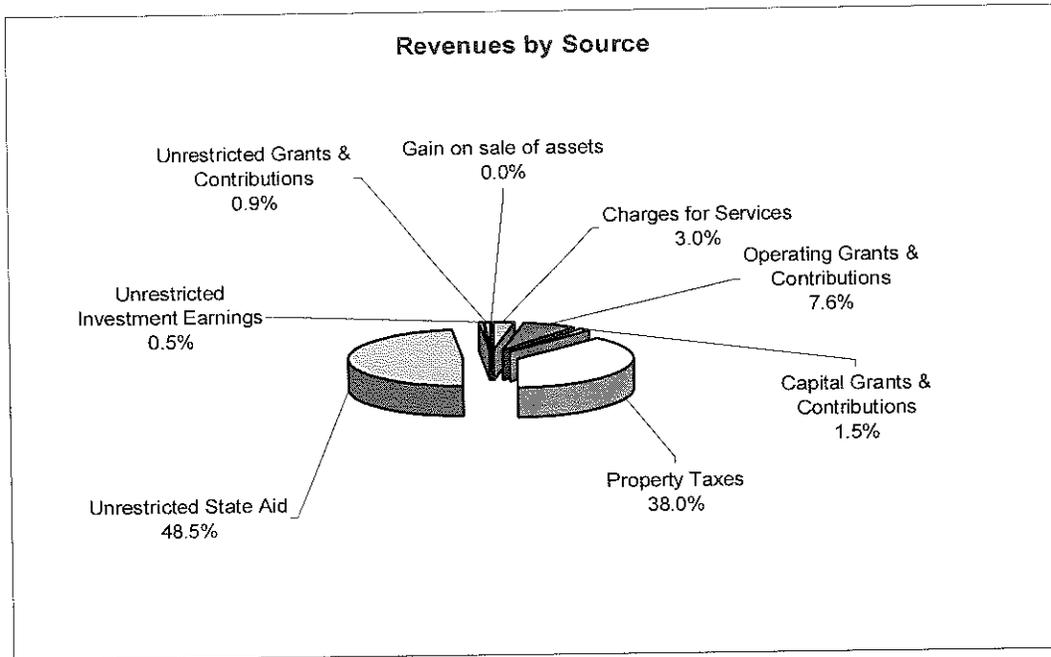
- An additional portion of the Board's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for repayment of debt.

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.

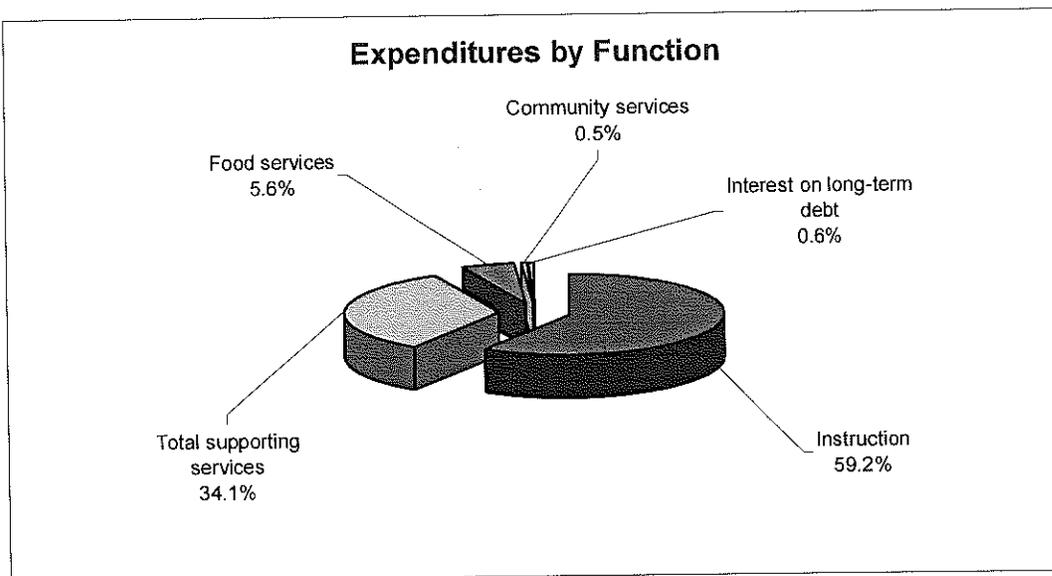
The Board's net assets increased by \$564 thousand during the current year. The following discussion and analysis on governmental activities focuses on this increase:

	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
Construction 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

<u>Office</u>	<u>Elective</u>	<u>Term</u>
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

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

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

	<u>Governmental Activities</u>
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	<u>107,798,634</u>
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	<u>15,852,696</u>
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	<u>8,301,809</u>
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

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
ASSETS:					
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
Total assets	\$ 25,736,451	\$ 2,244,710	\$ 4,281,669	\$ 1,936,104	\$ 34,198,934
LIABILITIES:					
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
Total liabilities	19,843,819	2,181,429	59,297	336,363	22,420,908
FUND BALANCES:					
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
Total fund balances	\$ 5,892,632	\$ 63,281	\$ 4,222,372	\$ 1,599,741	\$ 11,778,026

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
REVENUES:					
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>
EXPENDITURES:					
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>
ASSETS:			
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>
LIABILITIES:			
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
Total	\$ 2,030,541	\$ 4,859,117	\$ 4,689,343	\$ 2,200,315

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	\$ 24,079,008	\$ -	\$ 24,079,008
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 rates 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 1st of the year for which the assessment is made, and becomes delinquent on October 1st, and the second installment is payable on the first day of the following March and becomes delinquent on April 1st.

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:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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:

Purpose	Amount
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	16,478,472	20,724,637	18,659,566	(2,065,071)
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	3,537,149	222,972	-	222,972
Total expenditures	19,703,472	24,183,278	21,974,006	2,209,272
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)	-	(252,180)	(211,574)	40,606
Total other financing sources	3,225,000	3,293,390	3,333,996	40,606
Change in fund balance	-	(165,251)	19,556	184,807
Fund balance at beginning of year	-	165,251	43,725	(121,526)
Fund balance at end of year	\$ -	\$ -	\$ 63,281	\$ 63,281

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	-	(956,309)	-	956,309
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	\$ 12,292,079	\$ 1,681,702	\$(10,610,377)
Total revenues	<u>12,292,079</u>	<u>1,681,702</u>	<u>(10,610,377)</u>
EXPENDITURES:			
Capital outlay	13,715,639	2,111,898	11,603,741
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	(2,112,106)	(430,196)	1,681,910
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	(1,222,306)	377,435	1,599,741
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.

The Honorable Members of the
Berkeley County Board of Education
Martinsburg, West Virginia
Page 2

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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Established 1992

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Member, West Virginia Society of Certified Public Accountants
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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.

The Honorable Members of the
Berkeley County Board of Education
Charleston, West Virginia
Page 2

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)	Name of Federal Program or Cluster
84.027	Special Education – Grants to States
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	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)

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	81,087	1,799,411	287,803,914
2003	84,804	1,802,238	290,326,418
2004	88,604	1,803,302	293,045,739
2005	92,513	1,803,920	295,045,739
2006	96,819	1,807,237	298,593,212
2007	99,768	1,811,198	301,579,895
2008	102,336	1,814,873	304,374,849
2009	103,854	1,819,777	307,006,550
2010	104,169	1,852,994	308,745,538

Source: U.S. Census Bureau

Economy

The ten (10) largest employers as of Spring 2011 in the County are:

1. Berkeley County Board of Education
2. Quad/Graphics, Inc.
3. Enterprise Computing Center
4. WVU Hospital East
5. Bureau of Alcohol Tobacco & Firearms
6. U.S. Coast Guard Operations Center
7. Regional Education Service Agency VIII
8. Fedex Smartpost
9. Orgill, Inc.
10. U.S. Coast Guard National Marine Center

Source: Berkeley County Development Authority at www.developmentauthority.com

Average Annual Unemployment Rates (%)

Year	Berkeley County	West Virginia
2004	4.2	5.3
2005	3.8	4.9
2006	3.8	4.5
2007	3.7	4.2
2008	4.6	4.2
2009	8.5	7.7
2010	9.5	9.1

Year	Berkeley County	West Virginia
2011 (Oct.)	7.8	7.3

Source: WORKFORCE West Virginia; U.S. Department of Commerce, Bureau of Economic Analysis

Average Employment by Industry

Industry	2007	2008	2009	2010
Natural Resources & Mining	247	264	239	227
Construction	1,615	1,551	1,194	914
Manufacturing	2,413	1,893	1,446	1,366
Trade, Transportation & Utilities	5,654	5,571	5,295	5,354
Information	1,636	1,525	1,351	1,336
Financial Activities	1,070	1,043	1,016	975
Professional & Business Services	2,857	2,740	2,530	2,399
Education & Health Services	3,468	3,554	3,663	3,734
Leisure and Hospitality	2,888	2,864	2,843	2,879
Other Services	630	631	570	565
Government	7,470	8,012	8,294	8,479
TOTAL	29,956	29,649	28,440	28,228

Source: WORKFORCE West Virginia

Average Employment and Average Weekly Wage

	Average Employment		Average Weekly Wage	
	2007	2010	2007	2010
Berkeley County	29,956	28,228	687.90	743.19
West Virginia	708,313	692,305	653.87	725.04

Source: WORKFORCE West Virginia

Per Capita Personal Income

County	2000	2006	2009	2009 Rank in State
United States	\$30,318	\$39,461	\$39,635	---
West Virginia	\$22,174	\$28,697	\$32,080	---
Berkeley County	\$23,724	\$28,470	\$30,059	23

Source: U.S. Bureau of Economic Analysis

Wages Per Industry (2010) (\$)

Industry	Total Wages	Average Weekly Wage
Natural Resources & Mining	5,043,694	427.29
Construction	36,040,426	758.31
Manufacturing	58,475,748	823.23
Trade, Transportation & Utilities	150,024,393	538.87
Information	55,098,032	793.10
Financial Activities	35,990,170	709.87
Professional & Business Services	97,122,294	778.54
Education & Health Services	137,557,457	708.44
Leisure and Hospitality	40,265,472	268.96
Other Services	14,149,655	481.62
Government	461,079,540	1,045.75
TOTAL	1,090,894,589	743.19

Source: WORKFORCE West Virginia

Total Wages (\$)

Year	Berkeley County	West Virginia
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
2009	1,105,000,640	25,528,702,813
2010	1,090,894,589	26,100,976,332

Source: WORKFORCE West Virginia

Community Data

Education Facilities	
Elementary	21
Middle or Jr. High	5
High Schools	3
Vocational Schools	1
Colleges (within 50 miles):	3
Shepherd University	
Mountain State University – Martinsburg	
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 (boating/rafting)	1
Museums/Art Galleries	5
Golf Courses – Private/Public	5/0
National Forests	1
National Park & Recreational Areas	0
Amphitheaters/Performing Arts Centers	2
Pro/Semi-pro Sports Teams	0
Regional Shopping Centers/Malls/outlets within 25 miles	3
Major Private Recreation/Resort Areas	1
Civic/Convention Centers	2

Medical	
Hospitals	1
Beds	241
Doctors	150
Dentists	37
Licensed Nursing Homes	3
Beds	207

Transportation	
Highways:	
Interstates	I-81, I-70
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:	
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, Berkeley County Development Authority, except as otherwise noted.

PROPOSED FORM OF LEGAL OPINION

Approving Opinion of Bond Counsel

_____, 2012

§ _____
**The Board of Education of
The County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012**

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

Crews & Associates, Inc.
Little Rock, Arkansas

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by The Board of Education of The County of Berkeley (the "Issuer") of its \$ _____ in aggregate principal amount of Public School Refunding Bonds, Series 2012 (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 13, Article 2 of the West Virginia Code of 1931, as amended (the "Refunding Act") and a Resolution and Order duly adopted by the Issuer on January 23, 2012 (the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Bonds are issued in fully registered form, are dated _____, 20____, upon original issuance, are represented by a single bond for each maturity, numbered R-1 to R-____, inclusive, with interest payable on each May 1 and November 1, commencing May 1, 2012, and principal installments payable each May 1, commencing May 1, 2012, and continuing until the maturity thereof, being May 1, 2017.

The Resolution provides that the issue is for the purposes of providing funds, together with other moneys of the Issuer currently on deposit with the West Virginia Municipal Bond Commission (the "Bond Commission"), to pay costs necessary to currently refund all of the Issuer's Outstanding Public School Bonds, Series 2002, dated February 1, 2002 (the "Prior Bonds"), originally issued in the aggregate principal amount of \$27,800,000, of which \$13,620,000 is presently outstanding, and to pay costs of issuance of the Bonds and other costs in connection with such refunding. Issuance of the Prior Bonds was approved by the voters of the Berkeley County School District (the "District") at an election held in the District on September 29, 2001, for the purpose of financing costs of improving, constructing, erecting, renovating, furnishing and equipping certain new and existing school facilities in the District.

The Bonds have been sold to Crews & Associates, Inc., Little Rock, Arkansas (the "Purchaser") pursuant to a Bond Purchase Agreement dated _____, 2012, by and between the Issuer and the Purchaser (the "Bond Purchase Agreement").

The Issuer has outstanding its Public School Bonds, Series 2010, dated February 17, 2010, issued in the original aggregate principal amount of \$51,500,000 (the "Series 2010 Bonds"). The Series 2010 Bonds are on a parity with respect to sources of and security for payment with the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Resolution, the Bond Purchase Agreement and the Escrow Agreement, dated _____, by and between the Issuer and the Bond Commission (the "Escrow Agreement") and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants of the Issuer contained in the Resolution, the Escrow Agreement and the Tax and Non-Arbitrage Certificate of the Issuer dated the date hereof (the "Tax Certificate") and in certain other certificates delivered in connection herewith and the covenants of the Bond Commission contained in the Escrow Agreement, we are of the opinion, under existing law, that:

1. The Issuer is a duly organized and validly existing statutory corporation charged with the supervision and control of the District, which is a validly existing political subdivision of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Escrow Agreement and the Bond Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Bonds, all under the provisions of the Refunding Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Escrow Agreement and the Bond Purchase Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Bond Purchase Agreement. The Resolution is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Escrow Agreement and the Bond Purchase Agreement constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable general obligations of the Issuer, the principal of and interest on which, unless paid from other sources, are payable from ad valorem taxes levied upon all taxable property within the District, without limitation as to rate or amount, on a parity with the Series 2010 Bonds.

4. 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 (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, and the regulations promulgated thereunder, as amended (the "Code"), and such interest will not be treated as a preference item in calculating the alternative minimum tax that may be imposed under the Code upon individuals and corporations. Under the Code, however, interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Resolution and the Tax Certificate. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. Except as set forth in paragraph 5 below, we express no opinion regarding other tax consequences arising with respect to the Bonds.

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

6. The Prior Bonds have been paid within the meaning and with the effect expressed in the Refunding Act, and the covenants, agreements and other obligations of the Issuer to the holders and owners of such Prior Bonds have been satisfied and discharged.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the liens, pledges, rights or remedies with respect to the Bonds, the Resolution, the Escrow Agreement and the Bond Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their 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

BOOK-ENTRY ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.
5. 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. Beneficial Owners of Securities may wish to take certain steps to augment the

transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

**ELECTED OFFICIALS OF THE BOARD
APPOINTED OFFICIALS OF THE BOARD**

Berkeley County Board of Education Members

DR. WILLIAM QUEEN, PRESIDENT has been a full-time practicing restorative dentist in Martinsburg for the past 27 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 last 36 years and is a native of West Virginia.

RICHARD PILL, ESQUIRE, 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 2 years. He is a member of Harmony United Methodist Church, and he is an avid member of the Mountaineer Athletic Club.

TODD BECKWITH, MEMBER is a 1970 West Virginia University graduate (B.A., Mathematics). He is employed as Senior Vice President with City National Bank. He has served as past president of the Berkeley County Board of Education. Mr. Beckwith is also the Chair of the James Rumsey Technical Institute Administrative Council. Mr. Beckwith is an active member of the United Way and Chamber of Commerce and the Eastern Panhandle WVU Alumni Chapter. He is a member of First Baptist Church.

DR. DARIN GILPIN, MEMBER, a Berkeley County native received a bachelor's degree in Animal Science from West Virginia University and a doctorate in veterinary medicine from The Ohio State University, College of Veterinary Medicine. He is vice president of Shenandoah Veterinary Hospital in Martinsburg. Active in the community, Dr. Gilpin is serving as a member and past president of Sunrise Rotary Club, served on the board of the Martinsburg-Berkeley County Chamber of Commerce and on the Eastern Panhandle Board of Directors for the Boys and Girls Club. He has had the honor of serving as the moderator at the American Veterinary Medical Association Leadership Conference. He is a past Board Member and immediate past president of the West Virginia Veterinary Medical Association, a member of the West Virginia Veterinary Medical Association, The American Animal Hospital Association, WVU Eastern Panhandle Alumni Association and is currently serving on the WVU National Alumni Association Board of Directors.

RON GRAY, MEMBER is a graduate of Martinsburg High School and Shepherd University. He is retired from Berkeley County Schools as a teacher/coach. He is a member of the Martinsburg-Berkeley County Parks and Recreation Board. He is of the Baptist faith. Mr. Gray resides in Falling Waters, West Virginia.

Berkeley County Schools Central Office Administrators

MANUEL P. ARVON, II, SUPERINTENDENT is a graduate of Shephard College where he earned his BS in Education in 1973 and of West Virginia University where he earned his Master in Education in 1979. He has served as Superintendent since 1997.

DON DELLINGER, DEPUTY SUPERINTENDENT is a graduate from West Virginia University where he earned his BS in Secondary Education in 1977 and his MA in Education Administration in 1984. He has served as Deputy Superintendent of Instruction since July 2011.

DR. KIM HOUGH, ASSISTANT SUPERINTENDENT is a graduate of West Virginia University where she earned her BS in Secondary Education in 1992, a graduate of Marshall University where she earned her MA in Education Administration in 1998 and a graduate of George Washington University where she earned her

Doctors of Education Administration and Policy in 2011. She has served as Assistant Superintendent of Resources since July 2011.

JAMES V. BUTTS, JR., TREASURER/CHIEF BUSINESS OFFICER is a graduate of Shepherd College where he earned his BS in Accounting and Information Systems in 1989. He is a Certified Public Accountant and has been Treasurer and Chief Business Officer since July 2011.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Agreement") dated as of _____, 2012, is by and between the Board of Education of the County of Berkeley (the "Board") and United Bank, Inc., as Disclosure Agent (the "Disclosure Agent"), in connection with the issuance of the \$_____ The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012 (the "Series 2012 Bonds"). Capitalized terms used in this Agreement shall have the respective meanings specified above, in Section 2 hereof or in the Resolution adopted by the Board on January 23, 2012, authorizing issuance of the Series 2012 Bonds (the "Resolution"). The Board agrees as follows:

SECTION 1. Purpose of Agreement. This Agreement is being executed and delivered by the Board and the Disclosure Agent for the benefit of the holders and beneficial owners of the Series 2012 Bonds and in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

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

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Board, provided at least annually, of the type included in those sections of the final official statement with respect to the Series 2012 Bonds in Appendix A entitled "Audit Report of Berkeley County Board of Education for Fiscal Year Ended June 30, 2010," which Annual Financial Information shall include Audited Financial Statements if available on the due date set forth herein, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Board's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants or the West Virginia Auditor's Office.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2012 Bonds (including persons holding Series 2012 Bonds through nominees, depositories or other intermediaries).

"Bond Purchase Agreement" shall mean the Bond Purchase Agreement dated _____, 2012, entered into between Crews & Associates, Inc. (the "Underwriter"), and the Board, by which the Underwriter agreed to purchase the Series 2012 Bonds from the Board upon the terms set forth therein.

"Disclosure Agent" shall initially mean United Bank, Inc. and any later appointed Disclosure Agent or any successor Disclosure Agent designated in writing by the Board and which has filed with the Board a written acceptance of such designation.

"Disclosure Representative" shall mean the Treasurer of the Board.

"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.

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

"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.

“Participating Underwriter” shall mean the original underwriter of the Series 2012 Bonds who is required to comply with the Rule in connection with offering of the Series 2012 Bonds.

“Repository” shall mean each National Repository.

“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.

“Series 2012 Bonds” shall mean the \$ _____ The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012.

“State” shall mean the State of West Virginia.

SECTION 3. Provision of Annual Reports.

(a) The Board shall, or shall cause the Disclosure Agent to, not later than 270 days after the end of the Board’s fiscal years (presently June 30), commencing with the reports for the Fiscal Year ending June 30, 2011 (FY 2011), provide to each Repository: Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Agreement. The Annual Financial Information and Audited Financial Statements 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 Agreement. The Board shall provide the Disclosure Agent with a copy of each report filed under this Agreement. If the Board’s fiscal year changes, the Board shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to said date, the Board shall provide the Annual Financial Information and Audited Financial Statements to the Disclosure Agent. If the Board is unable to provide to the Repositories the Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Board shall, or shall cause the Disclosure Agent to, send a notice to the Repositories, in substantially the form attached as Exhibit A.

(c) The Disclosure Agent shall file a report with the Board certifying that the Annual Financial Information and Audited Financial Statements have been provided to EMMA pursuant to the Agreement and the date provided.

(d) All documents provided to EMMA shall be provided in a searchable, electronic format and shall be accompanied by identifying information as prescribed by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

SECTION 4. Content of Annual Financial Information and Audited Financial Statements. Within two hundred seventy (270) days of the Board’s fiscal year end, the Board or Disclosure Agent on its behalf shall submit to EMMA information and data of the Board for the prior fiscal year, including the Audited Financial Statements, prepared in accordance with generally accepted accounting principles in effect from time to time.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Board or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Board shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Board shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Series 2012 Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2012 Bonds, or other material events affecting the tax status of the Series 2012 Bonds;
7. modifications to rights of security holders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Series 2012 Bond, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership, or similar event of the Board³;
13. the consummation of a merger, consolidation or acquisition involving the Board, or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its term, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Disclosure 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,

³ For the purposes of the event identified in Section 5(a)(12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

and request that the Board promptly notify the Disclosure Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Board obtains knowledge of the occurrence of a Listed Event, classified under Section 5(a) (2), (7), (8), (10), (13) or (14), because of a notice from the Disclosure Agent pursuant to subsection (b) or otherwise, the Board shall as soon as possible determine if such event would be material under applicable federal securities laws, in any event such determination must be made and submitted to the Disclosure Agent within two (2) business days.

(d) If the Board determines that knowledge of the occurrence of any of the Listed Events, classified under Section 5(a) (2), (7), (8), (10), (13) or (14), would be material under applicable federal securities laws pursuant to subsection (b) or the Board received notice of any Listed Event that does not require a finding of materiality classified under Section 5(a) (1), (3), (4), (5), (6), (9), (11) or (12), the Board shall promptly file with the Disclosure Agent a notice of such occurrence to be provided to EMMA.

(e) If in response to a request under subsection (b), the Board determines that the Listed Event, classified under Section 5(a) (2), (7), (8), (10), (13) or (14), would not be material under applicable federal securities laws, the Board shall so notify the Disclosure Agent in writing and instruct the Disclosure Agent not to report the occurrence pursuant to subsection (f).

(f) If the Disclosure Agent has been instructed by the Board to report the occurrence of a Listed Event, the Disclosure Agent shall file a notice of such occurrence with EMMA with a copy to the Board. The Disclosure Agent must file such notice with EMMA within ten (10) business days of the occurrence of such Listed Event.

SECTION 6. Termination of Reporting Obligation. The Board's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2012 Bonds. If such termination occurs prior to the final maturity of the Series 2012 Bonds, the Board shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

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

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Agreement, the Board and the Disclosure Agent may amend this Agreement, and any provision of this 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 the Board with respect to the Series 2012 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 Series 2012 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 Series 2012 Bonds in the same manner as provided in the Resolution for amendments to the Resolution, or (ii) does not, in the opinion of

SECTION 14. Fees. The Board agrees to pay all fees and expenses of the Disclosure Agent including, without limitation, all reasonable expenses, charges, costs, attorney's fees and other disbursements in the administration and performance of the Disclosure Agent's duties.

SECTION 15. Right to Resign. The Disclosure Agent may resign at any time by providing thirty (30) days' written notice to the Board.

SECTION 16. Right to Counsel. The Disclosure Agent shall have the right to consult with counsel in carrying out its duties under the Agreement and to rely upon an opinion of counsel.

SECTION 17. Duties of Disclosure Agent. The Disclosure Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied. Any corporation or association into which the Disclosure Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Disclosure Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Disclosure Agent in its individual capacity may be sold or otherwise transferred, shall be the Disclosure Agent under this Agreement without further act. Anything in this Agreement to the contrary notwithstanding, in no event shall the Disclosure Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Disclosure Agent has been advised of such loss or damage and regardless of the form of action. The Board will, for the benefit of the Disclosure Agent and Disclosure Agent's employees, directors, agents, subsidiaries, affiliates, successors and assigns, assume all liability and/or be responsible to pay for any and all claims, demands, causes of action, losses, damages, liabilities, penalties, costs and expenses (including reasonable attorney's fees) relating to this Agreement, to the extent assessed by a court of competent jurisdiction.

IN WITNESS WHEREOF, the Board and the Disclosure Agent have caused this Agreement to be executed by its duly authorized representatives, all as of the date first above written.

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY

By: _____

UNITED BANK, INC., as Disclosure Agent

By: _____

Its: _____

Date: _____, 2012

EXHIBIT A

**NOTICE TO REPOSITORIES
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: The Board of Education of the County of Berkeley

Name of Bond Issue: \$ _____ The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012

Date of Bond Issue: _____, 2012

NOTICE IS HEREBY GIVEN that the Board has not provided an Annual Report with respect to the above-named Series 2012 Bonds as required by Section 3(b) of that certain Continuing Disclosure Agreement dated as of _____, 2012, by and between the Board and United Bank, Inc., as disclosure agent, to be provided. The Board anticipates that the Annual Report will be filed by _____, 20__.

Dated: _____, 20__

United Bank, Inc., as Disclosure Agent
on behalf of the Board

cc: Board

BOOK-ENTRY ONLY

(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; however, interest on the Bonds held by a corporation may be indirectly subject to alternative minimum tax because of its inclusion in adjusted current earnings of such corporate holder. 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

\$11,570,000

**The Board of Education of the
County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012**

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 I of the Code of West Virginia of 1931, as amended and the Bond Authorizing Resolution and Order adopted by the Board on January 23, 2012, both the principal of and interest on the Bonds are payable at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent. The Board has designated United Bank Inc., Charleston, West Virginia, as Registrar.

Interest on the Bonds will be payable November 1, 2012 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.

See "TAX MATTERS" herein for a description of the opinions of Bond Counsel and certain federal tax law consequences of ownership of the Bonds.

The Bonds are not subject to redemption.

MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS*

Maturing (May 1)	Principal Amount (\$)	Interest Rate (%)	Yield (%)	CUSIP Base #:
2013	2,165,000	2.000	0.550	084239 FN7
2014	2,270,000	2.000	0.700	084239 FP2
2015	2,320,000	3.000	0.900	084239 FQ0
2016	2,385,000	2.000	1.100	084239 FR8
2017	2,430,000	1.100	1.250	084239 FS6

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, Esquire, Martinsburg, West Virginia, Counsel to the Board. Certain legal matters will be passed upon for the Underwriter by Jackson Kelly PLLC, Charleston, West Virginia, as Counsel to the Underwriter. It is expected that the Bonds will be available for delivery to DTC, New York, New York on or about February 9, 2012.



January 26, 2012

\$11,570,000
The Board of Education of the
County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012

ELECTED OFFICIALS

Dr. William F. Queen, President
Richard A. Pill, Esquire
Todd M. Beckwith
Dr. Darin Gilpin
Ron Gray

APPOINTED OFFICIALS

Manuel P. Arvon, II, Superintendent
Don Dellinger, Deputy Superintendent
Dr. Kim Hough, Assistant Superintendent
James V. Butts, Jr., Treasurer/Chief Business Official

BOARD'S COUNSEL

Laura L. Sutton, Esquire
Martinsburg, West Virginia

BOND COUNSEL

Steptoe & Johnson PLLC
Charleston, West Virginia

UNDERWRITER

Crews & Associates, Inc.
Little Rock, Arkansas

UNDERWRITER'S COUNSEL

Jackson Kelly PLLC
Charleston, West Virginia

** CUSIP numbers have been assigned by an independent company not affiliated with the Board and are included on this cover page solely for the convenience of the Owners of the Bonds only at the time of issuance of the Bonds. Neither the Underwriter nor the Board makes any representation with respect to the accuracy of such CUSIP numbers as indicated in the above table or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds.

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.

You should make your own decision whether this offering meets your investment objectives and risk tolerance level. No federal or state securities commission has approved, disapproved, endorsed or recommended this offering. No independent person has confirmed the accuracy or truthfulness of this disclosure, nor whether it is complete.

The Resolution, as hereinafter defined, has not been qualified under the Trust Indenture Act of 1939, as amended, because of available exemptions therefrom.

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Forward-Looking Statements

This Official Statement, and particularly the information contained in the caption "BERKELEY COUNTY SCHOOL DISTRICT" and "CERTAIN FINANCIAL INFORMATION" contain statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimated," "forecasted," "intended," "expected," "anticipated," "projected" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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**OFFICIAL STATEMENT
RELATING TO**

**\$11,570,000
The Board of Education of the
County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012**

INTRODUCTION

This Official Statement provides certain information in connection with the sale of \$11,570,000 in aggregate principal amount of The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012 (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 therefor.

The Bonds are being issued to provide funds, along with other funds from accounts established for the Series 2002 Bonds, as hereinafter defined, to provide for the current refunding of the Board's Public School Bonds, Series 2002 issued in the original aggregate principal amount of \$27,800,000 ("Series 2002 Bonds") of which \$13,620,000 is outstanding. Proceeds of the Bonds will also be used to pay legal, consulting and other professional fees, printing and other issuance costs.

At a special election held on September 29, 2001, the issuance of bonds in an amount of up to \$27,800,000 and the imposition of a special property tax levy sufficient to pay principal of and interest on such bonds were authorized and approved for the purpose of paying costs associated with the construction of new public school facilities and costs associated with modifications, improvements, renovations and equipping of various existing public school facilities in the School District. The Bonds refund the Series 2002 Bonds.

In addition to the proposed Bonds, the Board also has outstanding its Public School Bonds, Series 2010, dated February 17, 2010, issued in the original principal amount of \$51,500,000 and currently outstanding in the amount of \$49,475,000 (the "Series 2010 Bonds"). The final maturity of the Series 2010 Bonds is May 1, 2025.

The Bonds will be 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.

THE BONDS

General

The Bonds will be dated the date of delivery thereof and are 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:

Maturing (May 1)	Principal Amount (\$)
2013	2,165,000
2014	2,270,000
2015	2,320,000
2016	2,385,000
2017	2,430,000

Pursuant to Chapter 13, Article 1 of the Code of West Virginia of 1931, as amended (the "Bond Act") and the Bond Authorizing Resolution and Order adopted by the Board on January 23, 2012 (the "Resolution"), both the principal of and interest on the Bonds are payable at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as its Paying Agent (the "Paying Agent"). The Board has designated United Bank, Inc., Charleston, West Virginia, as the Registrar.

Interest on the Bonds will be payable November 1, 2012 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 the address as shown on the registration books kept for that purpose by the Registrar as of the 15th day of the month preceding each such interest payment date. In the case of an owner of \$1,000,000 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 the record date for such interest payment date.

Authority and Purpose

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 Bond 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. Upon issuance of the 2012 Refunding Bonds, the percentage of aggregate indebtedness as a percentage of assessed valuation will be 1.22%. Article X, Section 8 of the Constitution and Sections 20 and 34 of the Bond Act require the annual levy and collection of a tax sufficient to pay the principal of and interest on such bonds. 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. Pursuant to the Bond Act and orders and resolutions duly entered and adopted by the Board the issuance of bonds up to the amount of \$27,800,000 and the levy of taxes sufficient to pay principal of and interest on such bonds were authorized and approved at a special election, on September 29, 2001, by 63.26% of the participating voters. Proceeds of the Series 2002 Bonds were applied, together with certain funds received by the Board from the School Building Authority of the State of West Virginia (the "State") to the cost of acquisition and construction of certain new public school facilities and modifications, improvements, renovations and equipping of various existing schools and other buildings in the School District. The ballot question limited the term of the bonds to fifteen and one-half (15 ½) years from their date and limited the rate of interest on the bonds to a rate not exceeding 7 ¼% per annum. Pursuant to the Bond Act, the Series 2002 Bonds were issued on February 12, 2002, in the aggregate principal amount of \$27,800,000 and designated Public School Bonds, Series 2002.

The Board is issuing the Bonds pursuant to Article 2, Chapter 13 of the Code of West Virginia, as amended (the "Refunding Act" and collectively with the Bond Act, the "Act") and resolutions of the Board adopted on December 19, 2011 and January 23, 2012 (collectively, the "Resolution"). The Board is issuing the Bonds for the purpose of currently refunding the Series 2002 Bonds. In accordance with the provisions of the Refunding Act, debt service on the Bonds will not exceed in each year the amount of taxes expected to be available for payment of such debt service in accordance with the terms approved by the voters. The Series 2002

Bonds will be deemed paid upon the completion of the current refunding. Certain funds of the Board on deposit with the West Virginia Municipal Bond Commission (the "Bond Commission") relating to the Series 2002 Bonds will become surplus funds as a result of the current refunding and will be available for release to the Board.

Plan of Financing

The proceeds from the Bonds in the amount of \$11,805,506.30 will be combined with the sum of \$2,336,832.50 which will be transferred from accounts of the Board at the Bond Commission in connection with the Series 2002 Bonds and along with other funds made available to the Board will be applied towards the funding of an escrow to current refund the Series 2002 Bonds and pay costs of issuance on the Bonds. Such proceeds will be used to pay the May 1, 2012 principal and interest payments on the Series 2002 Bonds and to pay the redemption price of the Series 2002 Bonds called for redemption. The proceeds will be held by the Bond Commission, as Escrow Agent under an Escrow Agreement to be entered into on or about February 9, 2012 (the "Escrow Agreement"), by and among the Board and the Bond Commission. The 2002 Bonds are expected to be called so that their redemption will occur no later than 90 days following the date of issuance of the Bonds. During the period in which the proceeds of the Bonds are deposited with the Bond Commission (except amounts necessary for costs of issuance), such funds will be invested in United States Treasury Obligations, State and Local Government Series (SLGS). The savings realized from the refunding may be used to pay for capital improvements and other authorized purposes under the resolution originally passed by the Board on June 18, 2001.

Sources and Uses of Funds

Sources

Proceeds of the Bonds	\$11,570,000.00
Net Original Issue Premium	\$328,066.30
Amounts Transferred from Bond Commission for Series 2002 Bonds	<u>\$2,336,832.50</u>
TOTAL	<u>\$14,234,898.80</u>

Uses

Deposit to Escrow Fund ¹	\$14,057,882.50
Underwriter's Discount	\$92,560.00
Costs of Issuance ²	\$83,409.68
Rounding Amount	<u>\$1,046.62</u>
TOTAL	<u>\$14,234,898.80</u>

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 but in the same proportion as the maximum levy rates otherwise authorized by law.

Debt Administration

Pursuant to Chapter 13, Article 3 of the Code of West Virginia, the West Virginia Municipal Bond Commission (the "Bond Commission") shall serve as fiscal agent for all issuers of general obligation bonds

¹ The amount set forth in the Escrow Agreement as required, together with the income thereon and funds transferred from accounts established for the Series 2002 Bonds to effect the current refunding of the Series 2002 Bonds as described herein.

² Includes fees and expenses of Rating Agency, Bond Counsel, Underwriter's Counsel, Printing, Registrar and other fees and expenses associated with the issuance of the Bonds.

issued by counties, municipalities, and school districts of the State when the Bond Commission is named fiscal agent by statute or is otherwise appointed fiscal agent by one of such entities and is charged with the administration of the interest and sinking funds created to service the debt when so named or appointed. The proceeds of taxes levied for debt service by the Board are collected by the Sheriff of Berkeley County, 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 for which it is serving as fiscal agent 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 between 100% and 110% of the annual principal and interest required in the upcoming year, depending upon the amount of surplus then on deposit with the Bond Commission with respect to such Bonds, 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 2011 Budget Bill is indicative:

Sec. 14. Sinking Fund deficiencies. - 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 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 nominated and 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 2012, the terms of two 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 2011-2012, the Berkeley County school system had a central office professional staff of 22 with the overall responsibility to coordinate and supervise the activities of 94 school administrators, 1,392 instructional staff (teachers and other professionals), and 886 service personnel. Total Full Time

Equivalent positions are 2,394. The average pupil-teacher ratio for the 2011-2012 school year was 12.93 (combined elementary, middle and secondary schools). The total student enrollment (head count) was 18,002 students K-12.

Historical School Enrollment (School Year)

Grades	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
PK-EC	472	590	607	641	802	849
K	1312	1385	1345	1444	1389	1382
1	1324	1338	1390	1302	1368	1368
2	1179	1275	1336	1391	1284	1353
3	1225	1222	1263	1331	1386	1308
4	1228	1232	1238	1303	1353	1385
5	1152	1247	1255	1273	1293	1374
6	1262	1198	1338	1299	1293	1359
7	1285	1337	1229	1331	1305	1330
8	1229	1260	1331	1211	1314	1261
9	1537	1540	1533	1567	1450	1572
10	1136	1142	1176	1220	1246	1158
11	1090	1157	1147	1117	1186	1199
12	<u>891</u>	<u>945</u>	<u>1027</u>	<u>1032</u>	<u>1051</u>	<u>1104</u>
Total	16322	16868	17215	17462	17720	18002

Rate of Increase (Decrease) in Enrollment	
2006-2012	10.29%
Annualized	2.05%

Source: Berkeley County Board of Education

Projected Enrollment (School Year) (2% growth projected)

Year (October)	Enrollment
2012	18,362
2013	18,729
2014	19,103
2015	19,485

Source: Berkeley County Board of Education

Facilities

School	Grades	Construction Type	Construction Date	Additions/Improvements
High Schools				
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	2004/2011
Middle Schools				
Hedgesville Middle	6-8	Masonry	1926	1962/1969/1989/1995
Musselman Middle	6-8	Masonry	1999	2004
North Middle	6-8	Masonry	1962	1975/1982/2011
South Middle	6-8	Masonry	1955	1971/1985/2006/2007
Spring Mills Middle	6-8	Masonry	2004	---
Elementary Schools				
Back Creek Valley Elementary	K-3	Masonry/Frame	1955	1968/1975/1981/1984/1989/2002
Bedington Elementary	K-3	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	---
Spring Mills Primary School	K-2	Masonry	2011	---
Other Properties				
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 1/2% discount if paid by September 1; 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 1/2% 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 and 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
2006-2007				
General Current*	46,099,642	42,514,292	45,451,688	106.91
Bond Levy	4,528,078	4,119,110	4,649,979	112.89
2007-2008				
General Current*	56,002,400	51,655,426	58,836,737	104.22
Bond Levy	4,557,713	4,142,810	4,614,536	111.39
2008-2009				
General Current*	60,564,268	55,863,197	59,845,164	107.13
Bond Levy	4,379,708	4,172,090	4,465,997	107.04
2009-2010*				
General Current	61,902,684	57,025,811	60,720,571	106.48
Bond Levy	3,855,989	3,626,920	4,023,348	110.93
2010-2011*				
General Current	58,828,501	54,105,210	57,420,789	106.13
Bond Levy	7,357,072	6,802,844	7,106,266	104.46

*Includes Excess Levy

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 which was protested to the board of equalization and review 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. A taxpayer can elect to have its protest of an assessment heard by the county commission sitting as a board of assessment appeals in October, rather than by the county commission sitting as a board of equalization and review in February. In order to utilize this option the taxpayer must pay the disputed taxes. The assessor annually, not later than March 3, must furnish a certified statement to certain governmental 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 2011 assessment year valuations are made as of July 1, 2010, with taxes levied and collected during the fiscal year July 1, 2011, through June 30, 2012.

The State Tax Commissioner has the responsibility for preparing tentative valuations of 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 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 legislation 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 legislation specifically provided that assessors should not implement the reappraisal described above. The legislation 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*

Class	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
I	7,160,631	0	0	0	0
II	3,141,631,408	3,368,293,930	3,380,515,434	3,140,909,591	2,941,097,396
III	1,353,897,890	1,460,494,002	1,509,926,451	1,448,692,415	1,462,902,739
IV	<u>414,928,270</u>	<u>468,978,812</u>	<u>493,293,342</u>	<u>490,906,661</u>	<u>450,191,087</u>
Total	4,917,618,199	5,297,766,744	5,383,735,227	5,080,508,667	4,854,191,222

Source: State of West Virginia Tax Department

Assessed Valuation By Property Category*

Category	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Real	4,289,716,040	4,644,792,490	4,724,568,200	4,444,628,446	4,161,127,520
Personal	485,094,734	501,201,381	497,200,013	478,134,418	509,968,721
Public Utility	<u>142,807,425</u>	<u>151,772,873</u>	<u>161,670,014</u>	<u>157,745,803</u>	<u>183,094,981</u>
Total	4,917,618,199	5,297,766,744	5,383,735,227	5,080,508,667	4,854,191,222

Source: State of West Virginia Tax Department

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

\$110,547,207 in 2007-2008	\$120,260,634 in 2008-2009	\$124,706,222 in 2009-2010
\$130,069,302 in 2010-2011	\$135,839,716 in 2011-2012	

Also see the "Current Housing Environment in Berkeley County" on page 11.

Largest Assessed Valuations* (tax year 2011)

Property Owner	Assessed Valuation (\$)
The Potomac Edison Company	55,860,082
Trans Allegheny Interstate Line co.	21,868,191
Verizon West Virginia, Inc.	20,430,451
Hardy Cellular Telephone	18,660,987
Berkeley Business Park Assoc. (old GM Building)	18,195,200
Mountain State University	17,728,720
Capitol Cement Corporation	15,188,630
Guardian Fiberglass Inc.	14,279,400
Distribution Center of America LLC	12,852,780
CSX Transportation, Inc.	12,734,495

*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 and West Virginia State Auditor's Office

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 2011; Fiscal Year 2011 - 2012.

Rates of Levy*

County	Class I	Class II	Class III/IV
BERKELEY	61.35	122.70	245.40
Jefferson	56.64	113.28	226.56
Morgan	52.89	105.78	211.56

*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.

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.

Tax Rates - By Property Class (Cents Per \$100)

School Current Levy

Class	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
I	19.40	19.40	19.40	19.40	19.40
II	38.80	38.80	38.80	38.80	38.80
III and IV	77.60	77.60	77.60	77.60	77.60

School Excess Levy

Class	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
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

Class	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
I	3.41	3.03	3.03	5.24	5.61
II	6.82	6.06	5.22	10.48	11.22
III and IV	13.64	12.12	10.44	20.96	22.44

Source: State of West Virginia Tax Department

The maximum tax rates described above are divided among the several levying bodies by statute. Under Chapter 11, Article 8, Section 6b 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.

Rates of Levy (Source: West Virginia State Auditor)

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 2011-2012 fiscal year, are as follows:

Tax Type	Class I	Class II	Class III/IV
State Current	0.25	0.50	1.00
County Current	13.59	27.18	54.36
School Current	19.40	38.80	77.60
School Bonds	5.61	11.22	22.44
School Excess	22.50	45.00	90.00

Source: State of West Virginia Tax Department

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 2011-2012 fiscal year.

Municipality	Class I	Class II	Class IV
Hedgesville	5.30	10.60	21.20
Martinsburg	15.28	30.56	61.12

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:

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Summary of Statistical Debt Information

Population (2010)	104,169
Assessed Valuation*	4,990,030,938
Debt Limit (5% of Assessed Valuation)	249,501,546.90
Outstanding Debt (including the Series 2012 Bonds)	61,045,000
Debt Contracting Margin	188,456,546.90
Per Capita Debt	586.02
Outstanding Debt as percentage of Assessed Valuation	1.22%

Source: US Census Bureau and State of West Virginia Tax Department

*Assessed Value is estimated to be approximately 60% of appraised or market value (Assessment Year 2011, Fiscal Year 2012).

Current Housing Environment in Berkeley County

Due to the national subprime lending crisis, beginning in 2008 the foreclosure rate has risen steadily. While the percentage of mortgage payments that are ninety days past due has decreased from 6.07% to 4.37% from 2010 to 2011, the foreclosure rate has increased from 3.13% to 3.77% from 2010 to 2011 in Berkeley County. The increases in foreclosures in Berkeley County are a large reason why the total valuation of residential property has decreased since the 2009-2010 tax year (see "Assessed Valuation by Property Category" Chart on page 9). While it is unknown whether the subprime mortgage crisis will continue to result in increases in the foreclosure rate in Berkeley County, if the foreclosure rate continues to rise in Berkeley County, the valuation of residential property may continue to decrease in Berkeley County.

Source: Federal Reserve Bank of Richmond.

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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

Year Ending June 30	Series 2010 Principal	Series 2010 Interest	Series 2012 Principal	Series 2012 Interest	Total
2012	2,660,000	1,703,087.50	---		4,363,087.50
2013	2,770,000	1,623,287.50	2,165,000	285,740.72	6,844,028.22
2014	2,890,000	1,567,887.50	2,270,000	189,430.00	6,917,317.50
2015	3,010,000	1,452,287.50	2,320,000	144,030.00	6,926,317.50
2016	3,140,000	1,392,087.50	2,385,000	74,430.00	6,991,517.5
2017	3,275,000	1,313,587.50	2,430,000	26,730.00	7,045,317.50
2018	3,415,000	1,182,587.50	---	---	4,597,587.50
2019	3,560,000	1,045,987.50	---	---	4,605,987.50
2020	3,710,000	903,587.50	---	---	4,613,587.50
2021	3,865,000	755,187.50	---	---	4,620,187.50
2022	4,030,000	629,575.00	---	---	4,659,575.00
2023	4,205,000	493,562.50	---	---	4,698,562.50
2024	4,380,000	346,387.50	---	---	4,726,387.50
2025	4,565,000	171,187.50	---	---	4,736,187.50
TOTAL	49,475,000	14,580,287.50	11,570,000	720,360.72	76,345,648.22

Overlapping Debt

There is no overlapping county or city 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 Authority funds and from special funds that are categorically identified and authorized to supplement bond proceeds or State School Building Authority 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 Review 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	<p>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.</p> <p>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.</p>
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.

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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*

	2010 Budget	2010 Actual	2011 Budget	2011 Actual	2012 Budget
<i>Revenues Collected:</i>					
<i>Local Sources:</i>					
Property Taxes	61,390,811	61,206,21	59,205,210	57,969,376	57,898,574
Other Local Sources	2,421,560	2,428,297	2,468,012	2,711,069	2,349,180
State Sources	76,140,384	76,115,431	77,598,920	77,418,041	86,895,415
Federal Sources	<u>3,385,000</u>	<u>3,083,261</u>	<u>4,840,000</u>	<u>5,003,518</u>	<u>2,895,000</u>
Miscellaneous Sources	-	-	-	34,541,	-
Total Revenues Collected	143,338,205	142,833,210	144,112,142	143,136,545	150,038,169
<i>Expenditures Paid:</i>					
Instruction	83,661,352	80,071,279	85,734,909	82,019,782	90,368,470
<i>Supporting Services:</i>					
Students	7,637,628	7,280,705	7,907,903	7,494,733	8,046,970
Instructional Staff	4,067,102	3,959,281	4,308,021	4,221,582	4,572,170
Central Administration	2,478,495	2,125,819	2,100,608	1,795,335	1,833,830
School Administration	8,666,650	8,523,580	9,035,818	8,911,419	9,218,620
Business Administration	3,686,165	3,087,543	4,133,384	3,534,137	3,647,880
Operation & Maintenance of Facilities	16,581,734	14,408,436	14,795,173	13,763,730	14,126,650
Student Transportation	13,756,254	12,368,769	15,291,213	14,389,800	14,765,390
Food Services	4,200	1,898	8,400	5,755	4,400
Community Services	815,000	837,574	846,500	814,726	844,000
Capital Outlay	1,450,264	71,663	1,015,000	10,659	-
<i>Debt Service:</i>					
Principal Retirement	76,930	76,924	76,930	76,924	76,930
Interest & Fiscal Charges	-	-	-	-	-
<i>Reserves</i>	2,248,556	-	9,174,159	-	-
Total Expenditures	145,130,330	132,813,471	154,428,018	137,038,582	147,505,310
Excess (Deficiency) of Revenues over Expenditures	<u>(1,792,125)</u>	<u>10,019,739</u>	<u>(10,315,876)</u>	<u>6,097,963</u>	<u>2,532,859</u>
<i>Other Financing sources (uses)</i>					
Transfers in	150,000	443,371	130,000	2,228,171	350,000
Transfers (out)	(4,250,507)	(4,248,506)	(4,236,240)	(4,062,596)	(5,382,859)
Total Other Financing Sources (Uses)	(4,100,507)	(3,805,135)	(4,106,240)	(1,834,425)	(5,032,859)
Net change in Fund Balance	(5,892,632)	6,214,604	(14,422,116)	4,263,538	(2,500,000)
Fund Balance at July 1,	<u>5,892,632</u>	<u>5,892,632</u>	<u>14,442,116</u>	<u>12,107,236</u>	<u>2,500,000</u>
Fund Balance at June 30,	-	12,107,236	-	16,370,774	-

Source: Berkeley County Board of Education

*This does not include total estimated Other Post-Employment Benefits (OPEB) Liabilities of \$35,296,127 for all employees. See Notes to the Basic Financial Statements – Unaudited Annual Financial Statements Board of Education for the Fiscal Year Ended June 30, 2011 attached hereto as Appendix A.

Teachers Retirement System (Defined Benefit)*

The Teachers 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, 2010, there are 35,670 active members and 30,127 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, 2010 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, 2010, according to the actuarial valuation performed by Buck Consultants, the unfunded liability of TRS was \$4.76077 billion. The funded percentage was 46.5%. The State expects the TRS unfunded accrued liability to 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, 2010, there were approximately 4,778 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 vote 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.

*Source: State of West Virginia Consolidated Public Retirement Board

Insurance Coverage (Source: Berkeley County Board of Education)

1. Type	<u>Amount in Force (FY 2012)</u>
Fire, extended coverage/buildings & personal property	\$ 308,250,000
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 issue 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, 2011 to July 1, 2012. 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.

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

Source: Berkeley County Board of Education

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 corporates upon the conditions and subject to the limitations set forth in this section; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations, 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.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion regarding any such consequences.

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.

Original Issue Discount

The Bonds maturing on May 1, 2017 (the "Discount Bonds") are being sold at an original issue discount. The original issue discount is the excess of the stated redemption price at maturity of such Discount Bonds over their initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Discount Bonds of such maturity were sold. Original issue discount, to the extent properly allocable to each owner of such Discount Bonds, is excluded from gross income for federal income tax purposes with respect to such owner.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bonds (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bonds which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bonds. The amount treated as original issue discount on such Discount Bonds for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bonds (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bonds at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bonds during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bonds the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bonds are sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Purchasers of any Discount Bond should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The Bonds maturing in May 1, 2013 through May 1, 2016 (each a "Premium Obligation" and collectively, the "Premium Obligations") are being sold at a premium. An amount equal to the excess of the issue price of a Premium Obligation over its stated redemption price at maturity constitutes premium on such Premium Obligation. An initial purchaser of a Premium Obligation must amortize any premium over such Premium Obligation's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Obligations callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Obligation prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed.

Owners of Premium Obligations should consult their own tax advisors as to the determination for federal income tax purposes of the premium properly accruable in any period with respect to such Premium Obligations and as to other federal tax consequences and the premium for state and local tax purposes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on debt obligations of state and local governments, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the inclusion of the interest on the Bonds in gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding may be allowed as a refund or credit against the owner's Federal income tax liability, depending on the purchaser's federal tax liability once the required information is furnished to the Internal Revenue Service.

West Virginia Tax

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.

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, 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 effect on the financial condition of the Board.

On February 22, 2010, forty-nine (49) county boards of education, including the Board, filed a Complaint in the Circuit Court of Kanawha County against the West Virginia Public Employees Insurance Agency ("PEIA"), the PEIA Finance Board and the West Virginia State Auditor seeking legislative funding through the Public School Support Program (the "Program") to offset the costs of providing other post-employment benefits to employees otherwise funded through the Program. The Circuit Court of Kanawha County dismissed the suit on the grounds that it was a political question better answered by the West Virginia Legislature. The county boards of education appealed this decision to the West Virginia Supreme Court. The

West Virginia Supreme Court upheld the Circuit Court of Kanawha County's decision to dismiss the suit. The State of West Virginia's OPEB liability and the Board's OPEB liability is subject to additional lawsuits and legislative discussion which may have an effect on the amount of the Board's OPEB liability. No representation can be made regarding the potential outcome of the lawsuits or the legislative discussions and any effect on the amount of the Board's OPEB liability. The Board does not expect the case to have a material adverse effect on its financial condition or its ability to pay debt service on the Bonds.

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 Bonds, in accordance with the Continuing Disclosure Agreement which shall be delivered in substantially the form attached hereto as APPENDIX F, to provide 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 ended June 30, 2011, and to provide notice of the occurrence of the enumerated events listed therein. The Annual Information and each notice of enumerated events will be filed electronically by United Bank, Inc., Charleston, West Virginia, 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 Bonds. Under the Continuing Disclosure Agreement, the sole remedy for such failure is to seek an order for specific performance. SEE "APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Board failed to comply with the Rule in filing annual financial information for Fiscal Year 2005 and 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. Certain legal matters will be passed upon for the Board by Laura L. Sutton, Esquire, Martinsburg, West Virginia, Counsel to the Board.

RATINGS

Standard & Poor's Corporation, 55 Waters Street, New York, New York, 10041, has assigned the Bonds its rating of 'AA' based on the Board's eligibility and participation in the West Virginia Municipal Bond Program. 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.

UNDERWRITING

The Bonds are being purchased by Crews & Associates, Inc. as Underwriter. The Purchase Contract provides that the Underwriter will purchase all the Bonds if any are purchased, the obligation to make such purchase being subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The initial public offering prices may be changed from time to time by the

Underwriter. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof. The Underwriter has agreed to purchase the Bonds, subject to certain conditions, for a purchase price of \$11,805,506.30 (par plus \$328,066.30 net original issue premium (consisting of an original issue premium of \$346,485.70 less an original issue discount of \$18,419.40), less \$92,560.00 underwriter's discount).

CONCLUDING STATEMENT

The information furnished in this Official Statement is set forth for the benefit of prospective purchasers of the \$11,570,000 in aggregate principal amount of The Board of Education of the County of Berkeley Public School Refunding Bonds, Series 2012. The material contained in the Official Statement was compiled for and at the direction of The Board of Education of the County of Berkeley.

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.

This Official Statement is submitted in connection with the offering of the Bonds and may not be reproduced or used, as a whole or in part, for any other purposes. Any statements in this Official Statement involving matters of opinion or estimate, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Board and the purchasers or holders of any of the Bonds. The distribution of this Official Statement has been approved by the Board. Additional information may be obtained from the undersigned at 401 South Queen Street, Martinsburg, West Virginia 25401, telephone (304) 267-3500 and at jvbutts@access.k12.wv.us. The Board maintains a website containing current information about the Board at www.berkeleycountyschools.org.

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY



By: // Dr. William F. Queen, President

APPENDIX A

Unaudited Annual Financial Statements of the Berkeley County Board of Education for the
Fiscal Year Ended June 30, 2011
Audit Report of Berkeley County Board of Education for the Fiscal Year Ended June 30, 2010
Audit Report of Berkeley County Board of Education for the Fiscal Year Ended June 30, 2009

The Audited Financial Statements of the Berkeley County Board of Education for the Fiscal Year Ended
June 30, 2011, will not be available until March 1, 2012.

**ANNUAL FINANCIAL STATEMENTS OF THE
BERKELEY COUNTY BOARD OF EDUCATION
ON A GAAP BASIS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

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, 2011. 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 \$102,698,974 at the close of the most recent fiscal year. Unrestricted net assets were \$(16,610,473). However, prior to recording the liability for Other Post Employment Benefits (OPEB), the unrestricted net assets were \$18,685,654. These amounts and this liability will be discussed further.
- The Board's total net assets decreased by \$4,026,971. This decrease is primarily attributable to the increase of the liability related to OPEB that exceeded the fixed asset additions for the Spring Mills Primary School. However, other factors were involved in the change in net assets.
- As of the close of the current fiscal year, the Board governmental funds reported combined ending fund balances of \$30,068,905, a decrease of \$22,105,540 in comparison with the prior year. The Bond Construction Fund decreased by \$8,920,147 as a result on ongoing construction projects. The general fund unreserved fund balance is \$(16,610,473). This is a result of recording the increase in OPEB liability of \$15,977,042 as a current liability in accordance with instructions from the West Virginia Department of Education.
- The administration of the Board does not think that the OPEB liability meets the definition of current liability as the payment of this amount is not likely to occur in the next twelve months nor has any payment been made for the liability that was recorded for the past three years.
- The general fund unrestricted fund balance would have been \$18,685,654 had the OPEB been listed as a long term debt.
- The Board has joined other Boards in the state in a lawsuit to clarify the proper classification and responsibility of the OPEB liability. It is argued that the State of West Virginia is primarily responsible for the liability and should not be reflected by individual Boards of Education.

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.

**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

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 8-20 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 six 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, the special revenue fund ARRA, 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-

**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

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 14 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 21 to 41 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 \$102,698,974 at the close of the most recent fiscal year.

	Governmental Activities	
	2011	2010
ASSETS		
Current and other assets	\$ 90,592,860	\$ 93,634,959
Capital assets	136,169,936	122,099,551
Total assets	\$ 226,762,796	215,734,510
LIABILITIES AND NET ASSETS		
Liabilities:		
Current and other liabilities	\$ 60,523,954	\$ 41,655,869
Long-term liabilities outstanding	63,539,868	67,352,696
Total liabilities	124,063,822	109,008,565
Net assets:		
Invested in capital assets, net of debt	72,630,068	54,746,855
Restricted	46,679,378	50,982,316
Unrestricted	(16,610,473)	996,774
Total net assets	102,698,974	106,725,945
Total liabilities and net assets	\$ 226,762,796	\$ 215,734,510

- A large portion of the Board's net assets, (71%) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles); less any debt used to acquire those assets that are 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 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.

**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

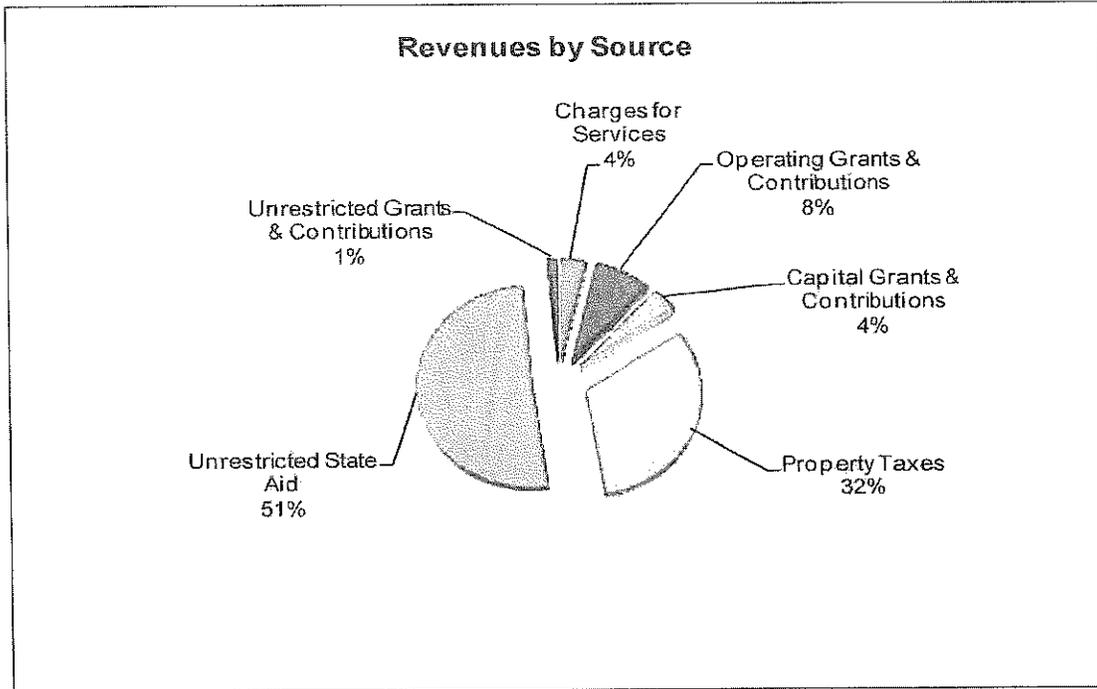
- An additional portion of the Board's net assets (45%) represents resources that are restricted for future capital projects.

The Board's net assets decreased by \$4 million during the current year. The following discussion and analysis on governmental activities focuses on this decrease.

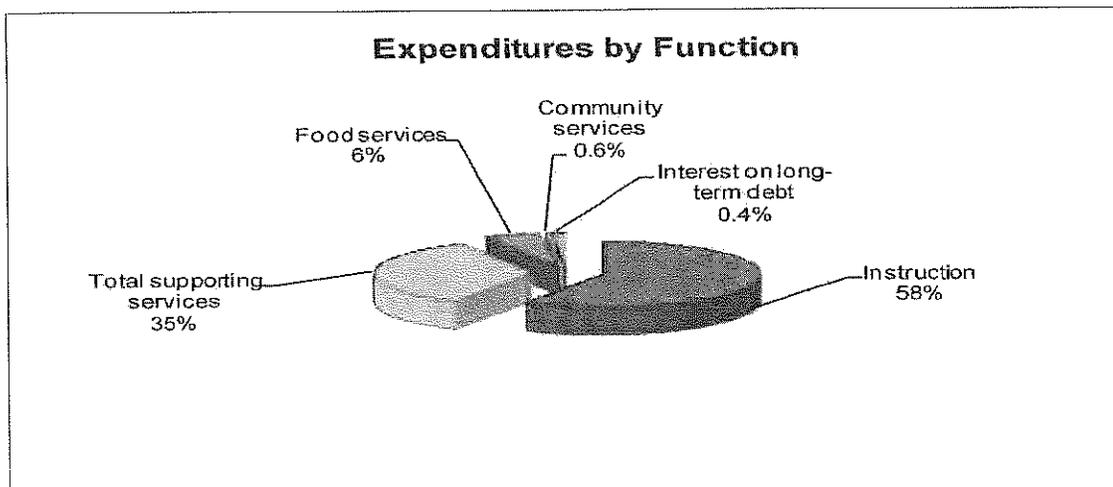
	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 7,086,432	\$ 5,083,632
Operating grants and contributions	16,727,411	18,832,800
Capital grants and contributions	7,398,496	59,333,819
General revenues:		
Property taxes	65,075,642	65,229,570
Unrestricted state aid	103,080,383	82,841,171
Unrestricted investment earnings	855,217	735,633
Unrestricted grants and contributions	1,901,227	2,291,102
Total revenues	<u>202,124,808</u>	<u>234,347,727</u>
Expenses:		
Instruction	<u>119,850,852</u>	<u>151,815,339</u>
Supporting services:		
Students	11,152,546	9,153,371
Instructional staff	7,560,594	6,506,169
District admin.	2,269,029	2,185,234
School admin.	11,277,444	12,377,547
Business services	4,125,637	3,227,758
Operation and Maint.	15,668,875	18,265,661
Transportation	18,862,381	16,448,942
Total supporting services	70,916,505	68,164,682
Food services	11,712,852	14,539,727
Community services	814,726	837,574
Interest on long-term debt	2,856,844	853,684
Total expenses	<u>206,151,779</u>	<u>236,211,006</u>
Change in net assets before transfers	(4,026,971)	(1,863,279)
Transfers	<u>(4,026,971)</u>	<u>(1,863,279)</u>
Change in net assets	(4,026,971)	(1,863,279)
Net assets - July 1	<u>106,725,945</u>	<u>108,589,224</u>
Net assets - June 30	<u>\$ 102,698,974</u>	<u>\$ 106,725,945</u>

**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

The following chart shows the Board's revenues for fiscal year ended June 30, 2011 by source:



The following chart shows the Board's expenditures for fiscal year ended June 30, 2011 by function:



**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

Property tax decreased \$153 thousand. State revenues increased by \$21.2 million of which \$18 million was the retirement paid on behalf of the County (see Note 3 and Note 10). Federal revenues decreased by \$1 million from the prior year. Other local decreased by \$52 million as a result of the construction bonds being sold in FY10. The following is a comparison of revenue sources:

	Total Governmental	
	2011	2010
Revenues:		
Property taxes	\$ 65,075,642	\$ 65,229,570
Other Local sources	5,060,688	57,352,414
State sources	107,195,354	85,939,848
Federal sources	24,793,124	25,825,895
Total revenues	\$202,124,808	\$234,347,727

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 \$ 30.1 million. If OPEB had not been recorded as a current liability, the combined fund balances would have been \$65.4 million.

Governmental funds report the differences between their assets and liabilities as fund balance, which is then classified as nonspendable, restricted, committed, assigned, or unassigned.

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 \$15.4 million or 10.8% in total general fund expenditures. The most significant difference may be summarized as follows:

- Budgeting of prior year (2010) balances of \$11.9 million.
- State Sources for \$1.2 million.
- Federal Sources for \$1.9 million.

**BERKELEY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$136.2 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:

	Governmental Activities
Land	\$ 4,390,053
Buildings and improvements	112,645,740
Furniture and equipment	1,042,847
Vehicles	7,967,104
Construction in process	10,124,192
Total capital assets	\$ 136,169,936

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 \$58.4 million and capital lease obligations of \$153,048. The obligation for compensated absences for vacations was \$214,096 at June 30, 2011. The following chart identifies the total debts outstanding.

	Governmental Activities
Description:	
General obligation bonds	\$ 63,095,000
Capital Lease obligations	230,772
Compensated absences	214,096
Total debt outstanding	\$ 63,539,868

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, WEST VIRGINIA, BOARD OF EDUCATION
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 37,288,243
Investments	45,958,108
Taxes receivable, net of allowance for uncollectible taxes	2,331,468
Food services receivable	421,186
Other receivables	79,451
Due from other governments:	
PEIA allocation receivable	2,045,324
Reimbursements receivable	2,469,081
Capital Assets:	
Land	4,390,053
Buildings and improvements	148,696,009
Furniture and equipment	4,085,837
Vehicles	14,392,450
Construction in process	10,124,192
Less accumulated depreciation	(45,518,604)
Total capital assets, net of depreciation	<u>\$ 136,169,936</u>
Total assets	<u>\$ 226,762,796</u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Salaries payable and related payroll liabilities	\$ 15,756,995
PEIA premiums payable	4,546,808
Accounts payable	2,143,668
Other post employment benefit payable - state aid funded employees	27,323,407
Other post employment benefit payable - all other employees	7,972,720
Deferred revenues	2,780,357
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	4,751,924
Due beyond one year:	
Bonds, capital leases, and contracts	58,573,848
Compensated absences	<u>\$ 214,096</u>
Total liabilities	<u>\$ 124,063,822</u>
Net Assets:	
Invested in capital assets, net of debt	\$ 72,630,068
Restricted for:	
Debt service	2,609,712
Special projects	714,693
Capital projects	43,354,974
Unrestricted	(16,610,473)
Total net assets	<u>\$ 102,698,974</u>
Total liabilities and net assets	<u>\$ 226,762,796</u>

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 STATEMENT OF ACTIVITIES
 JUNE 30, 2011

Functions	Expenses	Program Revenues		Net (Expense), Revenue & Changes in Net Assets Governmental Activities	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
Instruction	\$ 119,850,852	\$5,072,105	\$ 8,321,266	\$ 5,122,404	\$ (101,335,076)
Supporting services:					
Students	11,152,546	-	1,605,074	-	(9,547,472)
Instructional staff	7,560,594	-	1,885,114	-	(5,675,480)
District administration	2,269,029	-	33,407	117,756	(2,117,865)
School administration	11,277,444	-	-	-	(11,277,444)
Business services	4,125,637	-	-	-	(4,125,637)
Operation and maintenance of facilities	15,668,875	16,000	344,352	471,026	(14,837,497)
Student transportation	18,862,381	170,067	57,116	1,510,675	(17,124,523)
Food services	11,712,852	1,828,260	4,481,082	-	(5,403,510)
Community services	814,726	-	-	-	(814,726)
Interest on long-term debt	2,856,844	-	-	176,635	(2,680,210)
Total governmental activities	\$ 206,151,779	\$7,086,432	\$ 16,727,411	\$ 7,398,496	\$ (174,939,440)
General revenues:					
Property taxes					\$ 65,075,642
Unrestricted state aid					103,080,383
Unrestricted investment earnings					855,217
Unrestricted grants and contributions					1,901,227
Transfers in					6,380,822
Transfers (out)					(6,380,822)
Total general revenues and transfers					\$ 170,912,469
Change in net assets					\$ (4,026,971)
Net assets - beginning, as restated					\$ 106,725,945
Net assets - ending					\$ 102,698,974

See Notes to Financial Statements

**BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011**

	11 General Current Expense	61 Special Revenue Fund	71 Special Revenue ARRA Fund	21 Debt Service Fund	31 Bond Construction Fund	51 Capital Projects Fund	Total Governmental
ASSETS							
Cash and cash equivalents	\$ 31,780,831	\$ 2,540,569	\$ (129,312)	\$ 2,609,712	\$ 433,065	\$ 53,376	\$ 37,288,243
Investments	2,174,049	-	-	-	43,784,059	-	45,958,108
Taxes receivable, net	2,083,723	-	-	247,746	-	-	2,331,468
Food service receivable, net	-	421,186	-	-	-	-	421,186
Other receivables	79,451	-	-	-	-	-	79,451
Due from other governments:							
PEIA allocation receivable	2,046,324	-	-	-	-	-	2,046,324
Reimbursements receivable	1,229,240	513,023	401,339	-	-	325,478	2,469,081
Total assets	\$ 39,392,617	\$ 3,474,778	\$ 272,028	\$ 2,857,457	\$ 44,217,124	\$ 378,856	\$ 90,592,860
LIABILITIES AND FUND BALANCES							
Liabilities:							
Salaries payable and related payroll liabilities	\$ 14,060,485	\$ 1,455,041	\$ 241,489	\$ -	\$ -	\$ -	\$ 15,756,995
Other post employment benefits payable - state aid funded	27,323,407	-	-	-	-	-	27,323,407
Other post employment benefits payable - all other employees	7,972,720	-	-	-	-	-	7,972,720
PEIA premiums payable	4,008,402	507,848	30,559	-	-	-	4,546,808
Accounts payable	660,678	241,984	-	-	888,396	352,610	2,143,668
Deferred revenue	1,977,399	555,212	-	247,746	-	-	2,780,357
Total liabilities	\$ 56,003,090	\$ 2,760,085	\$ 272,028	\$ 247,746	\$ 888,396	\$ 352,610	\$ 60,523,955
Fund Balances:							
Nonspendable	\$ 41,905	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,905
Restricted	-	714,693	-	2,609,712	43,328,728	-	46,653,132
Assigned	-	-	-	-	-	26,246	26,246
Unassigned	(16,652,377)	-	-	-	-	-	(16,652,377)
Total fund balances	(16,610,473)	714,693	-	2,609,712	43,328,728	26,246	30,068,905
TOTAL LIABILITIES AND FUND BALANCES	\$ 39,392,617	\$ 3,474,778	\$ 272,028	\$ 2,857,457	\$ 44,217,124	\$ 378,856	\$ 90,592,860

Amounts reported for governmental activities in the statement of net assets differ due to:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 136,169,936
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	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(4,675,000)
Bonds payable, due within one year	(58,420,000)
Bonds payable, due beyond one year	(230,772)
Capital leases payable	(214,096)
Compensated absences	-
Net assets of governmental activities	<u>\$ 102,698,974</u>

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 JUNE 30, 2011

	General Current Expense	Special Revenue	Special Revenue ARRA	Debt Service Fund	Bond Construction Fund	Capital Projects Fund	Total Governmental
Revenues:							
Property taxes	\$ 57,969,376	\$ -	\$ -	\$ 7,106,266	\$ -	\$ -	\$ 65,075,642
Other Local sources	2,711,069	1,808,713	74,000	9,519	422,846	-	5,026,147
State sources	95,739,114	5,349,167	-	-	-	6,107,074	107,195,354
Federal sources	5,003,518	12,482,479	7,219,476	-	-	87,650	24,793,124
Miscellaneous sources	34,541	-	-	-	-	-	34,541
Total revenues	\$161,457,618	\$ 19,640,359	\$ 7,293,476	\$ 7,115,785	\$ 422,846	\$ 6,194,724	\$202,124,808
Expenditures:							
Instruction	\$103,672,411	\$ 8,342,816	\$ 6,256,754	\$ -	\$ -	\$ -	\$118,271,981
Supporting services:							
Students	9,486,063	1,203,227	463,256	-	-	-	11,152,546
Instructional staff	5,368,004	1,783,793	408,797	-	-	-	7,560,594
Central administration	2,196,626	2,870	-	-	-	-	2,199,494
School administration	11,260,355	17,089	-	-	-	-	11,277,444
Business	4,124,137	-	-	-	1,500	-	4,125,637
Operation and maintenance of facilities	15,203,665	30,058	109,334	-	-	122,645	15,465,702
Student transportation	17,313,666	1,554,979	9,602	-	-	-	18,878,248
Food services	1,809,463	9,827,199	-	-	-	-	11,636,662
Community services	814,726	-	-	-	-	-	814,726
Capital outlay	10,659	-	-	-	9,341,493	6,611,394	15,963,546
Debt service:							
Principal retirement	76,924	-	-	3,950,000	-	-	4,026,924
Interest and fiscal charges	-	-	-	2,856,844	-	-	2,856,844
Total expenditures	\$171,336,697	\$ 22,762,031	\$ 7,247,744	\$ 6,806,844	\$ 9,342,993	\$ 6,734,039	\$224,230,347
Excess (deficiency) of revenues over expenditures							
	\$ (9,879,079)	\$ (3,121,672)	\$ 45,733	\$ 308,941	\$ (8,920,147)	\$ (539,315)	\$ (22,105,539)
Other financing sources (uses):							
Transfers in	\$ 2,228,171	\$ 4,090,406	\$ -	\$ -	\$ -	\$ 62,245	\$ 6,380,822
Transfers (out)	(4,062,595)	(403,689)	(94,733)	(1,742,372)	-	(77,432)	(6,380,822)
Total other financing sources (u)	\$ (1,834,425)	\$ 3,686,717	\$ (94,733)	\$ (1,742,372)	\$ -	\$ (15,187)	\$ -
Net change in fund balances	\$ (11,713,504)	\$ 565,045	\$ (49,000)	\$ (1,433,431)	\$ (8,920,147)	\$ (554,502)	\$ (22,105,539)
Fund balances - beginning	\$ (4,896,969)	\$ 149,648	\$ 49,000	\$ 4,043,143	\$ 52,248,875	\$ 580,748	\$ 52,174,445
Fund balances - ending	\$ (16,610,473)	\$ 714,693	\$ -	\$ 2,609,712	\$ 43,328,728	\$ 26,246	\$ 30,068,905

See Notes to Financial Statements

**BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2011**

Amounts reported for governmental activities in the statement of
activites are different due to:

Net change in fund balances - total governmental funds \$ (22,105,539)

Governmental funds report capital outlays as expenditures.
However, in the statement of net assets, the cost of those assets is
allocated over their estimated useful lives and reported as
depreciation expense. The effect on net assets is the amount by
which capital outlays exceed depreciation in the current period.

Depreciation expense	(3,581,770)
Capital outlays	22,735,099

The repayment of the principal of long-term debt (e.g., bonds,
leases) consumes the current financial resources of governmental
funds. However, such repayment has no effect on net assets. 4,026,924

Differences in the cost and accumulated depreciation on disposed
capital assets are reported as a loss and reduction in net assets in
the statement of activities.

Cost of assets disposed	(5,609,861)
Accumulated depreciation of assets disposed	526,917

Compensated absences are reported as liabilities in the statement of
net assets, but are only reported in government funds to the extent
they have matured. This is the amount by which compensated
absences (increased)/decreased.

Accrued vacation payable	(18,741)
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Change in net assets of governmental activities	\$ (4,026,971)
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BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS
JUNE 30, 2011

	Cash Balance 7/1/2010	Revenues Received	Expenditures Paid	Cash Balance 6/30/2011
High Schools:				
Hedgesville High School - General Fund	355,359.00	510,527.65	498,722.66	367,163.99
Martinsburg High School - General Fund	102,606.08	694,042.18	740,708.27	55,939.99
Martinsburg High School - Faculty Senate Fund	1,592.48	23,721.81	24,167.50	1,146.79
Musselman High School - General Fund	441,145.50	585,111.36	566,824.81	459,432.05
Musselman High School - Faculty Senate Fund	14,180.58	21,765.14	26,645.16	9,300.66
Total High Schools	914,883.64	1,835,168.14	1,857,088.40	892,983.38
Middle and Junior High Schools:				
Hedgesville Middle School - General Fund	102,570.99	248,492.18	236,829.72	114,233.36
Musselman Middle School - General Fund	290,230.88	287,172.99	275,751.17	301,652.70
North Middle School - General Fund	13,659.25	93,786.08	101,663.60	5,781.73
North Middle School - Faculty Senate Fund	8,910.82	10,206.99	15,599.34	3,518.47
South Middle School - General Fund	85,235.65	160,385.91	183,582.67	62,038.89
South Middle School - Faculty Senate Fund	18,632.48	13,600.00	21,974.94	10,257.54
Spring Mills Middle School - General Fund	132,357.57	176,987.35	171,289.28	138,055.64
Total Middle and Junior High Schools	651,597.55	990,631.50	1,006,690.72	635,538.33
Elementary Schools:				
Back Creek Valley Elementary School - General Fund	7,160.93	36,347.68	29,124.22	14,384.39
Bedington Elementary School - General Fund	17,867.52	63,837.37	61,296.50	20,406.39
Bedington Elementary School - Faculty Senate Fund	2,492.36	3,800.00	2,190.49	4,101.87
Berkeley Heights Elementary School - General Fund	40,021.67	124,196.06	121,456.81	42,760.92
Bunker Hill Elementary School - General Fund	23,054.32	96,244.86	87,494.27	31,804.91
Burke Street Elementary School - General Fund	24,819.41	39,538.19	36,749.53	27,808.07
Burke Street Elementary School - Faculty Senate Fund	1,176.16	2,800.00	2,317.31	1,658.85
Eagle School Intermediate School - General Fund	15,017.28	151,956.41	118,778.50	48,195.19
Gerrardstown Elementary School - General Fund	30,956.79	45,168.11	43,113.02	33,011.88
Hedgesville Elementary School - General Fund	40,219.06	84,274.67	89,143.20	35,350.53
Inwood Primary School - General Fund	1,317.79	26,295.34	26,977.64	635.49
Inwood Primary School - Faculty Senate Fund	2,242.90	2,400.00	1,715.54	2,927.36
Marlowe Elementary School - General Fund	41,761.87	74,599.07	71,163.29	45,197.65
Marlowe Elementary School - Faculty Senate Fund	153.17	4,550.00	2,308.85	2,394.32
Mill Creek Intermediate School - General Fund	68,647.61	95,269.72	115,326.31	48,591.02
Mill Creek Intermediate School - Faculty Senate Fund	6,827.15	6,800.00	10,119.29	3,507.86
Mountain Ridge Intermediate School - General Fund	13,994.36	102,460.58	92,498.91	23,956.03
Opequon Elementary School - General Fund	90,586.81	95,586.33	89,423.32	96,749.82
Orchard View Intermediate School - General Fund	24,895.08	131,917.76	127,750.93	29,061.91
Pikaside Learning Center - General Fund	0.00	30,036.58	24,124.47	5,912.11
Potomack Intermediate School - General Fund	42,240.05	156,002.59	150,308.77	47,933.87
Potomack Intermediate School - Faculty Senate Fund	1,920.71	8,546.44	9,341.49	1,125.66
Rosemont Elementary School - General Fund	86,862.46	89,831.46	78,237.62	98,456.30
Rosemont Elementary School - Faculty Senate Fund	4,395.10	6,400.00	4,985.28	5,809.82
Tomahawk Elementary School - General Fund	53,299.37	151,369.22	150,897.84	53,770.75
Tuscarora Elementary School - General Fund	38,810.42	73,286.91	76,528.62	35,568.71
Tuscarora Elementary School - Faculty Senate Fund	7,908.70	5,850.00	4,304.32	9,454.38
Valley View Elementary School - General Fund	28,355.88	75,990.83	82,634.38	21,712.33
Valley View Elementary School - Faculty Senate Fund	6,184.33	7,659.80	6,929.47	6,914.66
Winchester Avenue Elementary School - General Fund	30,687.34	34,870.99	42,214.03	23,344.30
Winchester Avenue Elementary School - Faculty Senate Fund	2,727.61	2,248.53	2,901.71	2,074.43
Total Elementary Schools	756,604.21	1,830,135.50	1,762,355.93	824,383.78
Total	2,323,085.40	4,655,935.14	4,626,115.05	2,352,905.49

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
 JUNE 30, 2011

	Agency Funds		
	School Activity Funds	Regional Education Service Agency	Multi County Vocational center
ASSETS			
Cash and cash equivalents	\$ 2,352,905	\$ 1,416,527	\$ 605,091
Receivables	-	721,365	100,546
Total assets	<u>\$ 2,352,905</u>	<u>\$ 2,137,892</u>	<u>\$ 705,637</u>
LIABILITIES & FUND BALANCE			
Accounts payable and accrued liabilities		3,592,081	\$ 1,556,810
Fund Balance	\$ 2,352,905	\$ (1,454,189)	(851,173)
Total liabilities and fund balance	<u>\$ 2,352,905</u>	<u>\$ 2,137,892</u>	<u>\$ 705,637</u>

See Notes to Financial Statement

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 59,205,210	\$ 59,205,210	\$ 57,969,376	\$ (1,235,834)
Other Local sources	2,150,550	2,468,012	2,711,069	243,057
State sources	76,354,508	77,598,920	77,418,041	(180,879)
Federal sources	2,890,000	4,840,000	5,003,518	163,518
Miscellaneous sources	-	-	34,541	34,541
Total revenues	\$140,600,268	\$144,112,142	\$143,136,545	\$ (975,597)
Expenditures:				
Instruction	\$ 82,399,355	\$ 85,734,909	\$ 82,019,783	\$ 3,715,126
Supporting services:				
Students	7,684,770	7,907,903	7,494,733	413,170
Instructional staff	4,318,970	4,308,021	4,221,582	86,439
Central administration	2,185,490	2,100,608	1,795,335	305,273
School administration	8,812,000	9,035,818	8,911,419	124,400
Business	3,515,330	4,133,384	3,534,137	599,247
Operation and maintenance of facilities	14,500,553	14,795,172	13,763,730	1,031,442
Student transportation	14,624,130	15,291,213	14,389,800	901,413
Food services	-	8,400	5,755	2,645
Community services	846,500	846,500	814,726	31,774
Capital outlay	-	1,015,000	10,659	1,004,341
Debt service:				
Principal retirement	76,930	76,930	76,924	6
Reserves	-	9,174,160	-	9,174,160
Total expenditures	\$138,964,028	\$154,428,018	\$137,038,582	\$ 17,389,436
Excess (deficiency) of revenues over expenditures	\$ 1,636,240	\$ (10,315,876)	\$ 6,097,963	\$ 16,413,839
Other financing sources (uses):				
Transfers in	\$ 100,000	\$ 130,000	\$ 2,228,171	\$ 2,098,171
Transfers (out)	(4,236,240)	(4,236,240)	(4,062,595)	173,645
Total other financing sources (uses)	\$ (4,136,240)	\$ (4,106,240)	\$ (1,834,425)	\$ 2,271,815
Change in fund balances	\$ (2,500,000)	\$ (14,422,116)	\$ 4,263,538	\$ 18,685,654
Fund balances - beginning	\$ 2,500,000	\$ 14,422,116	\$ (4,896,969)	\$ (19,319,085)
Fund balances - ending	\$ -	\$ -	\$ (633,431)	\$ (633,431)

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local sources	\$ 2,239,942	\$ 2,663,316	\$ 1,808,713	\$ (854,604)
State sources	4,132,883	5,434,770	5,349,167	(85,603)
Federal sources	11,697,687	13,256,532	12,482,479	(774,053)
Total revenues	\$ 18,070,512	\$ 21,354,618	\$ 19,640,359	\$ (1,714,259)
Expenditures:				
Instruction	\$ 7,203,464	\$ 9,628,482	\$ 8,342,816	\$ 1,285,666
Supporting services:				
Students	993,770	1,236,885	1,203,227	33,657
Instructional staff	580,861	2,481,595	1,783,793	697,803
Central administration	-	2,870	2,870	-
School administration	14,000	24,000	17,089	6,911
Operation and maintenance of facilities	-	259,961	30,058	229,903
Student transportation	1,500,265	1,563,506	1,554,979	8,527
Food services	9,612,820	10,153,738	9,827,199	326,539
Total expenditures	\$ 19,905,180	\$ 25,351,036	\$ 22,762,031	\$ 2,589,006
Excess (deficiency) of revenues over expenditures	\$ (1,834,668)	\$ (3,996,418)	\$ (3,121,672)	\$ 874,746
Other financing sources (uses):				
Transfers in	\$ 3,925,000	\$ 4,121,218	\$ 4,090,406	\$ (30,812)
Transfers (out)	(2,090,332)	(274,447)	(403,689)	(129,242)
Total other financing sources (uses)	\$ 1,834,668	\$ 3,846,771	\$ 3,686,717	\$ (160,054)
Change in fund balances	\$ -	\$ (149,648)	\$ 565,045	\$ 714,693
Fund balances - beginning	\$ -	\$ 149,648	\$ 149,648	\$ -
Fund balances - ending	\$ -	\$ -	\$ 714,693	\$ 714,693

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND - ARRA
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local sources	\$ -	\$ 74,000	\$ 74,000	\$ -
Federal sources	5,753,235	10,122,143	7,219,476	(2,902,667)
Total revenues	\$ 5,753,235	\$ 10,196,143	\$ 7,293,476	\$ (2,902,667)
Expenditures:				
Instruction	\$ 5,471,775	\$ 8,982,180	\$ 6,256,754	\$ 2,725,426
Supporting services:				
Students	281,460	757,068	463,256	293,813
Instructional staff	-	341,565	408,797	(67,233)
Operation and maintenance of facilities	-	109,334	109,334	-
Student transportation	-	21,472	9,602	11,870
Total expenditures	\$ 5,753,235	\$ 10,211,620	\$ 7,247,744	\$ 2,963,876
Excess (deficiency) of revenues over expenditures	\$ -	\$ (15,477)	\$ 45,733	\$ 61,210
Other financing sources (uses):				
Transfers (out)	\$ -	\$ (33,523)	\$ (94,733)	\$ (61,210)
Total other financing sources (uses)	\$ -	\$ (33,523)	\$ (94,733)	\$ (61,210)
Change in fund balances	\$ -	\$ (49,000)	\$ (49,000)	\$ -
Fund balances - beginning		\$ 49,000	\$ 49,000	\$ -
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 OTHER SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local sources	\$ 6,802,844	\$ 6,802,844	\$ 7,106,266	\$ 303,422
State sources			9,519	9,519
Total revenues	\$ 6,802,844	\$ 6,802,844	\$ 7,115,785	\$ 312,941
Expenditures:				
Debt service:				
Principal retirement	\$ 3,950,000	\$ 5,200,000	\$ 3,950,000	\$ 1,250,000
Interest and fiscal charges	2,852,844	3,872,882	2,856,844	1,016,038
Total expenditures	\$ 6,802,844	\$ 9,072,882	\$ 6,806,844	\$ 2,266,038
Excess (deficiency) of revenues over expenditures	\$ -	\$ (2,270,038)	\$ 308,941	\$ 2,578,979
Other financing sources (uses):				
Transfers (out)	\$ -	\$ (1,773,105)	\$ (1,742,372)	\$ 30,732
Total other financing sources (uses)	\$ -	\$ (1,773,105)	\$ (1,742,372)	\$ 30,732
Change in fund balances	\$ -	\$ (4,043,143)	\$ (1,433,431)	\$ 2,609,712
Fund balances - beginning		\$ 4,043,143	\$ 4,043,143	\$ -
Fund balances - ending	\$ -	\$ -	\$ 2,609,712	\$ 2,609,712

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 OTHER SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - CAPITAL PROJECTS-BOND CONSTRUCTION FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Other local sources	\$ -	\$ -	\$ 422,846	\$ 422,846
Total revenues	\$ -	\$ -	\$ 422,846	\$ 422,846
Expenditures:				
Capital outlay	\$ -	\$ 52,247,375	\$ 9,341,493	\$ 42,905,882
Interest and fiscal charges		1,500	1,500	-
Total expenditures	\$ -	\$ 52,248,875	\$ 9,342,993	\$ 42,905,882
Excess (deficiency) of revenues over expenditures	\$ -	\$ (52,248,875)	\$ (8,920,147)	\$ 43,328,728
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers (out)	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Change in fund balances	\$ -	\$ (52,248,875)	\$ (8,920,147)	\$ 43,328,728
Fund balances - beginning	\$ -	\$ 52,248,875	\$ 52,248,875	\$ -
Restatement of fund balance	-	-	-	-
Fund balances - beginning, as restated	\$ -	\$ 52,248,875	\$ 52,248,875	\$ -
Fund balance - ending	\$ -	\$ -	\$ 43,328,728	\$ 43,328,728

See Notes to Financial Statements

BERKELEY COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 OTHER SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 7,849,870	\$ 6,107,074	\$ (1,742,796)
Total revenues	\$ -	\$ 7,849,870	\$ 6,107,074	\$ (1,742,796)
Expenditures:				
Capital outlay	\$ -	\$ 8,018,545	\$ 6,611,394	\$ 1,407,151
Operation and Maintenance of Facilities	-	357,164	122,645	234,519
Total expenditures	\$ -	\$ 8,375,709	\$ 6,734,039	\$ 1,641,670
Excess (deficiency) of revenues over expenditures	\$ -	\$ (525,839)	\$ (626,965)	\$ (101,126)
Other financing sources (uses):				
Transfers in	\$ -	\$ 61,241	\$ 62,245	\$ 1,004
Transfers (out)	\$ -	\$ (77,432)	\$ (77,432)	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Change in fund balances	\$ -	\$ (16,191)	\$ (15,187)	\$ 1,004
Net Change in fund balances	\$ -	\$ (542,029)	\$ (642,152)	\$ (100,123)
Fund balance - beginning		\$ 542,029	\$ 580,748	\$ 38,719
Fund balance - ending	\$ -	\$ -	\$ 26,246	\$ 26,246

See Notes to Financial Statements

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies:

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 reporting principles.

A. Reporting Entity:

The Berkeley County Board of Education (School Board) is a corporation created under the authority of West Virginia Code §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 the 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 considered as program revenues are classified as general revenue and include 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 to be major funds for reporting purposes and are discretely presented in the accompanying financial statements.

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

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 Funds are operating funds of the Board and accounts for all revenues and expenditures attributable to state and federal grants (including ARRA) 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, 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 within 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

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

(30) days after year-end. Expenditures are recorded generally 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 accrual 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 in the appropriate fund balance category (restricted, committed or assigned) since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

E. Cash 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. Our General Fund Checking account earns interest but is included in our cash and cash equivalents and not as investments. Such deposits at June 30, 2011 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.

Investments of the Board at June 30, 2011 consisted of the following:

	Carrying Amount	Estimated Fair Value	Bank Balance
State Investment Pool	\$ 431,924	\$ -	\$ 431,924
Municipal Bond Commission	4,352,084	-	4,352,084
BB&T-CD	20,053,540	-	20,053,540
MVB	23,730,271	-	23,730,271
Total investments	<u>\$ 48,567,819</u>	<u>\$ -</u>	<u>\$ 48,567,819</u>

Money market 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 to it. The Board has limited its custodial credit risk by assuring that these deposits with financial institutions are adequately collateralized.

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

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, 2011, the Board has \$4,352,084 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, 2011, 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 \$335,716 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 fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available 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.

BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

I. Prepaid Items:

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

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, individual 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 or constructed capital assets are reported at cost or 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>Years</u>
Buildings	50
Site Improvements	20 – 35
Furniture and Equipment	5 – 20
Vehicles	8 – 12

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

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personal leave was reported using the guidance of GASB Statement 16 for a 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.

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.

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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, 2010 was determined to be:

	<u>Total</u>	<u>Amount/ Policy Holder</u>
Total Annual Required Contribution	\$ 816,274,000	\$ 10,844
Pay as you go – Retiree Subsidy	<u>(145,671,196)</u>	<u>(1,935)</u>
Remaining ARC	\$ 670,602,804	\$ 8,909

The following summarizes the Board's OPEB activity:

OPEB liability as of June, 30, 2010	\$ 17,004,205
FY11 OPEB liability	\$ 19,443,292
Less: 2011 Pay as you go payments and other credits	<u>(1,151,370)</u>
2011 OPEB at year end	\$ 35,296,127
Portion attributable to personnel funded through the PSSP	\$ 27,323,407

It is the opinion of the 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 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 costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Capital lease payments are reported in the general current expense or special revenue fund.

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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:

Effective July 1, 2010, the Board adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which establishes new standards of accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. The classifications are based primarily on the extent to which the Board is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

- Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.
- Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to whom the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

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.

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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. If an expense is incurred for purposes for which committed, assigned and unassigned fund balances are all available, the fund balances should be reduced in the following order: committed, assigned, and then unassigned.

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-16(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 deficiency in the general fund is a direct result of recording the OPEB liability as a current liability. As previously noted, the Board does not intend to remit payments that are constitutionally required to be appropriated by the state. The deficiency should have little impact on the financial results of the fund.

For the year ended June 30, 2011, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

SPECIAL REVENUE-ARRA FUND:

<u>Function</u>	<u>Amount</u>
Instructional Staff	\$67,233

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The over expenditures in these programs were funded by a reduction of expenditures in the remaining functions, available beginning fund balance, revenues received in excess of the anticipated amounts budgeted.

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 24 – As of July 1, 2010, the Board implemented GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance". This statement requires the Board to record as a revenue and expenditure on behalf payments made by the State to the Consolidated Public Retirement Board for the unfunded liability of the Teachers Retirement System and discloses those amounts in the accompanying notes to the financial statements.

GASB 54 – As of July 1, 2010, the Board implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement changed the terminology used to describe fund balances in the governmental funds and expanded the disclosure of those new definitions in the accompanying notes to the financial statements of the Board for the year ended June 30, 2011.

Note 4 - Risk Management:

The Board is exposed to various risks or loss related to torts, theft, or damage to and destruction of assets, errors and omissions, 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 is 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 (PEIA): The Board provides employees health and basic life insurance benefits through the Public Employees Insurance Agency. 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 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. Members 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

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features of its indemnity plan, has fully transferred the risks of coverage of the Managed Care Organization (MCO) Plan to the plan provider and has transferred risk of life insurance coverage to a third party insurer.

Workers Compensation Fund (WCF): The Board has elected to have their workers compensation coverage through Traveler's Insurance Company. The cost of all coverage is paid by the employers.

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.
- 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 §11-8-6c, the maximum rates that county boards of education may impose on the various classes of property are: Class I - 22.95¢ per \$100 of assessed valuation; Class II - 45.90¢ per \$100 of assessed valuation; Class III - 91.80¢ per \$100 of assessed valuation; and Class IV - 91.80¢ per \$100 of assessed valuation.

Pursuant to West Virginia Code §11-8-6f, however, 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 Assessors 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 rates levied by the Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2011 were:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>	<u>Excess Levy</u>	<u>Permanent Improvement</u>	<u>Bond Purposes</u>
Class I	\$ -	19.40¢	22.50¢	¢	5.24¢
Class II	\$ 3,140,909,591	38.80¢	45.00¢	¢	10.48¢
Class III	\$ 1,448,692,415	77.60¢	90.00¢	¢	20.96¢
Class IV	\$ 490,906,661	77.60¢	90.00¢	¢	20.96¢

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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 first of the year for which the assessment is made, and becomes delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first.

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, 2011. 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, 2010 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 \$ 31,161,288 was received by the Board from the excess levy during the fiscal year ended June 30, 2011.

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Note 7 - Capital Assets:

Capital asset balances and activity for the year ended June 30, 2011, is as follows:

	Beginning Balance	Restatement	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:					
Land	\$ 9,056,195	\$ (4,666,143)	\$ -	\$ -	\$ 4,390,053
Construction in process	5,858,572	-	9,341,493	(5,075,873)	\$ 10,124,192
Total non-depreciable capital assets	14,914,767	(4,666,143)	9,341,493	(5,075,873)	14,514,245
Capital assets, depreciable:					
Buildings and improvements	131,816,757	4,724,811	12,154,441	-	148,696,009
Furniture and equipment	4,090,113	(24,195)	19,919	-	4,085,837
Vehicles	13,741,665	(401,506)	1,586,279	(533,988)	14,392,450
Total depreciable capital assets	149,648,535	4,299,110	13,760,639	(533,988)	167,174,296
Less accumulated depreciation for:					
Buildings and Improvements	(33,356,083)	271	(2,694,456)	-	(36,050,268)
Furniture and equipment	(2,904,067)	25,573	(164,496)	-	(3,042,990)
Vehicles	(6,203,801)	403,000	(1,151,602)	528,917	(6,425,346)
Total accumulated depreciation	(42,463,751)	428,844	(4,010,614)	528,917	(45,518,604)
Total depreciable capital assets, net	107,184,784	4,727,954	9,750,025	(7,071)	121,655,691
Total capital assets, net	\$ 122,099,551	\$ 61,811	\$ 19,091,518	\$ (5,082,944)	\$ 136,169,936

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

Instruction	\$ 1,894,009
Supporting Services:	
Central administration	61,097
Operation and maintenance of facilities	244,388
Transportation	763,713
Food services	91,646
Total Depreciation expense - governmental activities	\$ 3,054,853

Note 8 - Long-term debt:

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

Bonds payable	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year	Amounts due past one year
General obligation debt	\$ 67,045,000		\$ 3,950,000	63,095,000	\$ 4,675,000	\$ 58,420,000
Compensated absences	195,355	18,741		214,096		214,096
Capital lease payable	307,696		76,924	230,772	76,924	153,848
Long-term liabilities	\$ 67,548,051	\$ 18,741	\$ 4,026,924	\$ 63,539,868	\$ 4,751,924	\$ 58,787,944

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The Board's future debt service requirements for bonded debt is as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2012	5%&3%	4,675,000	2,346,753	7,021,753
2013	5%&2%	4,880,000	2,179,301	7,059,301
2014	5%&4%	5,100,000	2,031,588	7,131,588
2015	5%&2%	5,325,000	1,816,538	7,141,538
2016	5%&2.5%	5,565,000	1,640,588	7,205,588
2017	5%&4%	5,820,000	1,440,838	7,260,838
2018	4.000%	3,415,000	1,182,588	4,597,588
2019	4.000%	3,560,000	1,045,988	4,605,988
2020	4.000%	3,710,000	903,588	4,613,588
2021	3.250%	3,865,000	755,188	4,620,188
2022	3.375%	4,030,000	629,575	4,659,575
2023	3.500%	4,205,000	493,563	4,698,563
2024	4.000%	4,380,000	346,388	4,726,388
2025	3.750%	4,565,000	171,188	4,736,188
Total		\$ 63,095,000	\$ 16,983,672	\$ 80,078,672

General Obligation Bonds – General obligation bonds payable at June 30, 2011, with their outstanding balance are comprised of the following individual issues:

Bond Issue of 2002:

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 requirements to amortize the 2002 general obligation bonds outstanding as of June 30, 2011, including interest payments are listed as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,315,000	364,250	2,679,250
2016	2,425,000	248,500	2,673,500
2017	2,545,000	127,250	2,672,250
Total	\$13,620,000	\$2,403,378	\$16,023,378

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On February 17, 2010, the Board issued \$51,500,000 in general obligation bonds to provide funds for the improvement of existing facilities and the construction of new schools. The bonds mature in varying annual increments through May, 2025, and interest is payable semiannually at 2-4%. Payments on the general obligation bonds payable are made through the debt service fund.

The annual debt service requirements for the 2010 bond debt as of June 30, 2011 are:

Year	Principal	Interest	Total
2012	2,660,000	1,703,087.50	4,363,087.50
2013	2,770,000	1,623,087.50	4,393,287.50
2014	2,890,000	1,567,887.50	4,457,887.50
2015	3,010,000	1,452,287.50	4,462,287.50
2016	3,140,000	1,392,087.50	4,532,087.50
2017	3,275,000	1,313,587.50	4,588,587.50
2018	3,415,000	1,182,587.50	4,597,587.50
2019	3,560,000	1,045,987.50	4,605,987.50
2020	3,710,000	903,587.50	4,613,587.50
2021	3,865,000	755,187.50	4,620,187.50
2022	4,030,000	629,575.00	4,659,575.00
2023	4,205,000	493,562.50	4,698,562.50
2024	4,380,000	346,387.50	4,726,387.50
2025	4,565,000	171,187.50	4,736,187.50
Total	\$49,475,000	\$14,580,287.50	\$64,055,287.50

Total bonded indebtedness at July 1, 2010	67,045,000
Issuances	0
Maturities	(3,950,000)
Total Bonded Indebtedness June 30, 2011	\$63,095,000

Note 9 - Leases:

The Board has entered into various lease 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 noncancelable 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, 2010 were \$576,000.

The following is a summary of the future minimum required payments by year under the operating lease agreement as of June 30, 2011 for the Board's operating leases:

Year	576,000
2012	576,000
2013	576,000
2014	576,000
2015	576,000
Total minimum operating lease payments	\$ 2,304,000

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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 as of June 30, 2011 for the Board's capital leases:

<u>Year</u>	<u> </u>
2012	<u>76,924</u>
2013	<u>76,924</u>
2014	<u>76,924</u>
Total minimum capital lease payments	\$ <u>230,772</u>

Note 10 - Employee 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, 2011, the Board's total payroll for all employees was \$103,848,690 and the payroll was \$91,547,289 for employees covered by the two retirement programs.

Of the total amount appropriated by the State for retirement, the portion equal to the 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 state revenue (Contributions For/On Behalf of the LEA) in the Board's financial statements. The balance is considered to be 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 Benefit 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

**BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011**

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% 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% or 100% 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 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 a 100% 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 2010 Actuarial Valuation Report of the Teachers' Retirement System, the plan's actuarial unfunded liability was \$ 4.8 billion as of July 1, 2010.

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 6% of their gross compensation and the board of education contributes 15% of covered members' gross compensation to the retirement plan, for a total of 21% 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 of education contributes 7.5% of covered members' gross compensation to the retirement plan, for a total of 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, 2010 and the two previous years were:

<u>Year ended June 30</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Required contributions	\$ 345,412,000	\$ 404,547,000	\$ 487,886,000
As a % of current year covered payroll	23.30 %	25.89 %	26.57%

The financial statements include amounts paid for/on behalf of the county by the State of West Virginia for the unfunded liability portion of retirement benefits. The for/on behalf payment for the year ended June 30, 2011 was \$ 18,321,073.

Total payments reflected in the Board's financial statements to the defined benefit plan for FY 2011 were:

Employees' contributions (6%)	\$ <u>4,532,182</u>
Employer's contributions (15% or 7.5%)	<u>7,268,195</u>
Total contributions	\$ <u>11,800,377</u>

**BERKELEY COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For The Fiscal Year Ended June 30, 2011**

Teachers' Defined Contribution Retirement System:

Plan Description: All Board 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 could 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 benefit plan could change to this plan and transfer the funds that were deposited in the old plan to this plan. Once a member transferred to the defined contribution plan, the member was 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. Existing members of the Teachers' Defined Contribution Plan were given the option to transfer to the teachers' Defined Benefit Retirement System during the 2009-09 fiscal year. To earn full benefits at retirement, however, members electing to transfer are required to contribute the 1.5% difference between the two plans employee rates.

A unique feature of 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: Orchard SecureFoundation Balanced, Orchard Lifetime 2015 Fund II, Orchard Lifetime 2025 Fund II, Orchard Lifetime 2035 Fund II, Orchard Lifetime 2045 Fund II, Orchard Lifetime 2055 Fund II, American Funds EuroPacific R5, Mutual Global Discovery Fund – Z, Heartland Value Plus Inst, Sentinel Small Company I, Vanguard Small-Cap Index Fund – Inv, Scout Mid Cap, Westcore Select, JHancock Large Cap Equity I, Putnam Equity Income Y, Vanguard Large Cap Index Inv, PIMCO Total Return Fund – Admin, TIAA-CREF High-Yield Inst, Vanguard Interm-Term Bond Index Fund 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 6 years, two-thirds after 9 years, and 100% after 12 years. The member is fully vested at death or disability. As of June 30, 2010, this plan had approximately \$222 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. The accounting 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 since 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 Teachers' Defined Benefit Retirement 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% of their gross salary and the board of education contributes 7.5% of covered members' gross compensation to the retirement plan, for a total of 12% annually.

Total payments reflected in the Board's financial statements to the defined contribution plan for FY 2011 were:

Employees' contributions (4.5%)	\$	720,491
Employer's contributions (7.5%)		1,200,819
 Total contributions	 \$	 <u>1,912,219</u>

**BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011**

Note 11 - Pending Litigation:

The Board is involved in a number of legal proceedings and claims, involving students, employees and citizens who have sued the Board for damages. The Board is also a party in the case previously mentioned regarding the allocation of funds and the determination of the OPEB liability. The outcome of that case, or future actions by the state legislature, could have a significant impact on the financial position of the Board. While it is not possible to determine the ultimate outcome of any other lawsuit 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 - Commitments, Contingencies and Subsequent Events:

The School Building Authority of West Virginia has awarded construction grants for two new schools. The first project is a new high school in the northern end of the county that the SBA will provide \$21.5 million in construction funds. The second project is a new middle school in the south end of the county that the SBA will provide \$13.5 million in construction funds. The funding for both projects will be matched with proceeds from the February, 2010 issuance of bonds.

The Board will have a new excess levy in effect during the fiscal year's ending June 30, 2012-2015. The levy was authorized by the voters of the county at an election held on November 2, 2010.

Encumbrances are classified as Restricted, Committed, or Assigned fund balance depending on the specific purpose of the encumbrance. As of June 30, 2011 the Board had the following encumbrances:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 814,004
Bond Constuction	22,102,250
Capital Projects	302,716
Special Revenue	910,079
Special Revenue-ARRA	11,313
Total	<u>\$ 24,140,362</u>

**BERKELEY COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011**

Note 13 - Interfund Balances and Transfers

The composition of interfund balances as of June 30, 2011 is as follows:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue-ARRA	\$ 94,733
General Fund	Debt Service	1,742,372
General Fund	Special Revenue	361,065
General Fund	Capital Projects	77,432
Capital Projects	General Fund	62,245
Special Revenue	General Fund	4,000,351
Interfund Transfers		<u>90,055</u>
Total		<u>\$ 6,428,253</u>

Interfund Transfers:

Transfers were for the following reasons:

1. \$1,742,372 excess receipts from completed Bond Issues to the General Fund
2. \$361,065 from Special Revenue for indirect costs.
3. \$81,067 from Special Revenue-ARRA for indirect costs.
4. \$77,432 from projects using local funds completed below budgeted costs.
5. \$13,666 from Opequon Elementary roof projected completed below budgeted costs.
6. \$62,245 from General Fund for School Safety Access.
7. \$3,765,000 from General Fund to Food Service Project.
8. \$125,896 from General Fund for Special Education.
9. \$64,571 from General Fund for Staff Development.
10. \$20,753 from General Fund for Mentoring Programs.
11. \$24,131 from General Fund for Curricular Trips.
12. \$90,055 was Intrafund Transfers.

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.

**BERKELEY COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For The Fiscal Year Ended June 30, 2011**

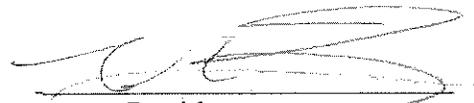
Note 17 – Fund Balance:

The detailed components of the various fund balance categories as of June 30, 2011 are as follows:

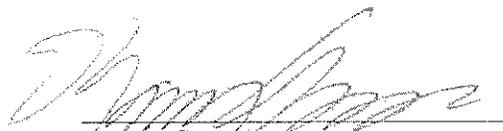
Fund Balances	General Current Expense	Special Revenue Fund	Debt Service Fund	Bond Construction Fund	Capital Projects Fund	Total Governmental
Nonspendable:						
Prepaid Items	41,905	-	-	-	-	41,905
Restricted for:						
Special Projects	-	714,693	-	-	-	714,693
Capital Projects	-	-	-	43,328,728	-	43,328,728
Debt Service	-	-	2,609,712	-	-	2,609,712
Assigned to:						
Capital Projects	-	-	-	-	26,246	26,246
Unassigned	(16,652,377)	-	-	-	-	(16,652,377)
Total fund balances	\$ (16,610,473)	\$ 714,693	\$ 2,609,712	\$ 43,328,728	\$ 26,246	\$ 30,068,905

STATE OF WEST VIRGINIA
COUNTY OF BERKELEY, TO WIT;

We, the undersigned President and Secretary of the Board of Education of the County of Berkeley, hereby state under oath that the preceding attached financial statement of the Berkeley County Board of Education as of and for the fiscal year ended June 30, 2011 are true and accurate to the best of our knowledge and belief. However, these statements are unaudited and thereby subject to change.



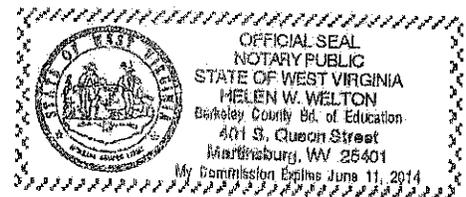
President



Secretary

Subscribed and sworn to before me in my said County, the 19th day of Sept.,
2011.


My commission expires on the 6/11/14.



FUND 31 - Bond Construction

BERKELEY COUNTY SCHOOLS
Special Projects Worksheet

Prog: WVP.550
Date: 9/20/11
Time: 9:02:40

Proj/Title	Prior Yrs	Curr Year	Revenues	Total	Prior Yrs	Curr Year	Expenditures	Total	Encumbered Receivable	Earmarked
99302	.00	.00	191,237.91	.00	191,237.91	3,144,185.12	3,335,423.03	3,335,423.03	1,371,815.19	.00
NORTH MIDDLE BOND										
Current Year Budget:	.00	.00		.00		8,433,762.09			.00	.00
99306	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
MT RIDGE MIDDLE BOND										
Current Year Budget:	.00	.00		.00		8,000,000.00				
993**	.00	.00	191,237.91	.00	191,237.91	3,144,185.12	3,335,423.03	3,335,423.03	1,371,815.19	.00
Current Year Budget:	.00	.00		.00		16,433,762.09				
99503	.00	.00	193,317.91	.00	193,317.91	3,326,138.87	3,519,456.78	3,519,456.78	1,056,503.39	.00
MUSSELMAN HIGH BOND										
Current Year Budget:	.00	.00		.00		4,311,682.09				
99504	.00	.00	298,143.00	.00	298,143.00	2,871,168.75	3,169,311.75	3,169,311.75	19,673,931.25	.00
SPRING MILLS HIGH BOND										
Current Year Budget:	.00	.00		.00		31,501,930.87				
995**	.00	.00	491,460.91	.00	491,460.91	6,197,307.62	6,688,768.53	6,688,768.53	20,730,434.55	.00
Current Year Budget:	.00	.00		.00		35,813,612.96				
G R A N D T O T A L S:	.00	.00	682,698.82	.00	682,698.82	9,341,492.74	10,024,191.56	10,024,191.56	22,102,249.84	.00
Current Year Budget:	.00	.00		.00		52,247,375.05				

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

For the Year Ended June 30, 2010

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

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BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2010

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, 2010. 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 \$106,725,945 at the close of the most recent fiscal year. Unrestricted net assets were \$996,774. However, prior to recording the liability for Other Post Employment Benefits (OPEB), the unrestricted net assets were \$20,315,859. These amounts and this liability will be discussed further.
- The Board's total net assets decreased by \$1,863,279. This decrease is primarily attributable to the increase of the liability related to OPEB. However, other factors were involved in the change in net assets.
- As of the close of the current fiscal year, the Board governmental funds reported combined ending fund balances of \$52,174,445, an increase of \$40,396,319 in comparison with the prior year. However, \$48.5 million is reserved for capital projects as a result of the proceeds from the issuance of bonds during the fiscal year. The general fund unreserved fund balance is \$(6,607,115). This is a result of recording the increase in OPEB liability of \$17,004,205 as a current liability in accordance with instructions from the West Virginia Department of Education.
- The administration of the Board does not think that the OPEB liability meets the definition of current liability as the payment of this amount is not likely to occur in the next twelve months nor has any payment been made for the liability that was recorded for the past two years.
- The general fund unrestricted fund balance would have been \$12,711,970 had the OPEB been listed as a long term debt.
- The Board has joined other Boards in the state in a lawsuit to clarify the proper classification and responsibility of the OPEB liability. It is argued that the State of West Virginia is primarily responsible for the liability and should not be reflected by individual Boards of Education.

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 \$106,725,945 at the close of the most recent fiscal year.

	Governmental Activities	
	2010	2009
ASSETS		
Current and other assets	\$ 92,618,231	\$ 34,078,109
Capital assets	<u>122,099,551</u>	<u>116,293,151</u>
Total assets	214,717,782	150,371,260
 LIABILITIES AND NET ASSETS		
Liabilities:		
Current and other liabilities	41,460,514	22,497,416
Long-term liabilities outstanding	<u>67,352,696</u>	<u>19,284,620</u>
Total liabilities	108,813,210	41,782,036
Net assets:		
Invested in capital assets, net of related debt	54,551,500	96,811,196
Restricted	50,952,316	3,597,044
Unrestricted	<u>175,401</u>	<u>8,180,984</u>
Total net assets	<u>105,679,217</u>	<u>108,589,224</u>
 Total liabilities and net assets	 <u>\$ 214,522,427</u>	 <u>\$ 150,371,260</u>

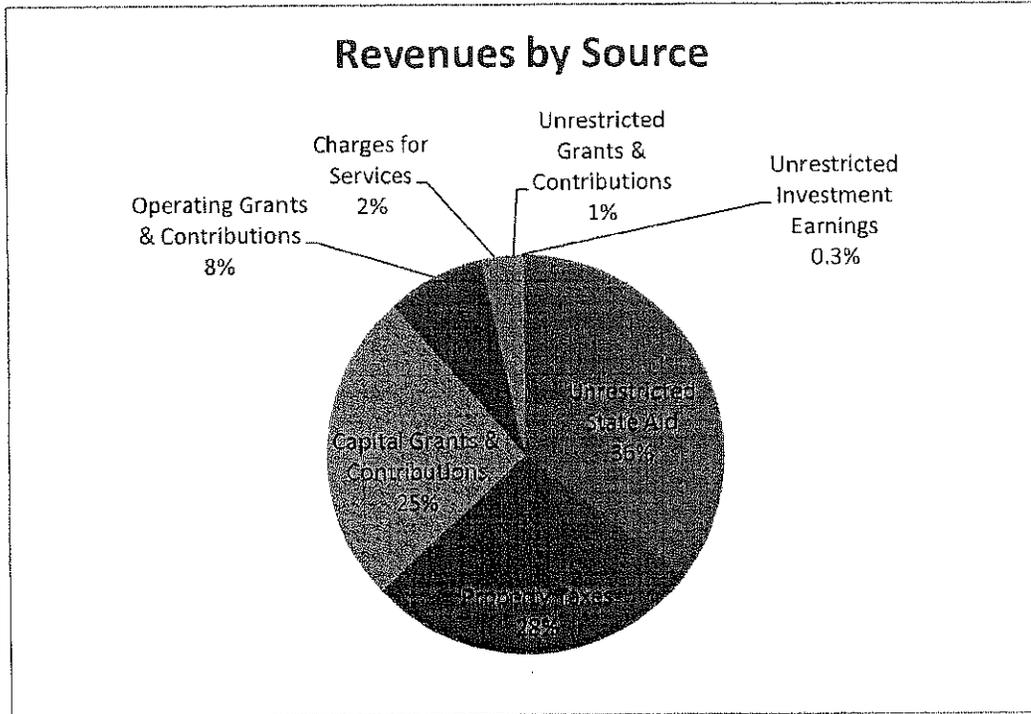
- A large portion of the Board's net assets, (51%) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide services to students; consequently, 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 (45%) represents resources that are restricted for future capital projects.

Restricted net assets increased by \$47,355,272 during the year ended June 30, 2010. This increase is resulted primarily from the proceeds on the issuance of bonds for capital projects.

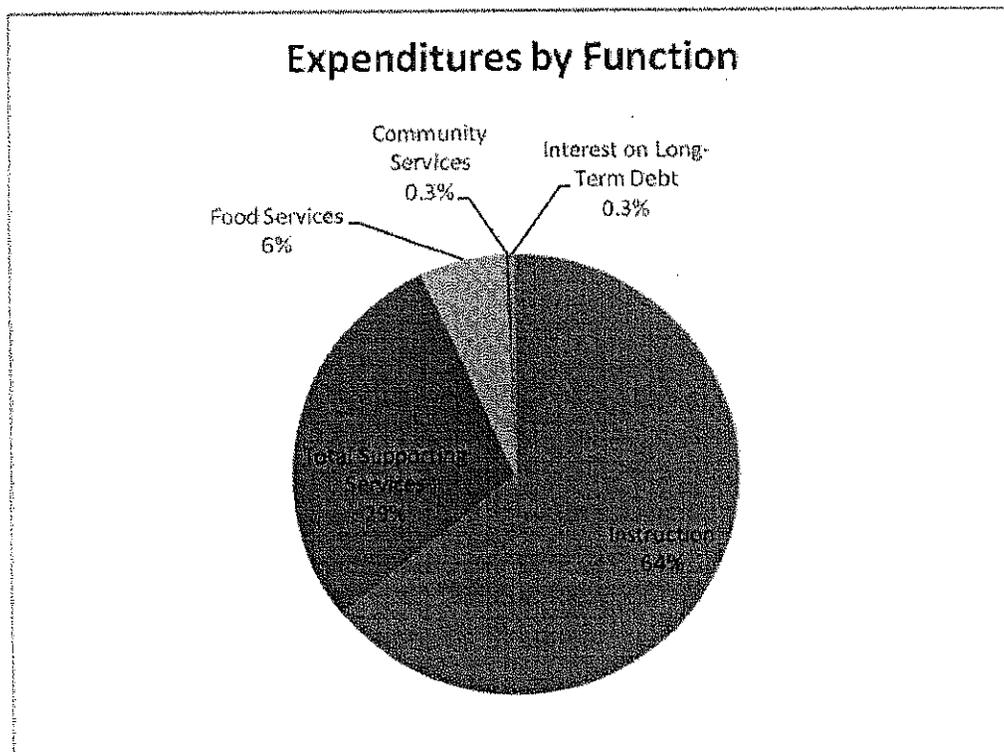
The Board's net assets decreased by \$2,910,007 during the current year. The following discussion and analysis on governmental activities focuses on the decrease:

	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues		
Charges for services	\$ 5,083,632	\$ 5,079,598
Operating grants and contributions	18,832,800	13,005,934
Capital grants and contributions	59,333,819	2,598,624
General revenues:		
Property taxes	65,229,570	64,854,210
Unrestricted state aid	82,841,171	82,748,974
Unrestricted investment earnings	735,633	775,262
Unrestricted grants and contributions	2,291,102	1,555,435
Total revenues	<u>234,347,727</u>	<u>170,618,037</u>
Expenses:		
Instruction	151,815,339	98,546,216
Supporting services:		
Students	9,153,371	6,347,963
Instructional staff	6,506,169	6,158,188
District administration	2,185,234	2,424,175
School administration	12,377,547	8,905,177
Business services	3,227,758	3,275,039
Operation and maintenance	18,265,661	14,413,748
Transportation	16,448,942	15,156,338
Total supporting services	<u>68,164,682</u>	<u>56,680,628</u>
Food services	14,539,727	9,329,232
Community services	837,574	780,400
Interest on long-term debt	853,684	966,090
Total expenses	<u>236,211,006</u>	<u>166,302,566</u>
Change in net assets	<u>(1,863,279)</u>	<u>4,315,471</u>
Net assets at beginning of year	<u>108,589,224</u>	<u>104,273,753</u>
Net assets at end of year	<u>\$ 106,725,945</u>	<u>\$ 108,589,224</u>

The following chart shows the Board's revenues for fiscal year ended June 30, 2010, by source:



The following chart shows the Board's expenditures for fiscal year ended June 30, 2010, by function:



Property tax increased \$435 thousand. State revenues decreased by \$1.4 million and federal revenues increased by \$11.5 million from the prior year. The following is a comparison of revenue sources:

	<u>2010</u>	<u>2009</u>
Property taxes	\$ 65,229,570	\$ 64,854,210
Other local sources	57,352,414	4,114,518
State sources	85,939,845	87,326,116
Federal sources	25,825,898	14,323,193
Total revenues	<u>\$ 234,347,727</u>	<u>\$ 170,618,037</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 \$ 52.1 million. If OPEB had not been recorded as a current liability, the combined fund balances would have been \$71.5 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.

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 \$2.0 million or 1.3% in total general fund expenditures.

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$122.1 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	\$ 9,056,195
Construction in process	5,858,572
Buildings and improvements	98,460,674
Furniture and equipment	1,186,046
Vehicles	<u>7,538,064</u>
Total capital assets	<u>\$ 122,099,551</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 \$67 million and capital lease obligations of \$307,696. The obligation for compensated absences for vacations was \$195,355 at June 30, 2010.

General obligation bonds	\$ 67,045,000
Capital lease obligations	307,696
Compensated absences	<u>195,355</u>
Total debt outstanding	<u>\$ 67,548,051</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, 2010

<u>Office</u>	<u>Elective</u>	<u>Term</u>
Board Members	Dr. William F. Queen	07/01/08 – 06/30/12
	Richard A. Pill	07/01/10 – 06/30/14
	Todd M. Beckwith	07/01/10 – 06/30/14
	Dr. Darin L. Gilpin	07/01/10 – 06/30/14
	Ron Gray	07/01/08 – 06/30/12

<u>Office</u>	<u>Appointive</u>	<u>Term</u>
Board President	Dr. William F. Queen	07/01/10 – 06/30/11
Treasurer	Kenneth Marsteller	

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Schedule of Funds

For the Year Ended June 30, 2010

GOVERNMENTAL FUND TYPES

General Current Expense Fund

Special Revenue Fund

Debt Service Fund

Capital Projects Fund

FIDUCIARY AGENCY FUND

School Activity

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

James L. Teed, CPA
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Stephen P. Glaser, CPA, MBA
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Roy A. Smith, CPA
roy@teedandassociates.com

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, 2010, 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, 2010, 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 March 11, 2011, 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 36 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
March 11, 2011

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 32,052,560
Investments	54,547,337
Taxes receivable, net of allowance for uncollectibles	1,885,388
Food services receivable	505,750
Due from other governments:	
PEIA allocation receivable	2,033,456
Reimbursements receivable	2,610,468
Capital Assets:	
Land	9,056,195
Buildings and improvements	131,816,757
Furniture and equipment	4,090,113
Vehicles	13,741,665
Construction in process	5,858,572
Less accumulated depreciation	<u>(42,463,751)</u>
Total capital assets, net of depreciation	<u>122,099,551</u>
Total assets	<u>215,734,510</u>
LIABILITIES:	
Salaries payable and related payroll liabilities	14,017,370
Accounts payable	2,904,481
PEIA premiums payable	2,848,256
OPEB liability, all other employees	19,319,085
Compensated absences	195,355
Deferred revenue	2,371,322
Long-term obligations:	
Due within one year:	
Bonds, capital leases and contracts	4,026,924
Due beyond one year	
Bonds, capital leases, and contracts	<u>63,325,772</u>
Total liabilities	<u>109,008,565</u>
NET ASSETS:	
Invested in capital assets, net of related debt	54,746,855
Restricted for:	
Debt service	2,270,038
Special projects	198,648
Capital projects	48,513,630
Unrestricted	<u>996,774</u>
Total net assets	<u>\$ 106,725,945</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, 2010

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 151,815,339	\$ 127,898	\$ 9,625,825	\$ 47,181,043	\$ (94,880,573)
Supporting services					
Students	9,153,371	2,985,624	2,398,050	217,471	(3,552,226)
Instructional staff	6,506,169	-	1,207,188	154,627	(5,144,354)
District administration	2,185,234	-	17,309	114,619	(2,053,308)
School administration	12,377,547	-	-	2,907,756	(9,469,791)
Business services	3,227,758	-	-	76,900	(3,150,858)
Operation and maintenance of facilities	18,265,661	76,981	631,131	2,599,983	(14,957,566)
Student transportation	16,448,942	98,090	1,332,936	1,740,032	(13,277,884)
Food services	14,539,727	1,795,039	3,620,361	4,341,388	(4,782,939)
Community services	837,574	-	-	-	(837,574)
Interest on long-term-debt	853,684	-	-	-	(853,684)
Total governmental activities	<u>\$ 236,211,008</u>	<u>\$ 5,083,632</u>	<u>\$ 18,832,800</u>	<u>\$ 59,333,819</u>	<u>(152,960,755)</u>
General revenues:					
Property taxes					65,229,570
Unrestricted State Aid					82,841,171
Unrestricted investment earnings					735,633
Unrestricted grants and contributions					2,291,102
Transfers in					4,847,436
Transfers (out)					<u>(4,847,436)</u>
Total general revenues and transfers					<u>151,097,476</u>
Change in net assets					(1,863,279)
Net assets at beginning of year					<u>108,589,224</u>
Net assets at end of year					<u>\$ 106,725,945</u>

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

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Balance Sheet – Governmental Funds (continued)

For the Year Ended June 30, 2010

	Debt Service	Bond Construction	Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 4,159,244	\$ 1,349,912	\$ 32,052,560
Investments	3,995,569	48,146,931	-	54,547,337
Taxes receivable, net	76,053	-	-	1,885,388
Food services receivable	-	-	-	505,750
Due from other governments:				
PEIA allocation receivable	-	-	-	2,033,456
Reimbursements receivable	-	-	106,225	2,610,468
Total assets	<u>\$ 4,071,622</u>	<u>\$ 52,306,175</u>	<u>\$ 1,456,137</u>	<u>\$ 93,634,959</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Salaries payable and related payroll liabilities	\$ -	\$ -	\$ -	\$ 14,017,370
Accounts payable	-	57,300	875,389	2,904,481
OPEB liability	-	-	-	19,319,085
PEIA premiums payable	-	-	-	2,848,256
Deferred revenue	28,479	-	-	2,371,322
Total liabilities	<u>28,479</u>	<u>57,300</u>	<u>875,389</u>	<u>41,460,514</u>
Fund balances				
Reserved for:				
Encumbrances	-	3,773,964	6,511,825	12,582,687
Debt service	2,270,038	-	-	2,270,038
Capital projects	-	48,474,911	38,719	48,513,630
Unreserved:				
Undesignated	1,773,105	-	(5,969,796)	(11,191,910)
Total fund balances	<u>4,043,143</u>	<u>52,248,875</u>	<u>580,748</u>	<u>52,174,445</u>
Total liabilities and fund balances	<u>\$ 4,071,622</u>	<u>\$ 52,306,175</u>	<u>\$ 1,456,137</u>	<u>\$ 93,634,959</u>

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

For the Year Ended June 30, 2010

Net assets of governmental funds	\$ 52,174,445
Capital assets used in governmental activities are not financial resources and therefore are not in the funds, net of accumulated depreciation	122,099,551
Certain revenues are not available to fund current expenditures and therefore deferred in the governmental funds	
Property taxes receivable and food service receivable will not be collected but are not available soon enough to pay for current period's expenditures, and are therefore deferred in the funds	
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(195,355)
Accrued interest on bonds	-
Bonds payable	(67,045,000)
Capital leases	<u>(307,696)</u>
Net assets of governmental activities	<u>\$ 106,725,945</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 (continued)**

For the Year Ended June 30, 2010

	Debt Service	Bond Construction	Capital Projects	Total Governmental Funds
REVENUES				
Property taxes	\$ 4,023,349	\$ -	\$ -	\$ 65,229,570
Other local sources	6,106	53,016,802	-	57,352,414
State sources	-	-	5,493,502	85,939,848
Federal sources	-	-	-	25,825,895
Total revenues	<u>4,029,455</u>	<u>53,016,802</u>	<u>5,493,502</u>	<u>234,347,727</u>
EXPENDITURES				
Current				
Instruction	-	-	-	107,359,378
Supporting services:				
Students	-	-	-	9,153,371
Instructional staff	-	-	-	6,506,169
Central administration	-	-	-	2,187,214
School administration	-	-	-	9,700,256
Business	-	85,228	-	3,227,758
Operation and maintenance of facilities	-	-	357,836	16,123,827
Student transportation	-	-	-	17,024,565
Food services	-	-	-	10,256,060
Community services	-	-	-	837,574
Capital outlay	-	682,699	6,535,166	7,289,528
Debt service:				
Principal retirement	3,355,000	-	-	3,431,924
Interest and fiscal charges	853,684	-	-	853,684
Total expenditures	<u>4,208,684</u>	<u>767,927</u>	<u>6,893,002</u>	<u>193,951,308</u>
Excess (deficiency) of revenues over expenditures	<u>(179,229)</u>	<u>52,248,875</u>	<u>(1,399,500)</u>	<u>40,396,419</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	380,507	4,847,436
Transfers (out)	-	-	-	(4,847,436)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>380,507</u>	<u>-</u>
Net change in fund balances	(179,229)	52,248,875	(1,018,993)	40,396,419
Fund balances at beginning of year	4,222,372	-	1,599,741	11,778,026
Fund balances at end of year	<u>\$ 4,043,143</u>	<u>\$ 52,248,875</u>	<u>\$ 580,748</u>	<u>\$ 52,174,445</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, 2010

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

Net change in fund balances - total governmental funds	\$ 40,396,419
Governmental funds report capital outlays as expenditures. However, in the statement of net assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect on net assets is the amount by which capital outlays exceeds depreciation in the current period.	
Depreciation expense	(3,894,797)
Capital outlays	10,389,987
The repayment of the principal of long-term debt (e.g., bonds, leases) consumes the current financial resources of governmental funds. However, such repayment has no effect on net assets.	(48,068,076)
Differences in the cost and accumulated depreciation on disposed capital assets are reported as a loss and reduction in net assets in the statement of activities.	
Cost of assets disposed	(688,792)
Compensated absences are reported as liabilities in the statement of net assets, but are only reported in governmental funds to the extent they have matured. This is the amount by which compensated absences increased.	
Accrued vacation payable	<u>1,980</u>
Change in net assets of governmental activities	<u>\$ (1,863,279)</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, 2010

	Agency Funds		
	School Activity Funds	RESA VIII	Multi County Vocational
ASSETS			
Cash and cash equivalents	\$ 2,415,983	1,534,281	578,714
Total assets	\$ 2,415,983	\$ 1,534,281	\$ 578,714
LIABILITIES			
Due to other funds	\$ 2,415,983	\$ 1,534,281	\$ 578,714
Total liabilities	\$ 2,415,983	\$ 1,534,281	\$ 578,714

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, 2010

	Cash Balance <u>7/1/2009</u>	Revenues <u>Received</u>	Expenditures <u>Paid</u>	Cash Balance <u>6/30/2010</u>
High Schools:				
Hedgesville High School	\$ 366,001	\$ 463,649	\$ 474,291	\$ 355,359
Martinsburg High School	138,498	580,664	614,963	104,199
Musselman High School	<u>406,985</u>	<u>622,038</u>	<u>573,697</u>	<u>455,326</u>
Total high schools	911,484	1,666,351	1,662,951	914,884
Middle and Junior High Schools:				
Hedgesville Middle School	77,263	237,520	212,212	102,571
Musselman Middle School	256,000	286,943	252,713	290,231
North Middle School	42,975	106,201	126,605	22,570
South Middle School	103,343	177,561	177,036	103,868
Spring Mills Middle School	<u>111,675</u>	<u>174,075</u>	<u>153,392</u>	<u>132,358</u>
Total middle schools	591,256	982,300	921,958	651,598
Elementary Schools:				
Back Creek Valley Elementary School	11,627	33,076	37,542	7,161
Bedington Elecmentary School	21,405	71,966	73,012	20,360
Berkeley Heights Elementary School	51,808	109,781	121,567	40,022
Bunker Hill Elementary School	22,011	94,992	93,948	23,054
Burke Street Elementary School	23,999	37,861	35,864	25,996
Eagle School Intermediate School	17,802	124,303	127,088	15,017
Gerrardstown Elementary School	25,782	47,104	41,929	30,957
Hedgesville Elementary School	27,089	81,874	68,744	40,219
Inwood Primary School	9,536	32,714	38,689	3,561
Marlowe Elementary School	36,625	114,588	107,433	43,780
Mill Creek Intermediate School	46,161	147,302	146,122	47,341
Mountain Ridge Intermediate School	13,659	94,193	93,858	13,994
Opequon Elementary School	64,149	110,946	84,508	90,587
Orchard View Intermediate School	34,956	94,674	104,735	24,895
Potomack Intermediate School	99,105	205,619	189,243	115,482
Rosemont Elementary School	68,433	96,088	73,264	91,258
Tomahawk Elementary School	45,994	156,649	149,343	53,299
Tuscarora Elementary School	48,937	72,858	75,075	46,719
Valley View Elementary School	24,116	92,139	81,715	34,540
Winchester Avenue Elementary School	<u>73,053</u>	<u>164,997</u>	<u>156,790</u>	<u>81,259</u>
Total elementary schools	766,247	1,983,724	1,900,468	849,501
Total	<u>\$ 2,268,988</u>	<u>\$ 4,632,375</u>	<u>\$ 4,485,377</u>	<u>\$ 2,415,983</u>

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, 2010

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 30 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, 2010, 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.

Investments of the Board at June 30, 2010, consisted of the following:

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
State Investment Pool	\$ 2,412,848	\$ 2,412,848
Municipal Bond Commission	3,995,569	3,995,569
Certificate of Deposit	<u>48,138,920</u>	<u>48,138,920</u>
Total investments	<u>\$ 54,547,337</u>	<u>\$ 54,547,337</u>

Certificate of Deposit 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, 2010, the Board had \$3,995,569 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, 2010, 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 \$337,039 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.

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, 2010 was determined to be:

	<u>Total</u>	<u>Amount/ Policy Holder</u>
Total Annual Required Contribution	\$ 791,943,000	\$ 10,810.62
Pay as you go – Retiree Subsidy	(122,799,496)	(1,676.31)
Remaining ARC	<u>\$ 669,143,504</u>	<u>\$ 9,134.31</u>

The following summarizes the School Board's OPEB activity:

Total OPEB expense	\$ 17,609,857
Less:	
Pay as you go payments and other credits	<u>(605,652)</u>
2010 OPEB liability	<u>\$ 17,004,205</u>
Portion attributable to personnel funded through the PSSP	<u>\$ 13,948,290</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, 2010.

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

All funds had deficiencies in fund balances for year the year ended June 30, 2009 except the Debt Service Fund. Grant funds are available for the deficiencies in the special revenue fund, the capital projects fund and the special revenue ARRA fund. The deficiencies have no impact on the financial results of the funds.

The deficiency in the general fund is a direct result of recording the OPEB liability as a current liability. As previously noted, the Board does not intend to remit payments that are constitutionally required to be appropriated by the state. The deficiency should have little impact on the financial results of the fund.

NOTE 3. CHANGE IN ACCOUNTING POLICY

There were no changes in accounting policies for the year.

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, 2010, 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, 2010, were:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense	Excess Levy	Bond Purposes
Class I	\$ -	\$ 0.1940	\$ 0.2250	\$ 0.0303
Class II	\$ 3,272,704,554	\$ 0.3880	\$ 0.2250	\$ 0.0522
Class III	\$ 1,473,533,358	\$ 0.7760	\$ 0.2250	\$ 0.1044
Class IV	\$ 477,339,042	\$ 0.7760	\$ 0.2250	\$ 0.1044

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 distrain 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 1st of the year for which the assessment is made, and becomes delinquent on October 1st, and the second installment is payable on the first day of the following March and becomes delinquent on April 1st.

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, 2010. 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, 2010, 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 \$32,990,100 was received by the Board from the excess levy during the fiscal year ended June 30, 2010.

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010, is as follows:

	Totals June 30, 2009	Additions	Deletions	Totals June 30, 2010
Capital assets not being depreciated:				
Land	\$ 8,494,517	\$ 561,678	\$ -	\$ 9,056,195
Construction in process	<u>688,790</u>	<u>5,858,572</u>	<u>688,790</u>	<u>5,858,572</u>
Total capital assets not being depreciated	<u>9,183,307</u>	<u>6,420,250</u>	<u>688,790</u>	<u>14,914,767</u>
Capital assets being depreciated:				
Buildings and improvements	129,637,459	2,179,298	-	131,816,757
Furniture and equipment	3,907,979	182,134	-	4,090,113
Vehicles	<u>12,133,360</u>	<u>1,608,305</u>	<u>-</u>	<u>13,741,665</u>
Total capital assets being depreciated	<u>145,678,798</u>	<u>3,969,737</u>	<u>-</u>	<u>149,648,535</u>
Less accumulated depreciation for:				
Buildings and improvements	(30,889,016)	(2,667,067)	-	(33,556,083)
Furniture and equipment	(2,709,019)	(195,048)	-	(2,904,067)
Vehicles	<u>(5,170,919)</u>	<u>(1,032,662)</u>	<u>-</u>	<u>(6,203,581)</u>
Total accumulated depreciation	<u>(38,568,954)</u>	<u>(3,894,777)</u>	<u>-</u>	<u>(42,463,731)</u>
Total capital assets being depreciated, net	<u>107,109,844</u>	<u>74,960</u>	<u>-</u>	<u>107,184,804</u>
Capital assets, net	<u>\$ 116,293,151</u>	<u>\$ 6,495,210</u>	<u>\$ 688,790</u>	<u>\$ 122,099,571</u>

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

Instruction	\$ 2,414,774
Supporting services:	
Instructional staff	-
Central administration	77,896
School administration	-
Business	-
Operation and maintenance	311,584
Transportation	973,699
Food services	<u>116,844</u>
Total depreciation expense governmental activities	<u>\$ 3,894,797</u>

NOTE 8. LONG-TERM DEBT

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

Obligation	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year
General obligation debt	\$ 18,900,000	\$ 51,500,000	\$ 3,355,000	\$ 67,045,000	\$ 3,950,000
Capital lease payable	384,620	-	76,924	307,696	76,924
Compensated absences	197,335	-	1,980	195,355	-
Total	\$ 19,481,955	\$ 51,500,000	\$ 3,433,904	\$ 67,548,051	\$ 4,026,924

The Board's future debt service requirements for bonded debt at June 30, 2010:

FYE June 30	Interest Rate	Principal	Interest	Total
2011	5% and 3%	\$ 3,950,000	\$ 2,852,844	\$ 6,802,844
2012	5% and 3%	4,675,000	2,346,753	7,021,753
2013	5% and 2%	4,880,000	2,179,301	7,059,301
2014	5% and 4%	5,100,000	2,031,588	7,131,588
2015	5% and 2%	5,325,000	1,816,538	7,141,538
2016	5% and 2.5%	5,565,000	1,640,588	7,205,588
2017	5% and 4%	5,820,000	1,440,838	7,260,838
2018	4.000%	3,415,000	1,182,588	4,597,588
2019	4.000%	3,560,000	1,045,988	4,605,988
2020	4.000%	3,710,000	903,588	4,613,588
2021	3.250%	3,865,000	755,188	4,620,188
2022	3.375%	4,030,000	629,575	4,659,575
2023	3.500%	4,205,000	493,563	4,698,563
2024	4.000%	4,380,000	346,388	4,726,388
2025	3.750%	4,565,000	171,188	4,736,188
Total		\$ 67,045,000	\$ 19,836,516	\$ 86,881,516

General Obligation Bonds – General obligation bonds payable at June 30, 2010, 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, 2010, including interest payments are listed as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,315,000	364,250	2,679,250
2016 - 2017	<u>4,970,000</u>	<u>375,750</u>	<u>5,345,750</u>
Total	<u>\$ 15,545,000</u>	<u>\$ 3,129,818</u>	<u>\$ 18,674,818</u>

On February 17, 2010, the Board issued \$51,500,000 in general obligation bonds to provide funds for the improvements of existing facilities and the construction of new schools. The bonds mature in varying annual increments through May, 2025, and interest is payable semiannually at 2-4%. Payments on the general obligation bonds payable are made through the debt service fund.

Total annual debt service requirement for the 2010 bond debt, as of at June 30, 2010, including interest payment is:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	2,025,000	2,126,404	4,151,404
2012	2,660,000	1,703,088	4,363,088
2013	2,770,000	1,623,088	4,393,088
2014	2,890,000	1,567,888	4,457,888
2015	3,010,000	1,452,288	4,462,288
2016 - 2020	17,100,000	5,837,838	22,937,838
2021 - 2025	<u>21,045,000</u>	<u>2,395,900</u>	<u>23,440,900</u>
Total	<u>\$ 51,500,000</u>	<u>\$ 16,706,692</u>	<u>\$ 68,206,692</u>

Total bonded indebtedness at July 1, 2009	\$ 8,900,000
Issuances	51,500,000
Maturities	<u>(3,355,000)</u>
Total Bonded Indebtedness June 30, 2010	<u>\$ 67,045,000</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, 2010, were \$512,449.

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, 2010:

Future minimum payments:

<u>Year Ending</u>	<u>Amount</u>
2011	76,924
2012	76,924
2013	76,924
2014	76,924
Total minimum lease payments	<u>\$ 307,696</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, 2010, the Board's total payroll for all employees was \$100,225,851 and the payroll was \$90,233,353 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 Benefit 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% 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% or 100% 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% 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 2010 Actuarial Valuation Report of the Teachers' Retirement System, the plan's Unfunded Actuarial Accrued Liability (UAAL) was \$5.1 billion as of July 1, 2009.

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% of their gross compensation and the Board of Education contributes 15% of the covered member's gross compensation to the retirement plan, for a total of 21% 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% 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, 2010, and the two previous years are as follows:

	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/08</u>
Required Contributions	\$ 487,886,000	\$ 404,547,000	\$ 345,412,000
As a Percent of Current Year Covered Payroll	29.57%	25.89%	23.30%

Total payments reflected in the Board's financial statements to the defined benefit plan for fiscal year 2010 were:

Employees' contributions (6%)	\$ 4,457,892
Employer's contributions (15% or 7.5%)	<u>7,277,952</u>
Total contributions	<u>\$ 11,735,844</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, 2008, members of the Defined Contribution Plan who elected to transfer to the Defined Benefit Plan, as prescribed by HB 101 passed during the 2008 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% after 12 years. The member is fully vested at death or disability. As of June 30, 2009, this plan had approximately \$222 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% of their gross salary and the Board of Education contributes 7.5% of the covered member's gross compensation to the retirement plan, for 12% annually.

Total payments reflected in the Board's financial statements to the Defined Contribution Plan for the year ended June 30, 2010, were:

Employees' contributions (4.5%)	\$ 717,082
Employer's contributions (7.5%)	<u>1,195,137</u>
Total contributions	<u>\$ 1,912,219</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. The Board is also a party in the case previously mentioned regarding the allocation of funds and the determination of the OPEB liability. The outcome of that case, or future actions by the state legislature, could have a significant impact on the financial position of the Board. While it is not possible to determine the ultimate outcome of any other lawsuit 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. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

The school Building Authority of West Virginia has awarded two construction grants for a new high school in the northern end of the county that provides \$25 million in construction funds that will be matched with proceeds from the February, 2010 issuance of bonds. An additional \$20 million is expected in funds from the SBA toward the cost of the other three projects that were included in the bond election call. The total funding between bond proceeds and the SBA would be \$96.5 million. Two of the four projects included in the bond call have not been started as on June 30, 2010.

NOTE 13. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2010 is as follows:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	380,507
Special Revenue	General Fund	3,745,000
General Fund	Special Revenue	443,372
Special Revenue ARRA	General Fund	123,000
Intrafund Transfers		<u>155,557</u>
Total		4,847,436

Interfund Transfers

Transfers were for the following reasons:

1. \$3,745,000 from General Fund to Food Service project.
2. \$443,372 from Special Revenue for indirect costs.
3. \$380,507 for new Elementary school.
4. \$123,000 for Opequon Elementary roof.
5. \$155,557 was intrafund transfers.

NOTE 14. 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, 2010

REVENUES	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
Property taxes	\$ 61,390,811	\$ 61,390,811	\$ 61,206,221	\$ (184,590)
Other Local sources	1,975,000	2,421,560	2,428,297	6,737
State sources	79,273,577	76,140,834	76,115,431	(25,403)
Federal sources	1,685,000	3,385,000	3,083,261	(301,739)
Total revenues	144,324,388	143,338,205	142,833,210	(504,995)
EXPENDITURES				
Current				
Instruction	87,366,169	83,661,352	91,552,514	(7,891,162)
Supporting services:			-	
Students	5,550,420	7,637,628	7,437,844	199,784
Instructional staff	4,152,060	4,067,102	3,982,087	85,015
Central administration	2,197,500	2,478,495	2,169,905	308,590
School administration	8,593,650	8,666,650	9,688,138	(1,021,488)
Business	3,475,930	3,686,165	3,142,072	544,093
Operation and maintenance of facilities	13,994,388	16,581,734	15,411,453	1,170,281
Student transportation	13,803,830	13,756,254	14,301,915	(545,661)
Food Services	1,200	4,200	1,145,587	(1,141,387)
Community services	815,000	815,000	837,574	(22,574)
Debt Service	76,930	76,930	76,924	6
Capital Outlay	1,752,311	1,450,264	71,663	1,378,601
Reserves	2,000,000	2,248,556	-	2,248,556
Total expenditures	143,779,388	145,130,330	149,817,676	(4,687,346)
Excess (deficiency) of revenues over expenditures	545,000	(1,792,125)	(6,984,466)	(5,192,341)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	150,000	443,371	293,371
Transfers (out)	(3,545,000)	(4,250,507)	(4,248,506)	2,001
Total other financing sources (uses)	(3,545,000)	(4,100,507)	(3,805,135)	295,372
Net change in fund balance	(3,000,000)	(5,892,632)	(10,789,601)	(4,896,969)
Fund balance at beginning of year	3,000,000	5,892,632	5,892,632	-
Fund balance at end of year	\$ -	\$ -	\$ (4,896,969)	\$ (4,896,969)

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, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable
	Original	Final		(Unfavorable)
REVENUES				
Local sources	\$ 2,270,865	\$ 2,588,349	\$ 1,901,209	\$ (687,140)
State sources	3,919,375	4,607,098	4,330,915	(276,183)
Federal sources	10,498,000	13,235,529	12,430,515	(805,014)
Total revenues	16,688,240	20,430,976	18,662,639	(1,768,337)
EXPENDITURES				
Current				
Instruction	7,169,720	9,239,783	7,949,121	1,290,662
Supporting services:				
Students	590,330	1,312,413	1,249,212	63,201
Instructional staff	238,286	2,684,539	2,264,988	419,551
School administration	12,000	12,600	12,118	482
Central administration	229,690	17,442	17,309	133
Business	-	1,000	458	542
Operation and maintenance of facilities	-	192,352	114,188	78,164
Student transportation	1,343,005	1,358,376	1,392,485	(34,109)
Food services	9,027,000	9,106,958	9,104,100	2,858
Community services	-	-	-	-
Reserves	1,708,209	-	-	-
Total expenditures	20,318,240	23,925,463	22,103,979	1,821,484
Excess (deficiency) of revenues over expenditures	(3,630,000)	(3,494,487)	(3,441,340)	53,147
OTHER FINANCING SOURCES (USES)				
Transfers in	3,630,000	3,742,292	3,900,558	158,266
Transfers (out)	-	(311,086)	(372,851)	(61,765)
Total other financing sources (uses)	3,630,000	3,431,206	3,527,707	96,501
Net change in fund balance	-	(63,281)	86,367	149,648
Fund balance at beginning of year	-	63,281	63,281	375,180
Fund balances at end of year	\$ -	\$ -	\$ 149,648	\$ 149,648

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Budgetary Comparison Schedule – Special Revenue (ARRA) Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUE				
Federal sources	\$ 11,873,229	\$ 11,873,229	\$ 10,312,119	\$ 1,561,110
Total revenues	11,873,229	11,873,229	10,312,119	1,561,110
EXPENDITURES				
Current				
Instruction	9,068,522	9,068,522	7,857,743	1,210,779
Supporting services:				
Students	749,541	749,541	466,315	283,226
Instructional staff	396,721	396,721	259,094	137,627
Operation and maintenance of facilities	492,000	492,000	240,350	251,650
Student transportation	1,201,000	1,201,000	1,330,165	(129,165)
Food services	6,373	6,373	6,373	-
Total expenditures	11,914,157	11,914,157	10,160,040	1,754,117
Excess (deficiency) of revenues over expenditures	(40,928)	(40,928)	152,079	(193,007)
OTHER FINANCING SOURCES (USES)				
Transfers in	123,000	123,000	123,000	-
Transfers (out)	(82,072)	(82,072)	(226,079)	(144,007)
Total other financing sources (uses)	40,928	40,928	(103,079)	(144,007)
Net change in fund balance	-	-	49,000	49,000
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ 49,000	\$ 49,000

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Budgetary Comparison Schedule – Debt Service Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable
	Original	Final		(Unfavorable)
REVENUES				
Taxes	\$ 3,626,920	\$ 3,626,920	\$ 4,023,349	\$ 396,429
Interest on investment	-	-	6,106	6,106
Miscellaneous sources	-	-	-	-
Total revenues	<u>3,626,920</u>	<u>3,626,920</u>	<u>4,029,455</u>	<u>402,535</u>
EXPENDITURES				
Debt service:				
Principal retirement	3,355,000	5,355,000	3,355,000	2,000,000
Interest and fiscal charges	<u>849,684</u>	<u>2,107,101</u>	<u>853,684</u>	<u>1,253,417</u>
Total expenditures	<u>4,204,684</u>	<u>7,462,101</u>	<u>4,208,684</u>	<u>3,253,417</u>
Excess (deficiency) of revenues over expenditures	<u>(577,764)</u>	<u>(3,835,181)</u>	<u>(179,229)</u>	<u>3,655,952</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	(964,955)	-	964,955
Total other financing sources (uses)	-	(964,955)	-	964,955
Net change in fund balance	(577,764)	(4,800,136)	(179,229)	4,620,907
Fund balance at beginning of year	<u>577,764</u>	<u>4,800,136</u>	<u>4,222,372</u>	<u>(577,764)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,043,143</u>	<u>\$ 4,043,143</u>

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Budgetary Comparison Schedule – Capital Projects Bond
Construction Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable
	Original	Final		(Unfavorable)
REVENUES				
Other local sources	\$ 52,862,011	\$ 52,862,011	\$ 53,016,802	\$ 154,791
State sources	-	-	-	-
Total revenues	<u>52,862,011</u>	<u>52,862,011</u>	<u>53,016,802</u>	<u>154,791</u>
EXPENDITURES				
Capital outlay	52,777,000	52,777,000	682,699	52,094,301
Business	<u>85,011</u>	<u>85,011</u>	<u>85,228</u>	<u>(217)</u>
Total expenditures	<u>52,862,011</u>	<u>52,862,011</u>	<u>767,927</u>	<u>52,094,084</u>
Excess (deficiency) of revenues over expenditures	-	-	52,248,875	52,248,875
Change in fund balances	-	-	52,248,875	52,248,875
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,248,875</u>	<u>\$ 52,248,875</u>

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Budgetary Comparison Schedule – Capital Projects Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Other local sources	\$ 12,008,731	\$ 12,008,731	\$ 5,493,502	\$ (6,515,229)
Total revenues	12,008,731	12,008,731	5,493,502	(6,515,229)
EXPENDITURES				
Capital outlay	13,591,040	13,591,040	6,535,166	7,055,874
Current				
Operation and maintenance of facilities	397,939	397,939	-	397,939
Total expenditures	13,988,979	13,988,979	6,535,166	7,453,813
Excess (deficiency) of revenues over expenditures	(1,980,248)	(1,980,248)	(1,041,664)	938,584
OTHER FINANCING SOURCES (USES)				
Transfers in	380,507	380,507	380,507	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	380,507	380,507	380,507	-
Net change in fund balance	(1,599,741)	(1,599,741)	(661,157)	938,584
Fund balance at beginning of year	1,599,741	1,599,741	1,599,741	-
Fund balance at end of year	\$ -	\$ -	\$ 580,748	\$ 580,748

OTHER SUPPLEMENTARY INFORMATION

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through ID 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	C320798 C335844 C330783 C336411 C317229 C317980	\$ 3,428,064
Special Education -- Grants to States ARRA	84.391	C320612	3,517,457
Special Education -- Preschool Grants	84.173	C320862 C335830	52,883
Special Education -- Preschool Grants ARRA	84.392	C320961	136,109
Adult Education -- Basic Grants to States	84.002	C321837 C321916 C299828 C299950	62,217
Title I Grants to Local Educational Agencies	84.010	C322690 C329868 C301238 C314093 C300022	3,609,125
Title I Grants to Local Educational Agencies, ARRA	84.389	C318792	1,856,443
Vocational Education -- Basic Grants	84.048	C320059 C299357	167,720
Safe and Drug-Free Schools and Communities	84.186	C325682 C302828	160,730
Education for Homeless Children and Youth	84.196	C324975 C308648	10,259
Tech-Prep Education	84.243	C323343 C299805	82,736
Education Technology State Grants, ARRA	84.386	C326210	46,401
Title III -- English Language Acquisition Grants	84.365	C333372 C336499 C323947 C304590	72,109
Title III -- English Language Acquisition Grants	84.367	C330526 C282080 C309094	1,069,894
Data Collection	84.373	C330141	5,040
School Improvement Grants	84.377	C314072	84,854
Fiscal Stabilization	84.394	N/A	4,580,733
Total U.S. Department of Education			<u>18,942,774</u>
U.S. Department of Agriculture:			
Passed-Through West Virginia Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	3,528,257
Summer Food Service Program for Children	10.559	N/A	24,163
Fresh Fruit and Vegetable Program	10.582	C320121 C318592 C304723	14,715
Donated Food U S Department of Agriculture	10.550	N/A	435,746
Total U.S. Department of Agriculture			<u>4,002,881</u>
Total Federal Expenditures			<u>\$ 22,945,655</u>

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

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.

NOTE 2: NON-CASH ASSISTANCE

Berkeley County Board of Education's non-cash assistance received from the U.S. Department of Agriculture Donated Foods Program of \$435,746 is included in the Schedule of Federal Expenditures of Federal Awards based upon the fair market value of the commodities at the time of receipt and discloses the amount distributed for the year ended June 30, 2010

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

Teed & Associates, PLLC

Certified Public Accountants

Established 1992

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Member, West Virginia 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 Regional Berkeley County Board of Education (Board), as of and for the year ended June 30, 2010, and have issued our report thereon dated March 11, 2011. 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 deficiency in internal control 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 and correct misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

The Honorable Members of the
Berkeley County Board of Education
Martinsburg, West Virginia
Page 2

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses over financial reporting, as defined above.

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 Advisory Council, management, Board, and other federal and state oversight 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
March 11, 2011

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 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, 2010. 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 RESA's compliance with those requirements.

The Honorable Members of the
Berkeley County Board of Education
Charleston, West Virginia
Page 2

In our opinion, the RESA 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, 2010.

Internal Control Over Compliance

Management of the RESA 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 RESA'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 RESA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that a material noncompliance requirement with type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined 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
March 11, 2011

BERKELEY COUNTY BOARD OF EDUCATION, WEST VIRGINIA

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2010

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)	Name of Federal Program or Cluster
84.373 84.365 84.367	Title III
84.027 84.391 84.173 81.392	Special Education Cluster
84.394	State Fiscal Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B Program: \$ 688,670

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, 2010

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.

**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

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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.

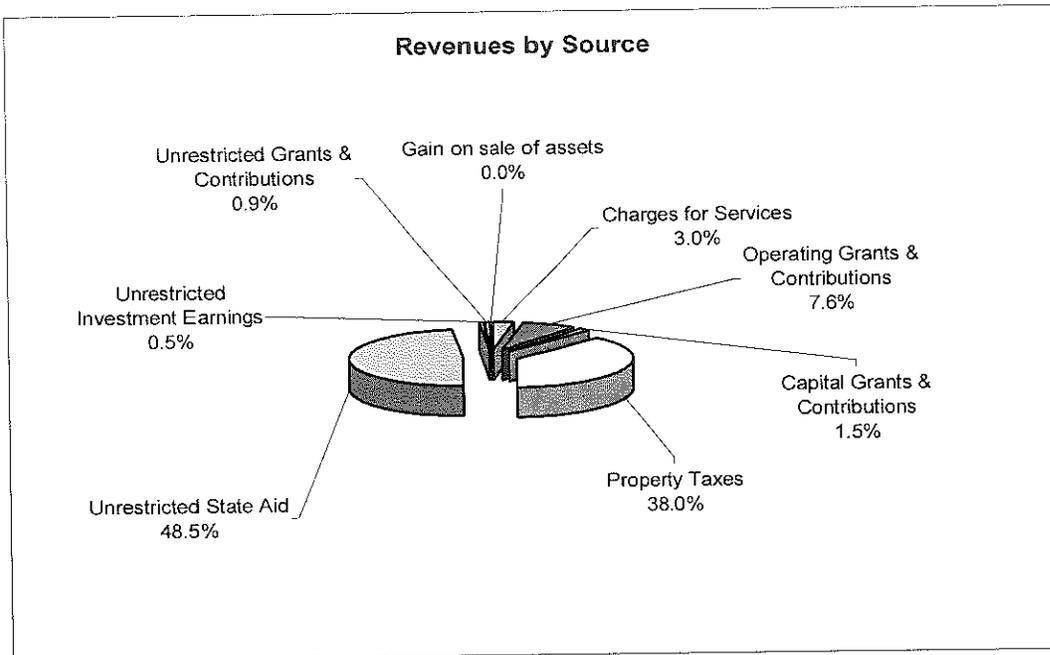
- An additional portion of the Board's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for repayment of debt.

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.

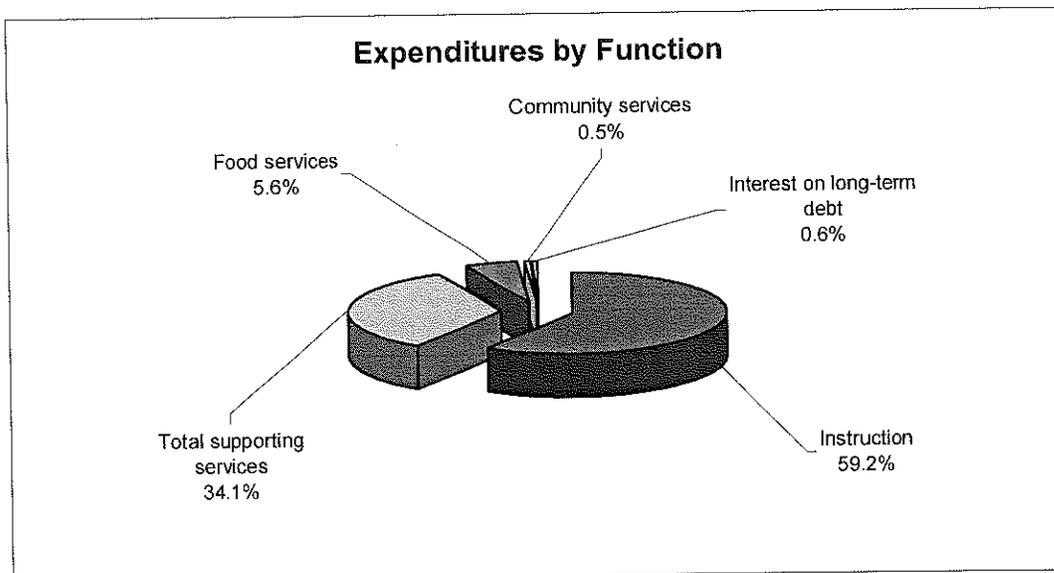
The Board's net assets increased by \$564 thousand during the current year. The following discussion and analysis on governmental activities focuses on this increase:

	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	<u>14,323,193</u>	<u>13,635,122</u>
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
Construction 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

<u>Office</u>	<u>Elective</u>	<u>Term</u>
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

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

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 1982

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

	<u>Governmental Activities</u>
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	<u>107,798,634</u>
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	<u>15,852,696</u>
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	<u>8,301,809</u>
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

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<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	<u>966,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(966,090)</u>
 Total governmental activities	 <u>\$ 166,355,829</u>	 <u>\$ 5,079,598</u>	 <u>\$ 13,005,934</u>	 <u>\$ 2,598,624</u>	 <u>(145,671,673)</u>
 General revenues:					
					64,854,210
					82,748,974
					775,262
					1,555,435
					<u>53,263</u>
					<u>149,987,144</u>
					4,315,471
					<u>104,394,578</u>
					<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

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
ASSETS:					
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
Total assets	\$ 25,736,451	\$ 2,244,710	\$ 4,281,669	\$ 1,936,104	\$ 34,198,934
LIABILITIES:					
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
Total liabilities	19,843,819	2,181,429	59,297	336,363	22,420,908
FUND BALANCES:					
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
Total fund balances	\$ 5,892,632	\$ 63,281	\$ 4,222,372	\$ 1,599,741	\$ 11,778,026

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
REVENUES:					
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>
EXPENDITURES:					
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>
ASSETS:			
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>
LIABILITIES:			
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 <u>Cash Balance</u>	Revenues <u>Received</u>	Expenditures <u>Paid</u>	Ending <u>Cash Balance</u>
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
Total	<u>\$ 2,030,541</u>	<u>\$ 4,859,117</u>	<u>\$ 4,689,343</u>	<u>\$ 2,200,315</u>

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:

Assets	Straight-line Years
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 cents 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 1st of the year for which the assessment is made, and becomes delinquent on October 1st, and the second installment is payable on the first day of the following March and becomes delinquent on April 1st.

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:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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:

Purpose	Amount
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	<u>2,230,000</u>	<u>2,230,000</u>	<u>2,909,348</u>	<u>679,348</u>
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	<u>2,000,000</u>	<u>2,311,960</u>	<u>-</u>	<u>2,311,960</u>
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)	<u>(3,225,000)</u>	<u>(4,357,630)</u>	<u>(4,232,630)</u>	<u>125,000</u>
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	16,478,472	20,724,637	18,659,566	(2,065,071)
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	3,537,149	222,972	-	222,972
Total expenditures	19,703,472	24,183,278	21,974,006	2,209,272
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)	-	(252,180)	(211,574)	40,606
Total other financing sources	3,225,000	3,293,390	3,333,996	40,606
Change in fund balance	-	(165,251)	19,556	184,807
Fund balance at beginning of year	-	165,251	43,725	(121,526)
Fund balance at end of year	\$ -	\$ -	\$ 63,281	\$ 63,281

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**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Property Taxes	\$ 4,172,090	\$ 4,172,090	\$ 4,465,997	\$ 293,907
Interest	<u>-</u>	<u>-</u>	<u>60,005</u>	<u>60,005</u>
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)	<u>-</u>	<u>(956,309)</u>	<u>-</u>	<u>956,309</u>
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	<u>-</u>	<u>3,872,460</u>	<u>3,872,460</u>	<u>-</u>
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	13,715,639	2,111,898	11,603,741
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	(2,112,106)	(430,196)	1,681,910
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	(1,222,306)	377,435	1,599,741
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

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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.

The Honorable Members of the
Berkeley County Board of Education
Martinsburg, West Virginia
Page 2

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

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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.

The Honorable Members of the
Berkeley County Board of Education
Charleston, West Virginia
Page 2

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)	Name of Federal Program or Cluster
84.027	Special Education – Grants to States
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	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)

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	81,087	1,799,411	287,803,914
2003	84,804	1,802,238	290,326,418
2004	88,604	1,803,302	293,045,739
2005	92,513	1,803,920	295,045,739
2006	96,819	1,807,237	298,593,212
2007	99,768	1,811,198	301,579,895
2008	102,336	1,814,873	304,374,849
2009	103,854	1,819,777	307,006,550
2010	104,169	1,852,994	308,745,538

Source: U.S. Census Bureau

Economy

The ten (10) largest employers as of Spring 2011 in the County are:

1. Berkeley County Board of Education
2. Quad/Graphics, Inc.
3. Enterprise Computing Center
4. WVU Hospital East
5. Bureau of Alcohol Tobacco & Firearms
6. U.S. Coast Guard Operations Center
7. Regional Education Service Agency VIII
8. Fedex Smartpost
9. Orgill, Inc.
10. U.S. Coast Guard National Marine Center

Source: Berkeley County Development Authority at www.developmentauthority.com

Average Annual Unemployment Rates (%)

Year	Berkeley County	West Virginia
2004	4.2	5.3
2005	3.8	4.9
2006	3.8	4.5
2007	3.7	4.2
2008	4.6	4.2
2009	8.5	7.7
2010	9.5	9.1

Year	Berkeley County	West Virginia
2011 (Oct.)	7.8	7.3

Source: WORKFORCE West Virginia; U.S. Department of Commerce, Bureau of Economic Analysis

Average Employment by Industry

Industry	2007	2008	2009	2010
Natural Resources & Mining	247	264	239	227
Construction	1,615	1,551	1,194	914
Manufacturing	2,413	1,893	1,446	1,366
Trade, Transportation & Utilities	5,654	5,571	5,295	5,354
Information	1,636	1,525	1,351	1,336
Financial Activities	1,070	1,043	1,016	975
Professional & Business Services	2,857	2,740	2,530	2,399
Education & Health Services	3,468	3,554	3,663	3,734
Leisure and Hospitality	2,888	2,864	2,843	2,879
Other Services	630	631	570	565
Government	7,470	8,012	8,294	8,479
TOTAL	29,956	29,649	28,440	28,228

Source: WORKFORCE West Virginia

Average Employment and Average Weekly Wage

	Average Employment		Average Weekly Wage	
	2007	2010	2007	2010
Berkeley County	29,956	28,228	687.90	743.19
West Virginia	708,313	692,305	653.87	725.04

Source: WORKFORCE West Virginia

Per Capita Personal Income

County	2000	2006	2009	2009 Rank in State
United States	\$30,318	\$39,461	\$39,635	---
West Virginia	\$22,174	\$28,697	\$32,080	---
Berkeley County	\$23,724	\$28,470	\$30,059	23

Source: U.S. Bureau of Economic Analysis

Wages Per Industry (2010) (\$)

Industry	Total Wages	Average Weekly Wage
Natural Resources & Mining	5,043,694	427.29
Construction	36,040,426	758.31
Manufacturing	58,475,748	823.23
Trade, Transportation & Utilities	150,024,393	538.87
Information	55,098,032	793.10
Financial Activities	35,990,170	709.87
Professional & Business Services	97,122,294	778.54
Education & Health Services	137,557,457	708.44
Leisure and Hospitality	40,265,472	268.96
Other Services	14,149,655	481.62
Government	461,079,540	1,045.75
TOTAL	1,090,894,589	743.19

Source: WORKFORCE West Virginia

Total Wages (\$)

Year	Berkeley County	West Virginia
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
2009	1,105,000,640	25,528,702,813
2010	1,090,894,589	26,100,976,332

Source: WORKFORCE West Virginia

Community Data

Education Facilities	
Elementary	21
Middle or Jr. High	5
High Schools	3
Vocational Schools	1
Colleges (within 50 miles):	3
Shepherd University	
Mountain State University – Martinsburg	
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 (boating/rafting)	1
Museums/Art Galleries	5
Golf Courses – Private/Public	5/0
National Forests	1
National Park & Recreational Areas	0
Amphitheatres/Performing Arts Centers	2
Pro/Semi-pro Sports Teams	0
Regional Shopping Centers/Malls/outlets within 25 miles	3
Major Private Recreation/Resort Areas	1
Civic/Convention Centers	2

Medical	
Hospitals	1
Beds	241
Doctors	150
Dentists	37
Licensed Nursing Homes	3
Beds	207

Transportation	
Highways:	
Interstates	I-81, I-70
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, Berkeley County Development Authority, except as otherwise noted.

PROPOSED FORM OF LEGAL OPINION

Approving Opinion of Bond Counsel

February 9, 2012

\$11,570,000
The Board of Education of
The County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012

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

Crews & Associates, Inc.
Little Rock, Arkansas

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by The Board of Education of The County of Berkeley (the "Issuer") of its \$11,570,000 in aggregate principal amount of Public School Refunding Bonds, Series 2012 (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 13, Article 2 of the West Virginia Code of 1931, as amended (the "Refunding Act") and a Resolution and Order duly adopted by the Issuer on January 23, 2012 (the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Bonds are issued in fully registered form, are dated February 9, 2012, upon original issuance, are represented by a single bond for each maturity, numbered R-1 to R-5, inclusive, with interest payable on each May 1 and November 1, commencing May 1, 2012, and principal installments payable each May 1, commencing May 1, 2012, and continuing until the maturity thereof, being May 1, 2017.

The Resolution provides that the issue is for the purposes of providing funds, together with other moneys of the Issuer currently on deposit with the West Virginia Municipal Bond Commission (the "Bond Commission"), to pay costs necessary to currently refund all of the Issuer's Outstanding Public School Bonds, Series 2002, dated February 1, 2002 (the "Prior Bonds"), originally issued in the aggregate principal amount of \$27,800,000, of which \$13,620,000 is presently outstanding, and to pay costs of issuance of the Bonds and other costs in connection with such refunding. Issuance of the Prior Bonds was approved by the voters of the Berkeley County School District (the "District") at an election held in the District on September 29, 2001, for the purpose of financing costs of improving, constructing, erecting, renovating, furnishing and equipping certain new and existing school facilities in the District.

The Bonds have been sold to Crews & Associates, Inc., Little Rock, Arkansas (the "Purchaser") pursuant to a Bond Purchase Agreement dated January 26, 2012, by and between the Issuer and the Purchaser (the "Bond Purchase Agreement").

The Issuer has outstanding its Public School Bonds, Series 2010, dated February 17, 2010, issued in the original aggregate principal amount of \$51,500,000 (the "Series 2010 Bonds"). The Series 2010 Bonds are on a parity with respect to sources of and security for payment with the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Resolution, the Bond Purchase Agreement and the Escrow Agreement, dated February 9, 2012, by and between the Issuer and the Bond Commission (the "Escrow Agreement") and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants of the Issuer contained in the Resolution, the Escrow Agreement and the Tax and Non-Arbitrage Certificate of the Issuer dated the date hereof (the "Tax Certificate") and in certain other certificates delivered in connection herewith and the covenants of the Bond Commission contained in the Escrow Agreement, we are of the opinion, under existing law, that:

1. The Issuer is a duly organized and validly existing statutory corporation charged with the supervision and control of the District, which is a validly existing political subdivision of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Escrow Agreement and the Bond Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Bonds, all under the provisions of the Refunding Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Escrow Agreement and the Bond Purchase Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Bond Purchase Agreement. The Resolution is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Escrow Agreement and the Bond Purchase Agreement constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable general obligations of the Issuer, the principal of and interest on which, unless paid from other sources, are payable from ad valorem taxes levied upon all taxable property within the District, without limitation as to rate or amount, on a parity with the Series 2010 Bonds.

4. 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 (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, and the regulations promulgated thereunder, as amended (the "Code"), and such interest will not be treated as a preference item in calculating the alternative minimum tax that may be imposed under the Code upon individuals and corporations. Under the Code, however, interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Resolution and the Tax Certificate. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. Except as set forth in paragraph 5 below, we express no opinion regarding other tax consequences arising with respect to the Bonds.

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

6. The Prior Bonds have been paid within the meaning and with the effect expressed in the Refunding Act, and the covenants, agreements and other obligations of the Issuer to the holders and owners of such Prior Bonds have been satisfied and discharged.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the liens, pledges, rights or remedies with respect to the Bonds, the Resolution, the Escrow Agreement and the Bond Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their 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

BOOK-ENTRY ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

5. 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. Beneficial Owners of Securities may wish to take certain steps to augment the

transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

**ELECTED OFFICIALS OF THE BOARD
APPOINTED OFFICIALS OF THE BOARD**

Berkeley County Board of Education Members

DR. WILLIAM QUEEN, PRESIDENT has been a full-time practicing restorative dentist in Martinsburg for the past 27 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 last 36 years and is a native of West Virginia.

RICHARD PILL, ESQUIRE, 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 2 years. He is a member of Harmony United Methodist Church, and he is an avid member of the Mountaineer Athletic Club.

TODD BECKWITH, MEMBER is a 1970 West Virginia University graduate (B.A., Mathematics). He is employed as Senior Vice President with City National Bank. He has served as past president of the Berkeley County Board of Education. Mr. Beckwith is also the Chair of the James Rumsey Technical Institute Administrative Council. Mr. Beckwith is an active member of the United Way and Chamber of Commerce and the Eastern Panhandle WVU Alumni Chapter. He is a member of First Baptist Church.

DR. DARIN GILPIN, MEMBER, a Berkeley County native received a bachelor's degree in Animal Science from West Virginia University and a doctorate in veterinary medicine from The Ohio State University, College of Veterinary Medicine. He is vice president of Shenandoah Veterinary Hospital in Martinsburg. Active in the community, Dr. Gilpin is serving as a member and past president of Sunrise Rotary Club, served on the board of the Martinsburg-Berkeley County Chamber of Commerce and on the Eastern Panhandle Board of Directors for the Boys and Girls Club. He has had the honor of serving as the moderator at the American Veterinary Medical Association Leadership Conference. He is a past Board Member and immediate past president of the West Virginia Veterinary Medical Association, a member of the West Virginia Veterinary Medical Association, The American Animal Hospital Association, WVU Eastern Panhandle Alumni Association and is currently serving on the WVU National Alumni Association Board of Directors.

RON GRAY, MEMBER is a graduate of Martinsburg High School and Shepherd University. He is retired from Berkeley County Schools as a teacher/coach. He is a member of the Martinsburg-Berkeley County Parks and Recreation Board. He is of the Baptist faith. Mr. Gray resides in Falling Waters, West Virginia.

Berkeley County Schools Central Office Administrators

MANUEL P. ARVON, II, SUPERINTENDENT is a graduate of Shephard College where he earned his BS in Education in 1973 and of West Virginia University where he earned his Master in Education in 1979. He has served as Superintendent since 1997.

DON DELLINGER, DEPUTY SUPERINTENDENT is a graduate from West Virginia University where he earned his BS in Secondary Education in 1977 and his MA in Education Administration in 1984. He has served as Deputy Superintendent of Instruction since July 2011.

DR. KIM HOUGH, ASSISTANT SUPERINTENDENT is a graduate of West Virginia University where she earned her BS in Secondary Education in 1992, a graduate of Marshall University where she earned her MA in Education Administration in 1998 and a graduate of George Washington University where she earned her

Doctors of Education Administration and Policy in 2011. She has served as Assistant Superintendent of Resources since July 2011.

JAMES V. BUTTS, JR., TREASURER/CHIEF BUSINESS OFFICER is a graduate of Shepherd College where he earned his BS in Accounting and Information Systems in 1989. He is a Certified Public Accountant and has been Treasurer and Chief Business Officer since July 2011.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Agreement") dated as of February 9, 2012, is by and between the Board of Education of the County of Berkeley (the "Board") and United Bank, Inc., as Disclosure Agent (the "Disclosure Agent"), in connection with the issuance of the \$11,570,000 The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012 (the "Series 2012 Bonds"). Capitalized terms used in this Agreement shall have the respective meanings specified above, in Section 2 hereof or in the Resolution adopted by the Board on January 23, 2012, authorizing issuance of the Series 2012 Bonds (the "Resolution"). The Board agrees as follows:

SECTION 1. Purpose of Agreement. This Agreement is being executed and delivered by the Board and the Disclosure Agent for the benefit of the holders and beneficial owners of the Series 2012 Bonds and in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

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

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Board, provided at least annually, of the type included in those sections of the final official statement with respect to the Series 2012 Bonds in Appendix A entitled "Audit Report of Berkeley County Board of Education for Fiscal Year Ended June 30, 2010," which Annual Financial Information shall include Audited Financial Statements if available on the due date set forth herein, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Board's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants or the West Virginia Auditor's Office.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2012 Bonds (including persons holding Series 2012 Bonds through nominees, depositories or other intermediaries).

"Bond Purchase Agreement" shall mean the Bond Purchase Agreement dated January 26, 2012, entered into between Crews & Associates, Inc. (the "Underwriter"), and the Board, by which the Underwriter agreed to purchase the Series 2012 Bonds from the Board upon the terms set forth therein.

"Disclosure Agent" shall initially mean United Bank, Inc. and any later appointed Disclosure Agent or any successor Disclosure Agent designated in writing by the Board and which has filed with the Board a written acceptance of such designation.

"Disclosure Representative" shall mean the Treasurer of the Board.

"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.

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

"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.

“Participating Underwriter” shall mean the original underwriter of the Series 2012 Bonds who is required to comply with the Rule in connection with offering of the Series 2012 Bonds.

“Repository” shall mean each National Repository.

“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.

“Series 2012 Bonds” shall mean the \$11,570,000 The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012.

“State” shall mean the State of West Virginia.

SECTION 3. Provision of Annual Reports.

(a) The Board shall, or shall cause the Disclosure Agent to, not later than 270 days after the end of the Board’s fiscal years (presently June 30), commencing with the reports for the Fiscal Year ending June 30, 2011 (FY 2011), provide to each Repository: Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Agreement. The Annual Financial Information and Audited Financial Statements 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 Agreement. The Board shall provide the Disclosure Agent with a copy of each report filed under this Agreement. If the Board’s fiscal year changes, the Board shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to said date, the Board shall provide the Annual Financial Information and Audited Financial Statements to the Disclosure Agent. If the Board is unable to provide to the Repositories the Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Board shall, or shall cause the Disclosure Agent to, send a notice to the Repositories, in substantially the form attached as Exhibit A.

(c) The Disclosure Agent shall file a report with the Board certifying that the Annual Financial Information and Audited Financial Statements have been provided to EMMA pursuant to the Agreement and the date provided.

(d) All documents provided to EMMA shall be provided in a searchable, electronic format and shall be accompanied by identifying information as prescribed by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

SECTION 4. Content of Annual Financial Information and Audited Financial Statements. Within two hundred seventy (270) days of the Board’s fiscal year end, the Board or Disclosure Agent on its behalf shall submit to EMMA information and data of the Board for the prior fiscal year, including the Audited Financial Statements, prepared in accordance with generally accepted accounting principles in effect from time to time.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Board or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Board shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Board shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Series 2012 Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2012 Bonds, or other material events affecting the tax status of the Series 2012 Bonds;
7. modifications to rights of security holders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Series 2012 Bond, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership, or similar event of the Board³;
13. the consummation of a merger, consolidation or acquisition involving the Board, or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its term, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Disclosure 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,

³ For the purposes of the event identified in Section 5(a)(12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

and request that the Board promptly notify the Disclosure Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Board obtains knowledge of the occurrence of a Listed Event, classified under Section 5(a) (2), (7), (8), (10), (13) or (14), because of a notice from the Disclosure Agent pursuant to subsection (b) or otherwise, the Board shall as soon as possible determine if such event would be material under applicable federal securities laws, in any event such determination must be made and submitted to the Disclosure Agent within two (2) business days.

(d) If the Board determines that knowledge of the occurrence of any of the Listed Events, classified under Section 5(a) (2), (7), (8), (10), (13) or (14), would be material under applicable federal securities laws pursuant to subsection (b) or the Board received notice of any Listed Event that does not require a finding of materiality classified under Section 5(a) (1), (3), (4), (5), (6), (9), (11) or (12), the Board shall promptly file with the Disclosure Agent a notice of such occurrence to be provided to EMMA.

(e) If in response to a request under subsection (b), the Board determines that the Listed Event, classified under Section 5(a) (2), (7), (8), (10), (13) or (14), would not be material under applicable federal securities laws, the Board shall so notify the Disclosure Agent in writing and instruct the Disclosure Agent not to report the occurrence pursuant to subsection (f).

(f) If the Disclosure Agent has been instructed by the Board to report the occurrence of a Listed Event, the Disclosure Agent shall file a notice of such occurrence with EMMA with a copy to the Board. The Disclosure Agent must file such notice with EMMA within ten (10) business days of the occurrence of such Listed Event.

SECTION 6. Termination of Reporting Obligation. The Board's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2012 Bonds. If such termination occurs prior to the final maturity of the Series 2012 Bonds, the Board shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

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

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Agreement, the Board and the Disclosure Agent may amend this Agreement, and any provision of this 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 the Board with respect to the Series 2012 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 Series 2012 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 Series 2012 Bonds in the same manner as provided in the Resolution for amendments to the Resolution, or (ii) does not, in the opinion of

SECTION 14. Fees. The Board agrees to pay all fees and expenses of the Disclosure Agent including, without limitation, all reasonable expenses, charges, costs, attorney's fees and other disbursements in the administration and performance of the Disclosure Agent's duties.

SECTION 15. Right to Resign. The Disclosure Agent may resign at any time by providing thirty (30) days' written notice to the Board.

SECTION 16. Right to Counsel. The Disclosure Agent shall have the right to consult with counsel in carrying out its duties under the Agreement and to rely upon an opinion of counsel.

SECTION 17. Duties of Disclosure Agent. The Disclosure Agent shall have only such duties as are specifically set forth in this Agreement, and no further duties or responsibilities shall be implied. Any corporation or association into which the Disclosure Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Disclosure Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Disclosure Agent in its individual capacity may be sold or otherwise transferred, shall be the Disclosure Agent under this Agreement without further act. Anything in this Agreement to the contrary notwithstanding, in no event shall the Disclosure Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Disclosure Agent has been advised of such loss or damage and regardless of the form of action. The Board will, for the benefit of the Disclosure Agent and Disclosure Agent's employees, directors, agents, subsidiaries, affiliates, successors and assigns, assume all liability and/or be responsible to pay for any and all claims, demands, causes of action, losses, damages, liabilities, penalties, costs and expenses (including reasonable attorney's fees) relating to this Agreement, to the extent assessed by a court of competent jurisdiction.

IN WITNESS WHEREOF, the Board and the Disclosure Agent have caused this Agreement to be executed by its duly authorized representatives, all as of the date first above written.

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY

By: _____

UNITED BANK, INC., as Disclosure Agent

By: _____

Its: _____

Date: February 9, 2012

EXHIBIT A

**NOTICE TO REPOSITORIES
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: The Board of Education of the County of Berkeley
Name of Bond Issue: \$11,570,000 The Board of Education of the County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012
Date of Bond Issue: February 9, 2012

NOTICE IS HEREBY GIVEN that the Board has not provided an Annual Report with respect to the above-named Series 2012 Bonds as required by Section 3(b) of that certain Continuing Disclosure Agreement dated as of February 9, 2012, by and between the Board and United Bank, Inc., as disclosure agent, to be provided. The Board anticipates that the Annual Report will be filed by _____, 20__.

Dated: _____, 20__

United Bank, Inc., as Disclosure Agent
on behalf of the Board

cc: Board

January 23, 2012

Berkeley County Board of Education
401 South Queen Street
Martinsburg, WV 25401
Attention: Mr. Manny P. Arvon, Superintendent

Re: *US\$12,080,000 Berkeley County Board of Education, West Virginia, Public School Bonds, Series 2012*

Dear Mr. Arvon:

Pursuant to your request for a Standard & Poor's rating on the above-referenced issuer, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "AA". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would

Page | 2

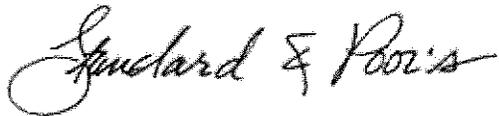
facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

A handwritten signature in cursive script that reads "Standard & Poor's".

Standard & Poor's Ratings Services
a Standard & Poor's Financial Services LLC business.

ah
enclosures

cc: Mr. Robert Steptoe
Mr. Vince Collins

STANDARD
& POOR'S

**Standard & Poor's Ratings Services
Terms and Conditions Applicable To Public Finance Ratings**

You understand and agree that:

General. The ratings and other views of Standard & Poor's Ratings Services ("Ratings Services") are statements of opinion and not statements of fact. A rating is not a recommendation to purchase, hold, or sell any securities nor does it comment on market price, marketability, investor preference or suitability of any security. While Ratings Services bases its ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, Ratings Services does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and Ratings Services' opinions should not be relied upon in making any investment decision. Ratings Services does not act as a "fiduciary" or an investment advisor. Ratings Services neither recommends nor will recommend how an issuer can or should achieve a particular rating outcome nor provides or will provide consulting, advisory, financial or structuring advice.

All Rating Actions in Ratings Services' Sole Discretion. Ratings Services may assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, at any time, in Ratings Services' sole discretion. Ratings Services may take any of the foregoing actions notwithstanding any request for a confidential or private rating or a withdrawal of a rating, or termination of this Agreement. Ratings Services will not convert a public rating to a confidential or private rating, or a private rating to a confidential rating.

Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate the rating provided hereunder and any analytical reports, including the rationale for the rating, unless you specifically request in connection with the initial rating that the rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private rating or the existence of a confidential or private rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the rating as a public rating, including, without limitation, publishing the rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of you or at your request. Notwithstanding anything to the contrary herein, Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services' ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Ratings Services' ability to modify or refine its ratings criteria at any time as Ratings Services deems appropriate.

Information to be Provided by You. For so long as this Agreement is in effect, in connection with the rating provided hereunder, you warrant that you will provide, or cause to be provided, as promptly as practicable, to Ratings Services all information requested by Ratings Services in accordance with its applicable published ratings criteria. The rating, and the maintenance of the rating, may be affected by Ratings Services' opinion of the information received from you or your agents or advisors. You further warrant that all information provided to Ratings Services by you or your agents or advisors regarding the rating or, if applicable, surveillance of the rating, as of the date such information is provided, (i) is true, accurate and complete in all material respects and, in light of the circumstances in which it was provided, not misleading and (ii) does not infringe or violate the intellectual property rights of a third party. A material breach of the warranties in this paragraph shall constitute a material breach of this Agreement.

Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean verbal or written information that you or your agents or advisors have provided to Ratings Services and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is "Confidential". Notwithstanding the foregoing, information disclosed by you or your agents or advisors

to Ratings Services shall not be deemed to be Confidential Information, and Ratings Services shall have no obligation to treat such information as Confidential Information, if such information (i) was known by Ratings Services or its affiliates at the time of such disclosure and was not known by Ratings Services to be subject to a prohibition on disclosure, (ii) was known to the public at the time of such disclosure, (iii) becomes known to the public (other than by an act of Ratings Services or its affiliates) subsequent to such disclosure, (iv) is disclosed to Ratings Services or its affiliates by a third party subsequent to such disclosure and Ratings Services reasonably believes that such third party's disclosure to Ratings Services or its affiliates was not prohibited, (v) is developed independently by Ratings Services or its affiliates without reference to the Confidential Information, (vi) is approved in writing by you for public disclosure, or (vii) is required by law or regulation to be disclosed by Ratings Services or its affiliates. Ratings Services is aware that U.S. and state securities laws may impose restrictions on trading in securities when in possession of material, non-public information and has adopted securities trading and communication policies to that effect.

Ratings Services' Use of Information. Except as otherwise provided herein, Ratings Services shall not disclose Confidential Information to third parties. Ratings Services may (i) use Confidential Information to assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, and (ii) share Confidential Information with its affiliates engaged in the ratings business who are bound by appropriate confidentiality obligations; in each case, subject to the restrictions contained herein, Ratings Services and such affiliates may publish information derived from Confidential Information. Ratings Services may also use, and share Confidential Information with any of its affiliates or agents engaged in the ratings or other financial services businesses who are bound by appropriate confidentiality obligations ("Relevant Affiliates and Agents"), for modelling, benchmarking and research purposes; in each case, subject to the restrictions contained herein, Ratings Services and such affiliates may publish information derived from Confidential Information. With respect to structured finance ratings not maintained on a confidential or private basis, Ratings Services may publish data aggregated from Confidential Information, excluding data that is specific to and identifies individual debtors ("Relevant Data"), and share such Confidential Information with any of its Relevant Affiliates and Agents for general market dissemination of Relevant Data; you confirm that, to the best of your knowledge, such publication would not breach any confidentiality obligations you may have toward third parties. Ratings Services will comply with all applicable U.S. and state laws, rules and regulations protecting personally-identifiable information and the privacy rights of individuals. Ratings Services acknowledges that you may be entitled to seek specific performance and injunctive or other equitable relief as a remedy for Ratings Services' disclosure of Confidential Information in violation of this Agreement. Ratings Services and its affiliates reserve the right to use, publish, disseminate, or license others to use, publish or disseminate any non-Confidential Information provided by you, your agents or advisors.

Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Ratings Services is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933. Rating Services has not performed the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with this engagement.

Office of Foreign Assets Control. As of the date of this Agreement, (a) neither you nor the issuer (if you are not the issuer) or any of your or the issuer's subsidiaries, or any director or corporate officer of any of the foregoing entities, is the subject of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC Sanctions"), (b) neither you nor the issuer (if you are not the issuer) is 50% or more owned or controlled, directly or indirectly, by any person or entity ("parent") that is the subject of OFAC Sanctions, and (c) to the best of your knowledge, no entity 50% or more owned or controlled by a direct or indirect parent of you or the issuer (if you are not the issuer) is the subject of OFAC sanctions. For so long as this Agreement is in effect, you will promptly notify Ratings Services if any of these circumstances change.

Ratings Services' Use of Confidential and Private Ratings. Ratings Services may use confidential and private ratings in its analysis of the debt issued by collateralized debt obligation (CDO) and other investment vehicles. Ratings Services

may disclose a confidential or private rating as a confidential credit estimate or assessment to the managers of CDO and similar investment vehicles. Ratings Services may permit CDO managers to use and disseminate credit estimates or assessments on a limited basis and subject to various restrictions; however, Ratings Services cannot control any such use or dissemination.

Entire Agreement. Nothing in this Agreement shall prevent you, the issuer (if you are not the issuer) or Ratings Services from acting in accordance with applicable laws and regulations. Subject to the prior sentence, this Agreement, including any amendment made in accordance with the provisions hereof, constitutes the complete and entire agreement between the parties on all matters regarding the rating provided hereunder. The terms of this Agreement supersede any other terms and conditions relating to information provided to Ratings Services by you or your agents and advisors hereunder, including without limitation, terms and conditions found on, or applicable to, websites or other means through which you or your agents and advisors make such information available to Ratings Services, regardless if such terms and conditions are entered into before or after the date of this Agreement. Such terms and conditions shall be null and void as to Ratings Services.

Limitation on Damages. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the rating provided hereunder or the related analytic services even if advised of the possibility of such damages or other amounts except to the extent such damages or other amounts are finally determined by a court of competent jurisdiction in a proceeding in which you and Ratings Services are parties to result from gross negligence, intentional wrongdoing, or willful misconduct of Ratings Services. In furtherance and not in limitation of the foregoing, Ratings Services will not be liable to you, your affiliates or any person asserting claims on your behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations. In the event that Ratings Services is nevertheless held liable to you, your affiliates, or any person asserting claims on your behalf for monetary damages under this Agreement, in no event shall Ratings Services be liable in an aggregate amount in excess of US\$5,000,000 except to the extent such monetary damages directly result from Ratings Services' intentional wrongdoing or willful misconduct. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

No Third-Party Beneficiaries. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended or superseded except by a writing that specifically refers to this Agreement and is executed manually or electronically by authorized representatives of both parties.

Reservation of Rights. The parties to this Agreement do not waive, and reserve the right to contest, any issues regarding sovereign immunity, the applicable governing law and the appropriate forum for resolving any disputes arising out of or relating to this Agreement.



Blanket Issuer Letter of Representations

[To be Completed by Issuer]
The Board of Education of the
County of Berkeley (West Virginia)

[Name of Issuer]

February 1, 2002

[Date]

Underwriting Department—Eligibility
The Depository Trust Company
55 Water Street 19th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

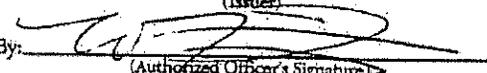
Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

The Board of Education of the
County of Berkeley (West Virginia)

[Issuer]

By: 

(Authorized Officer's Signature)

Dr. William F. Queen

(Print Name)

401 S. Queen Street

(Street Address)

Martinsburg

(City)

WV

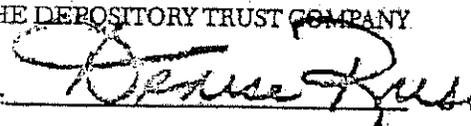
(State)

25401

(Zip Code)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: 

(800) 267-3500

(Phone Number)

**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$200 million, one certificate will be issued with respect to each \$200 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within 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. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for 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 its 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 securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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.

[Beneficial Owners of the Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Securities will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities 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 (nor its nominee), Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

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

February 9, 2012

\$11,570,000
The Board of Education of
The County of Berkeley (West Virginia)
Public School Refunding Bonds, Series 2012

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

Crews & Associates, Inc.
Little Rock, Arkansas

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by The Board of Education of The County of Berkeley (the "Issuer") of its \$11,570,000 in aggregate principal amount of Public School Refunding Bonds, Series 2012 (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 13, Article 2 of the West Virginia Code of 1931, as amended (the "Refunding Act") and a Resolution and Order duly adopted by the Issuer on January 23, 2012 (the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Bonds are issued in fully registered form, are dated February 9, 2012, upon original issuance, are represented by a single bond for each maturity, numbered R-1 to R-5, inclusive, with interest payable on each May 1 and November 1, commencing November 1, 2012, and principal installments payable each May 1, commencing May 1, 2013, and continuing until the maturity thereof, being May 1, 2017.

The Resolution provides that the issue is for the purposes of providing funds, together with other moneys of the Issuer currently on deposit with the West Virginia Municipal Bond Commission (the "Bond Commission"), to pay costs necessary to currently refund all of the Issuer's Outstanding Public School Bonds, Series 2002, dated February 1, 2002 (the "Prior Bonds"), originally issued in the aggregate principal amount of \$27,800,000, of which \$13,620,000 is presently outstanding, and to pay costs of issuance of the Bonds and other costs in connection with such refunding. Issuance of the Prior Bonds was approved by the voters of the Berkeley County School District (the "District") at an election held in the District on September 29, 2001, for the purpose of financing costs of improving, constructing, erecting, renovating, furnishing and equipping certain new and existing school facilities in the District.

The Bonds have been sold to Crews & Associates, Inc., Little Rock, Arkansas (the "Purchaser") pursuant to a Bond Purchase Agreement dated January 26, 2012, by and between the Issuer and the Purchaser (the "Bond Purchase Agreement").

The Issuer has outstanding its Public School Bonds, Series 2010, dated February 17, 2010, issued in the original aggregate principal amount of \$51,500,000 (the "Series 2010 Bonds"). The Series 2010 Bonds are on a parity with respect to sources of and security for payment with the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Resolution, the Bond Purchase Agreement and the Escrow Agreement, dated February 9, 2012, by and between the Issuer and the Bond Commission (the "Escrow Agreement") and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants of the Issuer contained in the Resolution, the Escrow Agreement and the Tax and Non-Arbitrage Certificate of the Issuer dated the date hereof (the "Tax Certificate") and in certain other certificates delivered in connection herewith and the covenants of the Bond Commission contained in the Escrow Agreement, we are of the opinion, under existing law, that:

1. The Issuer is a duly organized and validly existing statutory corporation charged with the supervision and control of the District, which is a validly existing political subdivision of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Escrow Agreement and the Bond Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Bonds, all under the provisions of the Refunding Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Escrow Agreement and the Bond Purchase Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Bond Purchase Agreement. The Resolution is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Escrow Agreement and the Bond Purchase Agreement constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable general obligations of the Issuer, the principal of and interest on which, unless paid from other sources, are payable from ad valorem taxes levied upon all taxable property within the District, without limitation as to rate or amount, on a parity with the Series 2010 Bonds.

4. 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 (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, and the regulations promulgated thereunder, as amended (the "Code"), and such interest will not be treated as a preference item in calculating the alternative minimum tax that may be imposed under the Code upon individuals and corporations. Under the Code, however, interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from

gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Resolution and the Tax Certificate. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. Except as set forth in paragraph 5 below, we express no opinion regarding other tax consequences arising with respect to the Bonds.

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

6. The Prior Bonds have been paid within the meaning and with the effect expressed in the Refunding Act, and the covenants, agreements and other obligations of the Issuer to the holders and owners of such Prior Bonds have been satisfied and discharged.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the liens, pledges, rights or remedies with respect to the Bonds, the Resolution, the Escrow Agreement and the Bond Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their 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

February 9, 2012

The Board of Education of the County of Berkeley
401 South Queen Street
Martinsburg, WV 25401

Crews & Associates, Inc.
521 President Clinton Ave., Suite 800
Little Rock, AR 72201

Re: \$11,570,000 The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance and sale by The Board of Education of the County of Berkeley (West Virginia) (the "Board") of its \$11,570,000 aggregate principal amount of Public School Refunding Bonds, Series 2012 (the "Series 2012 Bonds"). In our capacity as Bond Counsel, we are delivering an opinion of even date herewith concerning the legality and tax exempt status of the Series 2012 Bonds (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other documents and matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings ascribed thereto in the Bond Purchase Agreement (the "Purchase Agreement") dated January 26, 2012, between the Board and Crews & Associates, Inc. (the "Underwriter").

Based upon the foregoing, we are of opinion that:

(1) The Purchase Agreement has been duly authorized, executed and delivered by the Board, and, assuming due authorization, execution and delivery by the other party thereto, is a legal, valid, binding and enforceable obligation of the Board (except to the extent that enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles affecting creditors' rights generally and to the exercise of judicial discretion).

(2) The Board, under the Act, has full power and authority to adopt the Resolution, enter into the Escrow Agreement and the Purchase Agreement and perform its obligations thereunder.

(3) The Board has duly ratified the distribution of the Preliminary Official Statement, the Official Statement has been duly approved, executed and delivered by the Board,

and the Board has authorized the distribution of the Official Statement and the use thereof by the Underwriter in connection with the sale of the Series 2012 Bonds.

(4) The statements and information contained in the Official Statement under the captions or subcaptions "Introduction," "The Bonds," "Tax Matters," "Legal Matters," and "Appendix C" do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

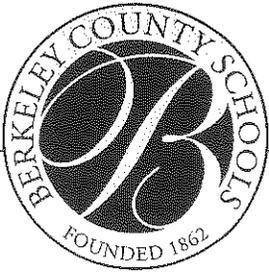
(5) The Series 2012 Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

(6) Based on the foregoing, we are of the opinion that the Series 2002 Bonds are deemed to have been paid and the covenants, agreements and other obligations of the Board to the holders of the Series 2002 Bonds have been discharged and satisfied, and that such refunding will not adversely affect the excludability of the interest on the Series 2002 Bonds or the Series 2012 Bonds from gross income for federal income taxation.

Very truly yours,



Steptoe & Johnson PLLC



Department of Legal Services

Laura L. Sutton, Esq., Associate Superintendent/General Counsel

February 9, 2012

The Board of Education of the County of Berkeley
401 South Queen Street
Martinsburg, WV 25401

Crews & Associates, Inc.
521 President Clinton Ave., Suite 800
Little Rock, AR 72201

Re: \$11,570,000 The Board of Education of the County of Berkeley (West Virginia) Public School Refunding Bonds, Series 2012

Ladies and Gentlemen:

I have served as counsel to The Board of Education of the County of Berkeley, West Virginia (the "Board") in connection with the sale of the above-referenced bonds (the "Series 2012 Bonds"), which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of January 26, 2012 (the "Purchase Agreement"), between Crews & Associates, Inc. (the "Underwriter") and the Board. Any capitalized terms used herein and not defined shall have the meaning ascribed thereto in the Purchase Agreement.

In this connection, I have reviewed and examined certain proceedings and documents with respect to the Series 2012 Bonds, any such records, certificates and other documents as I have considered necessary or appropriate for the purposes of this opinion, including Chapter 13, Article 2 of the Code of West Virginia, 1931, as amended (the "Refunding Act"), the Resolution and Order of the Board adopted on January 23, 2012, the Escrow Agreement, the Purchase Agreement, the Preliminary Official Statement dated January 24, 2012, and the Final Official Statement dated January 26, 2012, with respect to the issuance and offering of the Series 2012 Bonds (collectively, the "Official Statement") and a closing certificate of the Board. Based on such review and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

1. The Board is a validly existing statutory corporation charged with the supervision and control of the Berkeley County School District, which is a validly existing political subdivision of the State of West Virginia, and is authorized by the Refunding Act to issue and sell the Series 2012 Bonds. The Board is authorized by the laws of the State of West Virginia, as provided by the Refunding Act, to enter into and perform its obligations under the Resolution, the Escrow Agreement and the Purchase Agreement.

2. The Board has full power and authority to consummate all transactions contemplated by the Series 2012 Bonds, the Purchase Agreement, the Escrow Agreement and any and other agreements relating thereto, to which the Board is a party.

3. The Board has duly authorized all action necessary to be taken by it or on its behalf for (i) the execution and delivery of the Escrow Agreement and the Purchase Agreement; (ii) the approval of the distribution of the Official Statement; (iii) the ratification of the actions of the Board and the issuance and delivery of the Series 2012 Bonds upon the terms set forth in the Resolution; and (iv) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Escrow Agreement and the Purchase Agreement have been duly and validly authorized, executed and delivered by the Board and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the Board, enforceable against the Board in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally and to the exercise of judicial discretion.

5. The Resolution authorizing issuance of the Series 2012 Bonds has been duly adopted and entered at meetings of the Board which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of such adoption.

6. The execution and delivery of the Escrow Agreement and the Purchase Agreement by the Board and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the Board or, to the best of my knowledge after diligent inquiry and reasonable review of the Board's records, any agreement or other instrument to which the Board is a party or by which it or its properties are bound.

7. All actions necessary to be taken by the Board have been taken, and no additional approval, authorization, consent or other order of the Board or any public board or body is legally required to allow the Board to enter into and perform its obligations under the Escrow Agreement and the Purchase Agreement or as described in the Official Statement.

8. The Board is not in violation of any provision of, or in default under, West Virginia statutes organizing and governing the Board.

9. There are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened by governmental authorities or to which the Board is a party or of which any property of the Board is subject, except as described in the Official Statement, which, if determined adversely to the Board, would individually or in the aggregate (i) materially and adversely affect the validity or the enforceability of the Series 2012 Bonds, the Escrow Agreement or the Purchase Agreement, (ii) otherwise materially or adversely affect the ability of the Board to comply with its obligations under the Escrow Agreement or the Purchase

Agreement, or (iii) materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the Board.

10. Based upon my experience as counsel to the Board and on my review of the Official Statement, and after diligent inquiry, but without having undertaken to verify the same through independent investigation, the statements and information contained in the Official Statement under the captions or subcaptions "Berkeley County School District," "Certain Financial Information," "Litigation in the State Concerning the School Financing System," "Litigation," "Legal Matters," "Continuing Disclosure," "Appendix A," "Appendix B" and "Appendix E" do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect, it being understood, that in rendering such opinion I express no opinion with respect to statistical data, financial statements, operating statistics and other financial data in the Official Statement, including Appendix A thereto.

This opinion may be relied upon by all counsel to this transaction as if specifically addressed to them.

I hereby consent to the references made to me in the Official Statement.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Laura L. Sutton".

LAURA L. SUTTON, ESQ.



500 LEE STREET EAST • SUITE 1600 • P.O. BOX 553 • CHARLESTON, WEST VIRGINIA 25322 • TELEPHONE: 304-340-1000 • TELECOPIER: 304-340-1130
www.jacksonkelly.com

February 9, 2012

Crews & Associates, Inc.
521 President Clinton Ave., Suite 800
Little Rock, AR 72201

Re: \$11,570,000 The Board of Education of the County of
Berkeley Public School Refunding Bonds, Series 2012

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by The Board of Education of the County of Berkeley (the "Board") of its Public School Refunding Bonds, Series 2012 (the "Series 2012 Bonds") in the aggregate principal amount of \$11,570,000. In connection with rendering this opinion, we have examined the Official Statement dated January 26, 2012, the Bond Purchase Agreement dated January 26, 2012 (the "Purchase Agreement"), the Continuing Disclosure Agreement between the Board and United Bank, Inc., as Disclosure Agent, dated as of the Closing Date (the "Undertaking"), and Rule 15c2-12 of the Securities Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing, we are of the opinion that the Undertaking complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the Board, counsel for the Board, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement (excluding therefrom the financial and statistical data included in the Official Statement, as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in its transcript of closing documents pertaining to the delivery of the Series 2012 Bonds.

Very truly yours,

{C2250071.1}

BERKELEY COUNTY SCHOOLS

Martinsburg, West Virginia

REGULAR BOARD OF EDUCATION MEETING

Monday, December 19, 2011

7:00 PM

The Board of Education of the County of Berkeley met in Regular Session on Monday, December 19, 2011 beginning at 7:00 PM, in the Dr. N. Blaine Groves Board Room at the Central Office with the following persons present:

Dr. William F. Queen, President

Mr. Rick Pill, Vice President

Mr. Todd Beckwith, Member

Dr. Darin Gilpin, Member

Mr. Ron Gray, Member

Mr. Manny P. Arvon, II, Superintendent

Mr. Don Dellinger, Deputy Superintendent

Dr. Kim Hough, Assistant Superintendent

Mrs. Margaret Kursey, Assistant Superintendent

Mrs. Frances Canby, Executive Secretary

President Queen called the meeting to order at 7:08 PM. The following business was transacted:

I. WELCOME AND INTRODUCTION OF GUESTS

Guests were welcomed by President Queen.

II. APPROVAL OF AGENDA

Mr. Beckwith moved and Dr. Gilpin seconded to approve the agenda as amended by removing the Volunteer of the Month Award and adding an Executive Session at the end of the Regular Board Meeting. Motion carried unanimously. Att. #1

III. DISTINGUISHED SERVICE AWARD

Scott Albright, Principal, Orchard View Intermediate introduced Archie "Buzz" Riner as the recipient of the Distinguished Service Award for the month of December. President Queen congratulated him and presented him with a plaque.

IV. CITIZENS' FORUM

No one requested to speak at Citizens' Forum.

V. CONSENT AGENDA:

- (a) Minutes of December 5th Regular
- (b) Use of School Property Requests- Att. #2
- (c) Curricular & Extra-Curricular Trip Requests- Att. #3
- (d) PASS Volunteer Lists- Att. #4
- (e) Chaperone Lists- (Chaperone Lists are on file in the Department of Instruction)
- (f) Financial Reports- (Financial Reports are on file in the Department of Finance)
- (g) Budget Supplements- No Budget Supplements were received.

The Consent Agenda was presented. Mr. Gray moved and Mr. Pill seconded to approve the Consent Agenda. Motion carried unanimously.

VI. TREASURER'S REPORT

Dr. Gilpin moved and Mr. Beckwith seconded to approve the treasurer's report as presented by Mr. Jim Butts. Motion carried unanimously. Att. #6

VII. 2002 BOND REFUNDING PRELIMINARY RESOLUTION

Mr. Jim Butts presented the 2002 Bond Refunding Preliminary Resolution. Mr. Pill moved and Mr. Beckwith seconded to accept the 2002 Bond Refunding Preliminary Resolution as presented. Motion carried unanimously. Att. #7

VIII. BUILDING PROGRAM UPDATE

Mr. Don Zepp updated the Board on the building program.

IX. PERSONNEL ACTIONS

Upon Superintendent's recommendation, Mr. Pill moved and Mr. Gray seconded to approve the personnel actions dated December 19, 2011 as presented by Dr. Hough. Motion carried unanimously. - Att. #7

X. BOARD UPDATE

Mr. Gray moved and Mr. Beckwith seconded to move the Regular Board Meeting scheduled for Monday, January 9, 2012 at 7:00 PM to Tuesday, January 10, 2012 at 7:00 PM in the Dr. N. Blaine Groves Board Room at the Central Office. Motion carried unanimously.

XI. SUPERINTENDENT'S UPDATE

- Don Dellinger, Deputy Superintendent, updated the Board on the many activities students are involved in to help families during the holidays. They include: Salvation Army, Canned Food and Toy Drives for Children, clothing Drives, Humane Society donations, Senior Center Visits, Relay for Life, Supporting Our Troops, and DECCA Christmas Parties.
- Dr. Kim Hough, Assistant Superintendent, announced that our Technology Department will be involved in surveying our schools in the next several weeks to determine how we can make each of our classrooms accessible to wireless.
- Superintendent Arvon expressed deepest sympathy in regard to the family of Dona Ashton, Kindergarten Teacher at Bedington Elementary who passed away on Friday, December 16, 2011. The Crisis Team spent the day at Bedington and will be available all this week.

XII. EXECUTIVE SESSION

The Regular Session closed at 7:51 PM. Mr. Beckwith moved and Mr. Pill seconded to go into Executive Session at 7:51 PM. Motion carried unanimously. Executive Session closed at 8:01 PM.

XIII. ADJOURNMENT

Mr. Beckwith moved and Dr. Gilpin seconded to adjourn at 8:02 PM. Motion carried unanimously.

Minutes

Page five

12-19-11

PRESIDENT

SECRETARY

APPROVED 1-10-12

ATTENDANCE REGISTER

12-19-11

Scott Albright

Jim Butts

Louvy Roman

BCSSPA

Keri Cunningham

Cheryl Kell

Sammy Moseley

Mary R. Hedges

Kathy Borer

Matthew Borer

Buzz Borer

Don Jeff

Samantha Clark

Matthew Vinstard

BERKELEY COUNTY SCHOOLS
Martinsburg, West Virginia

REGULAR BOARD OF EDUCATION MEETING
Monday, January 23, 2012
7:00 PM

The Board of Education of the County of Berkeley met in Regular Session on Monday, January 23, 2012 beginning at 7:00 PM, in the Dr. N. Blaine Groves Board Room at the Central Office with the following persons present:

Dr. William F. Queen, President
Mr. Rick Pill, Vice President
Mr. Todd Beckwith, Member
Mr. Ron Gray, Member
Dr. Darin Gilpin, Member

Mr. Manny P. Arvon, II, Superintendent
Mr. Don Dellinger, Deputy Superintendent
Dr. Kim Hough, Assistant Superintendent
Mrs. Margaret Kursey, Assistant Superintendent
Mrs. Frances Canby, Executive Secretary

President Queen called the meeting to order at 7:08 PM. The following business was transacted:

I. WELCOME AND INTRODUCTION OF GUESTS

Guests were welcomed by President Queen.

II. APPROVAL OF AGENDA

Mr. Gray moved and Mr. Beckwith seconded to approve the agenda as presented. Motion carried unanimously. Att. #1

III. VOLUNTEER OF THE MONTH AWARD

Ms. Amber Boeckmann, Principal, Berkeley Heights Elementary introduced Barton Kough as the recipient of the Volunteer of the Month. President Queen and Superintendent Arvon congratulated Mr. Kough and presented him with a plaque.

IV. DISTINGUISHED SERVICE AWARD

Ms. Michele Martin, Director, Pre-K Programs and Principal of Pikeside School introduced Jennifer Dieter, Secretary as the recipient of the Distinguished Service Award for January. President Queen congratulated her and presented her with a plaque.

V. 2010-2011 TITLE 1 DISTINGUISHED SCHOOLS' RECOGNITION

Melissa Hollen, Director of Federal Programs recognized the following schools as being designated 2010-2011 Title 1 Distinguished Schools: Bedington Elementary, Gerrardstown Elementary, Hedgesville Elementary, Marlowe Elementary and Tuscarora Elementary. Representatives from each school received certificates and were congratulated.

VI. CITIZENS' FORUM

No one requested to speak at Citizen's Forum.

VII. CONSENT AGENDA:

- (a) Minutes of January 10th Regular Meeting
- (b) Use of School Property Requests- Att. #2
- (c) Curricular & Extra-Curricular Trip Requests- Att. #3
- (d) PASS Volunteer Lists- Att. #4
- (e) Chaperone Lists- (Chaperone Lists are on file in the Department of Instruction)
- (f) Financial Report for December (Financial Report is on file in the Department of Finance)
- (g) Budget Transfer- Att. #5

The Consent Agenda was presented. Dr. Gilpin moved and Mr. Beckwith seconded to approve the Consent Agenda as presented. Motion carried unanimously.

VIII. POLICY FOR ADOPTION- POLICY ADOPTION BERKELEY COUNTY FILE: BD

Mr. Pill moved and Mr. Gray seconded to approve the Policy Adoption Berkeley County File: BD. Discussion followed. Motion carried unanimously. Att. #6

IX. TREASURER'S REPORT

Mr. Beckwith moved and Dr. Gilpin seconded to approve the treasurer's report as presented by Mr. Jim Butts. Motion carried unanimously. Att. #6

X. 2002 BOND REFUNDING RESOLUTION AND ORDER

Mr. Jim Butts, Berkeley County Schools; Vince Collins, Steptoe & Johnson PLLC; and Rob Steptoe, Crews & Associates presented the 2002 Bond Refunding Resolution and Order. Discussion followed. Mr. Beckwith moved and Dr. Gilpin seconded to approve the 2002 Bond Refunding Resolution and Order. Motion carried unanimously. Att. #7

XI. PERSONNEL ACTIONS

Upon Superintendent's recommendation, Mr. Gray moved and Mr. Pill seconded to approve the personnel actions dated January 23, 2012 as presented by Dr. Hough. Motion carried unanimously.- Att. #8

XII. BOARD UPDATE

Mr. Gray attended the Martin Luther King Dinner/Scholarship Program.

XIII. SUPERINTENDENT'S UPDATE

- Superintendent Arvon, Don Mitchell, and Don Zepp will meet with Greg Williamson Tuesday, January 24, 2012 at the site of the new high school on the Spring Mills Campus.
- Interviews will be held on Tuesday, January 24, 2012 beginning at 1:00 PM for Commission Agents for the new middle school in the Gerrardstown area.
- Superintendent Arvon will be attending the State Superintendents' Advisory Meeting in Clarksburg, WV on Thursday and Friday, January 26-27, 2012.
- The next Regular Board Meeting will be held Tuesday, January 31, 2012 at 7:00 PM in the Central Office/Dr. N. Blaine Groves Board Room.

XIV. ADJOURNMENT

Mr. Beckwith moved and Dr. Gilpin seconded to adjourn at 8:15 PM.
Motion carried unanimously.

PRESIDENT

SECRETARY

APPROVED

1-31-12

Registrar Agreement

\$11,570,000
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

REGISTRAR'S AGREEMENT

THIS AGREEMENT, dated as of February 9, 2012, by and between THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY (West Virginia), a statutory corporation of the State of West Virginia (the "Issuer"), and UNITED BANK, INC. a West Virginia banking corporation (the "Bank"), as Registrar under a Resolution and Order of the Issuer adopted January 23, 2012 (the "Resolution") and Certificate of Determinations delivered by the Issuer on January 26, 2012 (the "Certificate of Determinations").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$11,570,000 aggregate principal amount of Public School Refunding Bonds, Series 2012, in fully registered form (the "Bonds"), pursuant to the Resolution and Certificate of Determinations;

WHEREAS, capitalized words and terms used in this Agreement and not otherwise defined herein shall have the respective meanings given them in the Resolution;

WHEREAS, the Resolution provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Resolution, the Certificate of Determinations and this Agreement does appoint the Bank to act as Registrar under the Resolution and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Agreement by the Issuer and the Bank and during the term hereof, the Bank does accept and shall have and agrees to perform all of the powers and duties of Registrar, as set forth in the Resolution, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, in accordance with any rules and regulations promulgated by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Bank agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Bank authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Bank shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Agreement and the Resolution, the Issuer hereby agrees to pay to the Bank from time to time, the compensation for services rendered and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Agreement shall carry out and implement provisions of the Resolution with respect to the Registrar and to take such actions as are necessary in its capacity as Registrar of the Issuer's redemption on May 1, 2012 of all of the Issuer's outstanding Public School Bonds, Series 2002. In the event of any conflict between the terms of this Agreement and the Resolution, the terms of the Resolution shall govern.

6. The Issuer and the Bank each warrants and represents that it is duly authorized and empowered to execute and enter into this Agreement and that neither such execution nor the performance of its duties hereunder or under the Resolution will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: The Board of Education of the
 County of Berkeley
 401 South Queen Street
 Martinsburg, West Virginia 25401
 Attention: President

BANK: United Bank, Inc.
 500 Virginia Street, East
 Charleston, West Virginia 25392
 Attention: Corporate Trust

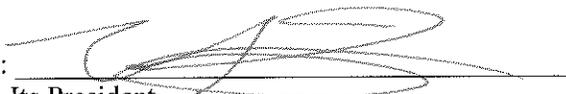
8. The Bank, as Registrar, is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Resolution.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY and UNITED BANK, INC. have caused this Agreement to be signed in their respective names and on their behalf, all as of the day and year first above-written.

THE BOARD OF EDUCATION OF THE
COUNTY OF BERKELEY

By: _____

Its President 

UNITED BANK, INC.

By: _____

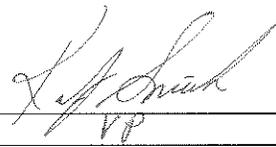
Its _____

IN WITNESS WHEREOF, THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY and UNITED BANK, INC. have caused this Agreement to be signed in their respective names and on their behalf, all as of the day and year first above-written.

THE BOARD OF EDUCATION OF THE
COUNTY OF BERKELEY

By: _____
Its President

UNITED BANK, INC.

By:  _____
Its VP

Surplus Funds Resolution- Initial Withdrawal

\$11,570,000

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

RESOLUTION

WHEREAS, the Board of Education of the County of Berkeley issued the above-captioned Refunding Bonds (the "Refunding Bonds") on February 9, 2012 (the "Closing Date");

WHEREAS, as a result of the issuance of such Refunding Bonds and the current refunding of the Board's Public School Bonds, Series 2002, certain surplus funds were made available at the West Virginia Municipal Bond Commission in the amount of \$900,000 for release to the Board (the "Surplus Funds");

WHEREAS, under the Resolution providing for the issuance of the Refunding Bonds, the Board was permitted to withdraw such surplus funds from the Bond Commission on February 9, 2012; and is permitted to withdraw an additional amount of surplus funds from the Bond Commission on or after May 15, 2013 and May 15, 2014, but only following the Board's review of the balances in the Debt Service Account and Surplus Collections Account for the Refunding Bonds on such dates, and upon its determination in writing that sufficient funds will be on hand at the Commission to assure payment of the debt service due on the Refunding Bonds on the interest and principal payment dates for such bonds;

WHEREAS, the Board desires to adopt this Resolution to confirm the disbursement by the Bond Commission to the Board of the Surplus Funds on the Closing Date and specify the Board's intended application of such Surplus;

NOW, THEREFORE, the Board hereby resolves that the disbursement of the Surplus by the Bond Commission to the Board on the Closing Date is hereby authorized and confirmed, and the Board acknowledges receipt of such Surplus in the amount of \$900,000;

IT IS HEREBY FURTHER RESOLVED that the entire amount of the Surplus shall be applied to the projects and in the estimated amounts described in Exhibit A attached hereto and made a part hereof.

This Resolution shall take effect immediately upon its adoption.

Adopted and entered this 13th day of February, 2012.

THE BOARD OF EDUCATION OF
THE COUNTY OF BERKELEY

By: 
Its President

EXHIBIT A

Project Description and Estimated Cost

<u>Project Description</u>	<u>Estimated Cost</u>
Facility improvements to Hedgesville High School and Martinsburg High School	\$900,000

Surplus Funds Resolution-Second Withdrawal

\$11,570,000

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

RESOLUTION

WHEREAS, the Board of Education of the County of Berkeley issued the above-captioned Refunding Bonds (the "Refunding Bonds") on February 9, 2012;

WHEREAS, as a result of the issuance of such Refunding Bonds and the current refunding of the Board's Public School Bonds, Series 2002, certain surplus funds were made available at the West Virginia Municipal Bond Commission for release to the Board (the "Special Surplus Account");

WHEREAS, under the Resolution providing for the issuance of the Refunding Bonds, the Board was permitted to withdraw \$900,000 of such surplus funds from the Bond Commission on February 9, 2012; and is permitted to withdraw an additional amount of surplus funds from the Bond Commission on or after May 15, 2013, but only following the Board's review of the balances in the Debt Service Account and Surplus Collections Account for the Refunding Bonds, and upon its determination in writing that sufficient funds will be on hand at the Commission to assure payment of the debt service due on the Refunding Bonds on November 1, 2013 (interest) and May 1, 2014 (principal and interest); and

WHEREAS, the Board has reviewed the amount of funds on deposit in the Debt Service Account and Surplus Collection Account for the Refunding Bonds as of May 15, 2013, and has determined and hereby determines that sufficient funds exist, together with anticipated additional tax collections to be received on or before November 1, 2013 and May 1, 2014, to assure payment of the November 1, 2013 and May 1, 2014, debt service on the Refunding Bonds in the respective amounts of \$94,715 and \$2,364,715;

NOW, THEREFORE, the Board hereby resolves, that the amounts on deposit in the Debt Service Account and Surplus Collection Account for the Refunding Bonds are sufficient, together with the anticipated additional tax collections to be received on or before November 1, 2013 and May 1, 2014, to enable the Board to pay in full the debt service on the Refunding Bonds due on November 1, 2013 and May 1, 2014, in the respective amounts of \$94,715 and \$2,364,715.

IT IS HEREBY FURTHER RESOLVED that the amount of \$ _____ shall be withdrawn from the Special Surplus Account and that the balance remaining therein after such withdrawal shall be not less than \$284,584.21.

IT IS HEREBY FURTHER RESOLVED that the Board requests that the West Virginia Municipal Bond Commission withdraw from the Special Surplus Account and deliver to the Board the sum of \$ _____, and certifies that all of such funds will be used solely by the Board to finance the costs of capital improvements, repairs or replacements for school facilities in Berkeley County, West Virginia, which were specified in the bond referendum approved by the voters on September 29, 2001. The projects to which such surplus funds shall be applied, together with the estimated costs of such projects, are described in Exhibit A attached hereto.

This Resolution shall take effect immediately upon its adoption.

Adopted and entered this ____ day of _____, 20 ____.

THE BOARD OF EDUCATION OF
THE COUNTY OF BERKELEY

By: _____
Its President

EXHIBIT A

Description of Projects and Estimated Costs

Surplus Funds Resolution-Third Withdrawal

\$11,570,000

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
Public School Refunding Bonds, Series 2012

RESOLUTION

WHEREAS, the Board of Education of the County of Berkeley issued the above-captioned Refunding Bonds (the "Refunding Bonds") on February 9, 2012;

WHEREAS, as a result of the issuance of such Refunding Bonds and the current refunding of the Board's Public School Bonds, Series 2002, certain surplus funds were made available at the West Virginia Municipal Bond Commission for release to the Board (the "Special Surplus Account");

WHEREAS, under the Resolution providing for the issuance of the Refunding Bonds, the Board was permitted to withdraw \$900,000 of such surplus funds from the Bond Commission on February 9, 2012; and is permitted to withdraw an additional amount of surplus funds from the Bond Commission on or after May 15, 2014, but only following the Board's review of the balances in the Debt Service Account and Surplus Collections Account for the Refunding Bonds, and upon its determination in writing that sufficient funds will be on hand at the Commission to assure payment of the debt service due on the Refunding Bonds on November 1, 2014 (interest) and May 1, 2015 (principal and interest); and

WHEREAS, the Board has reviewed the amount of funds on deposit in the Debt Service Account and Surplus Collection Account for the Refunding Bonds as of May 15, 2014, and has determined and hereby determines that sufficient funds exist, together with anticipated additional tax collections to be received on or before November 1, 2014 and May 1, 2015, to assure payment of the November 1, 2014 and May 1, 2015, debt service on the Refunding Bonds in the respective amounts of \$72,015 and \$2,392,015;

NOW, THEREFORE, the Board hereby resolves, that the amounts on deposit in the Debt Service Account and Surplus Collection Account for the Refunding Bonds are sufficient, together with the anticipated additional tax collections to be received on or before November 1, 2014 and May 1, 2015, to enable the Board to pay in full the debt service on the Refunding Bonds due on November 1, 2014 and May 1, 2015, in the respective amounts of \$72,015 and \$2,392,015.

IT IS HEREBY FURTHER RESOLVED that the amount of \$_____ shall be withdrawn from the Special Surplus Account and that such withdrawal may deplete the funds in the Special Surplus Account based upon the findings made in this resolution.

IT IS HEREBY FURTHER RESOLVED that the Board requests that the West Virginia Municipal Bond Commission withdraw from the Special Surplus Account and deliver to the Board the sum of \$ _____, and certifies that all of such funds will be used solely by the Board to finance the costs of capital improvements, repairs or replacements for school facilities in Berkeley County, West Virginia, which were specified in the bond referendum approved by the voters on September 29, 2001. The description of such projects, together with the estimated costs thereof, are described in Exhibit A attached hereto.

This Resolution shall take effect immediately upon its adoption.

Adopted and entered this ____ day of _____, 20____.

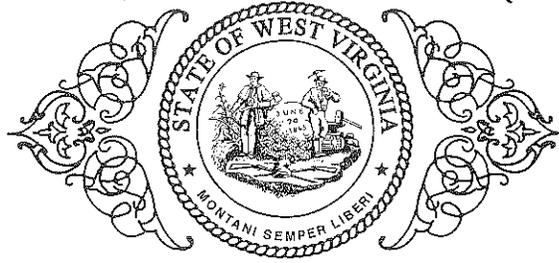
THE BOARD OF EDUCATION OF
THE COUNTY OF BERKELEY

By: _____
Its President

EXHIBIT A

Description of Projects and Estimated Costs

State of West Virginia



Certificate

*I, Natalie E. Tennant, Secretary of State of the
State of West Virginia, hereby certify that*

THIS IS A TRUE COPY OF CHAPTER 13, ARTICLE 2 OF THE WEST
VIRGINIA CODE, AS INDICATED BY THE RECORDS OF THIS OFFICE.



*Given under my hand and the
Great Seal of the State of
West Virginia on
February 2, 2012*

Natalie E. Tennant
Secretary of State

ARTICLE 2

REFUNDING BONDS

- Section**
- 13-2-1. What political divisions may issue refunding bonds; when issued.
 - 13-2-2. Terms of refunding bonds; time, place and amount of payments.
 - 13-2-3. Certain provisions of article one to apply to refunding bonds.
 - 13-2-4. Disposition of bonds; cancellation of original bonds.
 - 13-2-5. Article sufficient authority for issuing refunding bonds.
 - 13-2-6. Issuance without election or notice.
 - 13-2-7. Invalidity of part of article not to affect other parts.
 - 13-2-8. Bonds exempt from taxation.
 - 13-2-9. Funding of orders, drafts or warrants by county courts and boards of education at rate lower than six percent.

§ 13-2-1. What political divisions may issue refunding bonds; when issued

Any county, by and through its county commission, either for and on behalf of the county or for and on behalf of any magisterial district or group of magisterial districts therein; any municipal corporation, by and through its council or other governing body in lieu thereof; or any school district, or any independent school district, by and through its board of education or other fiscal body in lieu thereof, may, in the manner and subject to the limitations and conditions contained in this article, issue and sell its bonds for the purpose of refunding the bonds of such political division which have become or are becoming due and payable and for the discharge of which there are or will be when the bonds mature no funds or insufficient funds available; or when, in the opinion of the governing body of the political division obligated to the payment of such bonds, the rate of levy necessary to provide funds for their discharge will impose excessive taxes upon the taxpayers of such political division; or for the purpose of providing for the payment of outstanding bonds in advance of the maturity or redemption thereof through the making of a deposit as provided in section four of this article; or for the purpose of rendering outstanding bonds not due when such outstanding bonds are to be presented for payment before maturity by the exercise of option provisions or by agreement with the holders thereof. Such refunding bonds may be issued bearing the same or a higher or lesser rate of interest than the bonds to be refunded. Except to the extent that additional taxes for such purpose have been approved by the voters and the levy of such additional taxes provided for in the manner stipulated in sections seven through fourteen of article one of this chapter, no such refunding bonds shall be issued bearing a higher rate of interest than the bonds being refunded or shall be issued in a principal amount exceeding the principal amount of the bonds to be refunded unless the amount of debt service payable on such refunding bonds in each year is equal to or less than the amount of taxes expected to be available therefor as shall be certified by the chairman of the West Virginia municipal bond commission prior to the issuance of such refunding bonds. The amount of taxes expected to be available in each year for purposes of this section shall be based upon the rates

of levy stipulated in the order directing the election at which the issuance of the bonds being refunded was approved by the voters and upon the most recent assessed valuation of the affected property prior to such election. In the event only a portion of the bonds provided for such order are being refunded or have been issued, an appropriate reduction shall be made in the amount of taxes expected to be available based upon the actual debt service requirements of bonds which have been issued but are not being refunded and the estimated debt service requirements of bonds which have not been issued.

Acts 1925, c. 46, § 1; Acts 1984, c. 25.

Library References

Key Numbers

Counties ⇨ 175.
Municipal Corporations ⇨ 913.
Schools ⇨ 97(2).
Westlaw Key Number Searches: 104k175;
268k913; 345k97(2).

Encyclopedias

C.J.S. Counties § 218.
C.J.S. Municipal Corporations §§ 1651, 1653.
C.J.S. Schools and School Districts § 524.

Notes of Decisions

In general 2
Bonds increasing total indebtedness 4
Construction and application 1
Interest rate 6
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Nature and effect of refunding bonds 3
Winkler decision 5

1. Construction and application

Refunding Bond Act is designed to provide some flexibility as to issuance of refunding bonds with regard to interest, maturity schedules, and sales at discount, as long as the refunding bond plan does not exceed basic constraints of original bonds approved by the voters. Code, 13-2-1 to 13-2-9. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(9)

2. In general

Fact that school board's refunding bond plan proposed a maturity schedule which was two years longer than maturity schedule of outstanding original bonds, and fact that annual debt service between the two schedules was somewhat different did not make the plan improper, since refunding bond's maturity schedule was still within 20-year schedule authorized by voters on original bond issue, and since annual debt service on refunding bonds remained within amount of annual tax levy. Code, 13-2-1 to 13-2-9. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(7)

Section of the Refunding Bond Act containing limitation that debt service on refunding bonds must be within confines of original tax levy

authorized by voters, and requiring this fact to be certified by chairman of the Bond Commission prior to issuing refunding bonds with a higher interest rate than original bonds, places a limitation on refunding bond interest and debt service, but does not preclude utilization of each current year's property valuation to set amount of that year's levy rate. Code, 13-2-1. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(9)

3. Nature and effect of refunding bonds

Refunding bonds generally do not constitute new indebtedness, because they provide method of refinancing earlier bond issue at lower interest rate. State ex rel. School Bldg. Authority of West Virginia v. Marockie, 1996, 481 S.E.2d 730, 198 W.Va. 424. Municipal Corporations ⇨ 913

Issuance of refunding bonds to retire existing bonds under the Refunding Bond Act does not create a new indebtedness, and levies to provide debt service for new refunding bonds may be laid to the same extent and with like effect as they could have been laid for the original bonds. Code, 13-1-19, 13-2-1 to 13-2-9; Const. Art. 10, §§ 8, 10. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(1)

County court's issuance of refunding bonds to retire existing road bonds of magisterial district does not create "new indebtedness," and levies to provide debt service for refunding bonds may be laid as if they were original bonds. Code 1931, 13-2-1 et seq. Keeney v. Kanawha County Court, 1934, 175 S.E. 60, 115 W.Va. 243. Counties ⇨ 192

4. Bonds increasing total indebtedness

Maturity schedule and interest rates proposed for refunding bonds cannot increase total indebtedness from that originally authorized by the voters. Const. Art. 10, §§ 8, 10; Code, 13-2-1 to 13-2-9. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(3)

Rule that refunding bonds do not create a new debt, and therefore, may be issued without voter approval under State Constitution, is subject to certain qualifications, including that amount of refunding bonds cannot increase total indebtedness authorized by voters on the original bond issue. Code, 13-2-1; Const. Art. 10, §§ 1, 8, 10. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(4)

Once voters have approved of a certain level of bonded indebtedness, this amount cannot be increased through issuance of refunding bonds without further voter approval. Code, 13-2-1; Const. Art. 10, §§ 1, 8, 10. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(4)

5. Winkler decision

State School Building Authority was authorized to issue refunding bonds with respect to those bonds forming that part of bond issue deemed unconstitutional in Winkler v. State School Building Authority issued prior to date of such opinion; bonds issued prior to date of opinion were not invalid under principle of retroactivity, and refunding of such bonds to replace them at lower interest rate did not create new debt. Const. Art. 10, § 4. State ex rel. School Bldg. Authority of West Virginia v. Marockie, 1996, 481 S.E.2d 730, 198 W.Va. 424. States ⇨ 148

School building capital improvements fund was available to fund bonds issued for purpose of refunding bonds issued by state School Building Authority (SBA) prior to promulgation of state Supreme Court's decision in Winkler v. State School Building Authority; previously granted authority to issue refunding bonds would have no practical effect absent source of funds from which to repay such bonds. State ex rel. School Bldg. Authority of West Virginia v. Marockie, 1996, 481 S.E.2d 730, 198 W.Va. 424. States ⇨ 152

State School Building Authority (SBA) was not permitted to issue bonds alleged to be refunding bonds for redemption of obligations created before Winkler v. State School Building Authority, which had practical effect of generating cash at closing in order to make immediate-

ly available to SBA anticipated debt service savings from so-called refunding bonds; rather, SBA's authority to issue refunding bonds to redeem pre-Winkler obligations was specifically limited to encompass only those bonds, proceeds of which SBA would use to discharge its preexisting obligations. State ex rel. School Bldg. Authority of West Virginia v. Marockie, 1996, 481 S.E.2d 730, 198 W.Va. 424. States ⇨ 148

6. Interest rate

State School Building Authority (SBA) was permitted to refund bonds other than those specifically designated for refunding in Winkler v. State School Building Authority, to receive greatest benefit from lower interest rates applicable to refunding bonds; bonds and their interest rates were affected by changing economic circumstances beyond control of SBA, and denial of authority to refund pre-Winkler bonds different from those specified in such decision would render SBA unable to realize the value of redeeming earlier bonds at lower interest rates and effectively abrogate SBA's capacity to refund any of its pre-Winkler bonds. State ex rel. School Bldg. Authority of West Virginia v. Marockie, 1996, 481 S.E.2d 730, 198 W.Va. 424. States ⇨ 148

Fact that under financing plan involving school board refunding bonds, refunding bonds would bear interest rates higher than interest rate on original bonds did not render them invalid, where bonds would be liquidated within the original 20-year period and taxpayers would save over \$4 million. Const. Art. 10, §§ 8, 10; Code, 13-2-1. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(7)

7. Mandamus

In a mandamus proceeding to compel a county court, which has issued, sold, and delivered to purchasers refunding bonds under the provisions of chapter 46, Acts 1925, to cancel all its refunding orders, recall the bonds and cancel them, on the ground that they are invalid as having been issued under an unconstitutional act, and as creating a debt without the sanction of the voters as provided by the Constitution, this court will not consider and pass upon the constitutionality of the statute nor upon the validity of the bonds, unless the bondholders are made parties or have their day in court. State ex rel. Hall, v. County Court of Mercer County, 1925, 129 S.E. 712, 100 W.Va. 11. Mandamus ⇨ 151(1)

§ 13-2-2. Terms of refunding bonds; time, place and amount of payments

Upon determining to issue such refunding bonds, the governing body of such political division shall, by resolution, authorize the issuance of such bonds in an

amount not exceeding the principal amount permitted by section one of this article, fix the date thereof, the rate or rates of interest which such bonds shall bear, payable semiannually, and require that the bonds shall bear, payable at the office of the state treasurer and at such other place or places as the body issuing the same may designate. Such resolution shall also provide that such bonds shall mature serially in annual installments beginning not more than three years after the date thereof, and the last of such annual installments shall mature in not exceeding thirty-four years from the date of such bonds. The amount payable in each year on the refunding bonds, together with any unrefunded or unissued bonds of the prior issue, may be so fixed that, when the amount of interest is added to the principal amount to be paid during the respective years, the total amount payable in each year shall be as nearly equal as practicable; or such bonds may be made payable in annual installments as nearly equal in principal as may be practicable.

All or a portion of the refunding bonds may be subject to redemption prior to the maturity thereof, at the option of the body issuing the same, at such times and prices and on such terms as shall be designated in the resolution required by this section. The body issuing the refunding bonds may not levy taxes in connection with the redemption of any refunding bonds in excess of the taxes that would have been levied for the payment of principal of and interest on such refunding bonds in such year.

Acts 1925, c. 46, § 2; Acts 1984, c. 25; Acts 1994, c. 13; Acts 1998, c. 320, eff. March 14, 1998.

Library References

Key Numbers

Counties ⇨183(2).
 Municipal Corporations ⇨922.
 Schools ⇨97(6).
 Westlaw Key Number Searches: 104k183(2);
 268k922; 345k97(6).

Encyclopedias

C.J.S. Counties § 222.
 C.J.S. Schools and School Districts § 551.

Notes of Decisions

Conformance with terms of initial bond issuance 4
 Interest rates 6
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 Maturity date 5
 Nature and effect of refunding bonds 1
 Partial issuance of original bonds 2
 Partial refunding 3
 Sale at discount 8
 Term of bonds 7

10, §§ 8, 10. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(1)

Rule that refunding bonds do not create a new debt, and therefore, may be issued without voter approval under State Constitution, is subject to certain qualifications, including that amount of refunding bonds cannot increase total indebtedness authorized by voters on the original bond issue. Code, 13-2-1; Const. Art. 10, §§ 1, 8, 10. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(4)

1. Nature and effect of refunding bonds

Issuance of refunding bonds to retire existing bonds under the Refunding Bond Act does not create a new indebtedness, and levies to provide debt service for new refunding bonds may be laid to the same extent and with like effect as they could have been laid for the original bonds. Code, 13-1-19, 13-2-1 to 13-2-9; Const. Art.

2. Partial issuance of original bonds

Where school board presents a financing plan that includes refunding bonds and an additional amount of unissued original bonds, aggregate of the principal and interest payments made on original bonds prior to their refunding, when

added to amounts to be paid on refunding bonds and any outstanding original bonds that are issued but not refunded, cannot exceed original indebtedness authorized by the voters. Code, 13-2-1 to 13-2-9; Const. Art. 10, §§ 8, 10. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(3)

3. Partial refunding

Section of Refunding Bond Act providing that in event only a portion of bonds provided for, in order directing election at which issuance of bonds being refunded was approved, are being refunded or have been issued, an appropriate reduction shall be made in the amount of taxes expected to be available, is applicable to those situations where the refunding bond plan leaves a debt service which, when combined with any original bonds that will not be refunded, is below the levy originally authorized by the voters, and thus, did not apply to school board's refunding plan, which was constructed to utilize all annual tax revenues during maturity schedule of the bonds. Code, 13-2-1 to 13-2-9. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 103(1)

4. Conformance with terms of initial bond issuance

Fact that school board's bond refunding plan was premised upon maintaining level debt service rather than level principal payments, which was basis for original bonds, was not objectionable, where there was no increase in tax levy rate contemplated. Code, 13-2-2. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(9)

Refunding Bond Act gives bond-issuing authorities option of structuring their refunding bond plan to maintain either level debt service or level principal payments, and where level debt service is chosen, then the test is that the total amount payable in each year should be nearly equal as practicable. Code, 13-2-2. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(9)

Reduction in debt service for first and last years of school board's bond refunding plan were not consequential enough to constitute a violation of the "nearly equal as practicable" language in section of the Refunding Bond Act providing that amount payable in each year on refunding bonds, together with any unrefunded or unissued bonds of the prior issue, may be so fixed that, when amount of interest is added to principal amount to be paid during respective years, total amount payable in each year shall be as nearly equal as practicable, where present refunding bond plan was within limits of the original voter mandate. Code, 13-2-2. Board

of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(9)

Once voters have approved of a certain level of bonded indebtedness, this amount cannot be increased through issuance of refunding bonds without further voter approval. Code, 13-2-1; Const. Art. 10, §§ 1, 8, 10. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(4)

As long as school board's refunding bond plan fell within total obligation authorized by voters pursuant to approval of original bond issue, it does not require voter approval or impinge upon mandate of the voters. Code, 13-2-1 to 13-2-9; Const. Art. 10, §§ 8, 10. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(4)

Section of the Refunding Bond Act containing limitation that debt service on refunding bonds must be within confines of original tax levy authorized by voters, and requiring this fact to be certified by chairman of the Bond Commission prior to issuing refunding bonds with a higher interest rate than original bonds, places a limitation on refunding bond interest and debt service, but does not preclude utilization of each current year's property valuation to set amount of that year's levy rate. Code, 13-2-1. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(9)

5. Maturity date

Maturity schedule and interest rates proposed for refunding bonds cannot increase total indebtedness from that originally authorized by the voters. Const. Art. 10, §§ 8, 10; Code, 13-2-1 to 13-2-9. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(3)

Fact that school board's refunding bond plan proposed a maturity schedule which was two years longer than maturity schedule of outstanding original bonds, and fact that annual debt service between the two schedules was somewhat different did not make the plan improper, since refunding bond's maturity schedule was still within 20-year schedule authorized by voters on original bond issue, and since annual debt service on refunding bonds remained within amount of annual tax levy. Code, 13-2-1 to 13-2-9. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(7)

6. Interest rates

Fact that under financing plan involving school board refunding bonds, refunding bonds would bear interest rates higher than interest rate on original bonds did not render them invalid, where bonds would be liquidated within the original 20-year period and taxpayers would save over \$4 million. Const. Art. 10, §§ 8, 10; Code, 13-2-1. Board of Educ. of Hancock

§ 13-2-2

Note 6

County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(7)

7. Term of bonds

Refunding bonds ordinarily may not be liquidated over a period longer than authorized for the original bond issue. Const. Art. 10, §§ 8, 10. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(9)

8. Sale at discount

Discount sale of a refunding bond is not prohibited under the Refunding Bond Act. Code,

PUBLIC BONDED INDEBTEDNESS

13-2-1 to 13-2-9. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(5)

9. Mandamus

Once it is determined that a bond issue authorized by a governmental agency is lawful, mandamus will lie to compel secretary of the agency or other ministerial official responsible for executing the necessary documents to execute such documents. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Mandamus ⇨ 103

§ 13-2-3. Certain provisions of article one to apply to refunding bonds

All the provisions of sections seventeen, eighteen, nineteen and twenty of article one of this chapter, relating to bonds issued for original indebtedness, shall apply to the same extent and with equal force and effect to refunding bonds issued under the provisions of this article.

Library References

Key Numbers

Counties ⇨ 175.
Municipal Corporations ⇨ 913.
Schools ⇨ 97(2).
Westlaw Key Number Searches: 104k175;
268k913; 345k97(2).

Encyclopedias

C.J.S. Counties § 218.
C.J.S. Municipal Corporations §§ 1651, 1653.
C.J.S. Schools and School Districts § 524.

Notes of Decisions

In general 1

Registration of bonds 2

1. In general

Refunding Bond Act gives bond-issuing authorities option of structuring their refunding bond plan to maintain either level debt service or level principal payments, and where level debt service is chosen, then the test is that the total amount payable in each year should be nearly equal as practicable. Code, 13-2-2. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(9)

2. Registration of bonds

Statutes authorizing a bond-issuing authority to have bonds payable at the office of the State Treasurer and at such other places that the bond-issuing authority may designate provides sufficient authority to permit bonds to be registered at place of payment. Code, 13-1-14, 13-2-2; 26 U.S.C.A. § 103(j). Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Bonds ⇨ 113

"Registration of a bond" means that it is payable to a designated person rather than payable generally to the bearer. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Bonds ⇨ 113

§ 13-2-4. Disposition of bonds; cancellation of original bonds

The governing body of the political subdivision issuing bonds under this article may sell the same or any part thereof and collect the proceeds, or such bonds may be delivered to the holder or holders of the bonds to be refunded in exchange therefor.

It is the intention of this article to authorize political divisions to issue bonds for the purpose of refunding outstanding bonds without thereby contracting any additional indebtedness, and it shall be conditional upon the delivery of any refunding bonds that the bonds to be refunded be canceled and paid simulta-

neously with the issuance and delivery of such refunding bonds: Provided, That such refunding bonds shall be issued in an amount sufficient to effect the refunding and may include an amount sufficient to pay (1) the principal amount outstanding of the bonds to be refunded, (2) interest accrued or to accrue to the date of maturity or the date of redemption of the bonds to be refunded (which need not necessarily be on the first available redemption date), (3) any redemption premiums to be paid thereon, (4) any reasonable expenses incurred in connection with such refunding and (5) any other reasonable costs deemed appropriate by the state, including without limitation, the expenses of preparing and delivering the refunding bonds, legal fees, financial advisor fees, consultant fees, and other expenses incurred in connection with the issuance, sale and delivery of the refunding bonds.

For all purposes of this section, bonds shall be considered to have been canceled and paid in advance of their due date or date of redemption if there shall have been deposited with the West Virginia municipal bond commission either:

(a) Moneys, sufficient to pay when and as due at maturity or prior redemption all amounts of principal, redemption premium, if any, and interest payable on such bonds; or

(b) Direct obligations of the United State of America or the state of West Virginia, or obligations fully and irrevocably secured as to the payment of both principal and interest by such direct obligations, the payment on which when due will provide moneys, sufficient to pay when and as due at maturity or prior redemption all amounts of principal, redemption premium, if any, and interest payable on such bonds.

All such amounts shall be set aside and held in trust and irrevocably dedicated solely to the payment of such bonds, except that amount in excess of the amounts required for the payment of the bonds so refunded may be applied to the payment of costs related to the issuance, carrying, insuring or servicing the refunding bonds, including costs of credit or market enhancement services, such as letters of credit, remarketing arrangements and similar services. Any amount deposited pursuant to this section may include amounts already held on deposit by the West Virginia municipal bond commission for the payment of the bonds to be refunded.

Acts 1925, c. 46, § 7; Acts 1937, c. 118; Acts 1984, c. 25; Acts 1994, c. 13.

Library References

Key Numbers

Counties ⇨ 175.

Municipal Corporations ⇨ 913.

Schools ⇨ 97(2).

Westlaw Key Number Searches: 104k175;
268k913; 345k97(2).

Encyclopedias

C.J.S. Counties § 218.

C.J.S. Municipal Corporations §§ 1651, 1653.

C.J.S. Schools and School Districts § 524.

Notes of Decisions

Unissued original bonds 1
 Use of excess funds 2

1. Unissued original bonds

Where school board presents a financing plan that includes refunding bonds and an additional amount of unissued original bonds, aggregate of the principal and interest payments made on original bonds prior to their refunding, when added to amounts to be paid on refunding bonds and any outstanding original bonds that are issued but not refunded, cannot exceed original indebtedness authorized by the voters. Code, 13-2-1 to 13-2-9; Const. Art. 10, §§ 8, 10. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(3)

Where a bond-issuing authority has been unable to market all of its original bond issue and is unable to complete the project financed by the bond issue, it may utilize for the project any unencumbered funds in its account with the Bond Commission as a part of a refunding bond plan to complete the original project. Code, 13-3-9(c). Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 92(1)

2. Use of excess funds

Statute authorizing transfer of funds remaining from liquidation of school bonds to school current fund does not preclude use of excess money from an escrow fund established with the Bond Commission and derived from sale of refunding bonds under the Bond Refunding Act, as long as the board complies with subsection of the Act enabling bond-issuing authority to withdraw excess funds held by the Bond Commission that are not needed to liquidate original

bond issue; such funds can be spent on school improvements when they are made a part of a refunding bond plan for school improvements, and it is only when last bond has been retired that any excess funds then remaining are turned back to the school board to the credit of its school current fund. Code, 13-2-1 to 13-2-9, 13-3-9(c), 18-9-2c. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(5)

School board's plan to spend some excess money from sale of refunding bonds on school improvements was not improper. Code, 13-2-1 to 13-2-9, 13-3-9(c), 18-9-2c. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(5)

School board's plan to spend some excess money from sale of refunding bonds on school improvements was not improper. Code, 13-2-1 to 13-2-9, 13-3-9(c), 18-9-2c. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(5)

Section of Bond Refunding Act providing that money received from sale of refunding bonds shall be set aside and held in trust and irrevocably dedicated solely to payment of such bonds, except that excess of amounts required for payment of bonds so refunded may be applied to payment of costs, was intended to enable school board to spend any excess money on expenses directly resulting from issuance of the refunding bonds, but does not foreclose the school board from utilizing any excess money for real purpose of the project for which bonds were issued, which was for school building improvements. Code, 13-2-4. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇌ 97(5)

§ 13-2-5. Article sufficient authority for issuing refunding bonds

This article shall, without reference to any other act of the legislature, be full authority for the issuance, sale and exchange of bonds in this article authorized. No order, ordinance, resolution or proceeding in respect to the issuance of any bonds hereunder shall be necessary except such as are required by this article. No publication of any notice, order, ordinance or proceeding relating to the issuance of such bonds shall be necessary.

Acts 1925, c. 46, § 8.

Library References

Key Numbers

- Counties ⇌ 175.
- Municipal Corporations ⇌ 913.
- Schools ⇌ 97(2).
- Westlaw Key Number Searches: 104k175; 268k913; 345k97(2).

Encyclopedias

- C.J.S. Counties § 218.
- C.J.S. Municipal Corporations §§ 1651, 1653.
- C.J.S. Schools and School Districts § 524.

§ 13-2-6. Issuance without election or notice

The issuance and sale of exchange bonds in this article authorized may be had without an election or publication of any notice.

Acts 1925, c. 46, § 9; Acts 1937, c. 118.

Library References

Key Numbers

Counties ⇨178.
 Municipal Corporations ⇨918.
 Schools ⇨97(4).
 Westlaw Key Number Searches: 104k178;
 268k918; 345k97(4).

Encyclopedias

C.J.S. Counties § 221.
 C.J.S. Municipal Corporations §§ 1664, 1672.
 C.J.S. Schools and School Districts §§ 532 to
 545.

Notes of Decisions

In general 1

1. In general

As long as school board's refunding bond plan fell within total obligation authorized by voters

pursuant to approval of original bond issue, it does not require voter approval or impinge upon mandate of the voters. Code, 13-2-1 to 13-2-9; Const. Art. 10, §§ 8, 10. Board of Educ. of Hancock County v. Slack, 1985, 327 S.E.2d 416, 174 W.Va. 437. Schools ⇨ 97(4)

§ 13-2-7. Invalidity of part of article not to affect other parts

If any clause, sentence, paragraph or part of this article shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder of the article, but shall be confined in its application to the clause, sentence, paragraph or part thereof directly involved in the controversy in which such judgment has been rendered.

Acts 1925, c. 46, § 10.

§ 13-2-8. Bonds exempt from taxation

All bonds of the State of West Virginia or of any political subdivision thereof issued hereunder shall be exempt from all taxation by the State or by any political subdivision thereof.

Cross References

Bond issues for original indebtedness, bonds exempt from taxation, see § 13-1-33.

Library References

Key Numbers

Taxation ⇨218.
 Westlaw Key Number Search: 371k218.

Encyclopedias

C.J.S. Taxation § 260.

§ 13-2-9. Funding of orders, drafts or warrants by county courts and boards of education at rate lower than six percent

County courts and boards of education may, upon the application of the owner or holder or holders, by an order entered of record, fund any indebtedness represented by orders, drafts, or warrants by taking up one or more of such orders, drafts, or warrants issued on the same fund, and issue in lieu thereof new orders, drafts or warrants to the person or persons entitled to

receive the sums of money due upon said orders, drafts, or warrants, and in which orders there shall be set out in detail the number of each order, draft, or warrant, the date thereof, to whom issued, the fund or funds on which drawn, the name of the present holder thereof, or the person or persons entitled to receive the sum due thereon, if interest-bearing the date from which interest began, the credits, if any endorsed thereon, and the date thereof, and such other information so as to completely identify the orders, drafts or warrants for which new orders, drafts or warrants are issued: Provided, however, That no power or authority herein given or contained shall be construed to make legal and binding any order, draft or warrant not legal and/or binding when originally ordered and/or issued by any county court or board of education. The court and/or boards shall, when the orders, drafts or warrants are interest-bearing, in issuing such new orders, drafts or warrants, issue them on the same fund upon which the original order, draft or warrant was issued and for the aggregate amount of unpaid principal and interest to that date, and cancel all such orders, drafts or warrants funded and file the same with the clerk of the county court of their county for preservation. All such new orders, drafts or warrants shall not become interest-bearing until the same shall have been presented to the sheriff for payment and endorsed as provided by law, and when so presented shall draw interest at five and one-half percent per annum.

Acts 1933, c. 43, § 1.

W.Va. Const., art. IX, § 9, redesignated the office of the county court as county commission.

Library References

Key Numbers

Counties ↻164.
Westlaw Key Number Search: 104k164.

Encyclopedias

C.J.S. Counties § 208.

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13-2A-
13-2A-

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(304) 933-8136 - Telephone

(304) 933-8183 - Fax

February 21, 2012

\$11,570,000

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)

Public School Refunding Bonds, Series 2012

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Department of the Treasury
Internal Revenue Service Center
Ogden, Utah 84201

Ladies and Gentlemen:

Enclosed herewith is a completed and executed Internal Revenue Service Form 8038-G and a file copy thereof with regard to the above-captioned issue. Please file the original form in the appropriate Internal Revenue Service records and return the copy marked as the "Acknowledgement Copy" to me (after acknowledging receipt of the same) in the enclosed stamped, self-addressed envelope.

Thank you for your attention to this letter. If you have any questions regarding any of the issues set forth herein, or if I can be of any service, please do not hesitate to call.

My best regards.

Very truly yours,

Thomas L. Aman, Jr.

TLA

Enclosures

cc: Manny P. Arvon, Superintendent (via e-mail)
James V. Butts, Jr., CPA, Treasurer (via e-mail)
John C. Stump, Esq. (via e-mail)

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)

▶ See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name The Board of Education of the County of Berkeley (West Virginia)		2 Issuer's employer identification number (EIN) 55-6000297	
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions) Thomas L. Aman, Jr.		3b Telephone number of other person shown on 3a 304.933.8136	
4 Number and street (or P.O. box if mail is not delivered to street address) 401 South Queen Street		Room/suite	5 Report number (For IRS Use Only) 3
6 City, town, or post office, state, and ZIP code Martinsburg, West Virginia 25401		7 Date of issue February 9, 2012	
8 Name of issue Public School Refunding Bonds, Series 2012		9 CUSIP number 084239 FS6	
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) James V. Butts, Jr., CPA, Treasurer		10b Telephone number of officer or other employee shown on 10a 304.267.3510	

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.			
11 Education		11	11,570,000
12 Health and hospital		12	
13 Transportation		13	
14 Public safety		14	
15 Environment (including sewage bonds)		15	
16 Housing		16	
17 Utilities		17	
18 Other. Describe ▶		18	
19 If obligations are TANs or RANs, check only box 19a	<input type="checkbox"/>		
If obligations are BANs, check only box 19b	<input type="checkbox"/>		
20 If obligations are in the form of a lease or installment sale, check box	<input type="checkbox"/>		

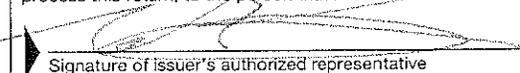
Part III Description of Obligations. Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	05/01/2017	\$ 11,898,066	\$ 11,570,000	3.274 years	1.0154 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)					
22	Proceeds used for accrued interest		22	0	
23	Issue price of entire issue (enter amount from line 21, column (b))		23	11,898,066	
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	177,016		
25	Proceeds used for credit enhancement	25	0		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0		
27	Proceeds used to currently refund prior issues	27	11,721,050		
28	Proceeds used to advance refund prior issues	28	0		
29	Total (add lines 24 through 28)	29	11,898,066		
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	0		

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.			
31	Enter the remaining weighted average maturity of the bonds to be currently refunded	▶	3.321 years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded	▶	N/A years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	▶	05/01/2012
34	Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	▶	02/12/2002

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	0
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a	0
b	Enter the final maturity date of the GIC ▶ _____		
c	Enter the name of the GIC provider ▶ _____		
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37	0
38a	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the following information:		
b	Enter the date of the master pool obligation ▶ _____		
c	Enter the EIN of the issuer of the master pool obligation ▶ _____		
d	Enter the name of the issuer of the master pool obligation ▶ _____		
39	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box		<input type="checkbox"/>
40	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box		<input type="checkbox"/>
41a	If the issuer has identified a hedge, check here <input type="checkbox"/> and enter the following information:		
b	Name of hedge provider ▶ _____		
c	Type of hedge ▶ _____		
d	Term of hedge ▶ _____		
42	If the issuer has superintegrated the hedge, check box		<input type="checkbox"/>
43	If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box		<input checked="" type="checkbox"/>
44	If the issuer has established written procedures to monitor the requirements of section 148, check box		<input checked="" type="checkbox"/>
45a	If some portion of the proceeds was used to reimburse expenditures, check here <input type="checkbox"/> and enter the amount of reimbursement		
b	Enter the date the official intent was adopted ▶ _____		

Signature and Consent	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.				
		2-21-2012	Dr. William F. Queen		
	Signature of issuer's authorized representative	Date	Type or print name and title		
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Thomas L. Aman, Jr.		2-21-2012		P01084844
	Firm's name ▶ Steptoe & Johnson PLLC	Firm's EIN ▶ 550286140			
Firm's address ▶ 400 White Oaks Boulevard, Bridgeport, WV 26330	Phone no. 304.933.8000				

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

Department of the Treasury
 Internal Revenue Service
 Center
 Ogden, Utah 84201

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Agent
 Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? Yes

If YES, enter delivery address below: No

3. Service Type

Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Article Number

(Transfer from service label)

7005 1160 0000 8868 0004

BERKELEY COUNTY BOARD OF EDUCATION
ORDER DIRECTING ELECTION

AN ORDER OF THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY DIRECTING THAT A SPECIAL ELECTION BE HELD FOR THE PURPOSE OF SUBMITTING TO THE VOTERS OF BERKELEY COUNTY SCHOOL DISTRICT ALL QUESTIONS CONNECTED WITH THE CONTRACTING OF A DEBT AND THE ISSUING OF BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN TWENTY-SEVEN MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$27,800,000) FOR LAND ACQUISITION, SITE PREPARATION AND ACQUISITION, CONSTRUCTION, EQUIPPING AND FURNISHING OF NEW SCHOOLS AND RENOVATIONS AND IMPROVEMENTS FOR EXISTING SCHOOLS IN BERKELEY COUNTY SCHOOL DISTRICT

BE IT ORDERED AND ENTERED OF RECORD BY THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY:

It appears to The Board of Education of the County of Berkeley (herein called the "Board") and the Board does accordingly hereby find:

1. As a result of continued growth in student enrollment, and inadequate school buildings and related facilities in Berkeley County School District (the "District") in the State of West Virginia (the "State") which generally result in insufficient and ineffective space, excessive maintenance costs and lack of efficiency are conditions which now exist and are adversely affecting proper and adequate education of students in the District to prepare them for gainful employment or further education, and those conditions, together with due regard for proper health and safety standards, make it necessary that the Board acquire, construct, erect, furnish and equip two new schools and the sites therefore and undertake renovation and improvements for certain existing schools, all as shown below; and such conditions and requirements have been found and are hereby determined to exist, pursuant

to investigation caused to be made by this Board. The funds derived from current levies applicable to acquisition and construction of such new facilities which this body is now authorized by law to lay, after providing for the administration of the affairs of this Board and meeting the current expenses thereof required by law, are insufficient to finance such acquisition and construction and therefore, Bonds should be issued to provide funds therefor.

2. Funds should be obtained for the purposes mentioned above and described below and it will be necessary to incur debt and issue Bonds for the acquisition, construction, erection, equipping and furnishing of two new schools, together with site acquisition and preparation costs and the renovation and improvement of certain existing schools and all necessary appurtenances (collectively, the "Project"), to pay interest during the period of construction of the Project and for up to six months thereafter, to pay architectural, engineering and inspection costs and to pay costs of issuance of the Bonds, all as more fully hereinafter described. Investigation and studies by this Board show that at least the sum of \$43,250,000 should be spent for such purposes, \$27,800,000 of which would be provided from proceeds of the hereinafter described Bonds and \$15,450,000 of which would be provided by expected grants from the School Building Authority of West Virginia, all to the end of providing adequate, safe and convenient school facilities in the District to meet and improve the educational needs and opportunities of the students in the District.

3. The valuation of the taxable property in the District, as shown by the last assessment thereof for state and county taxation purposes, is \$2,039,548,672, and the valuation of each class of property within the District is as follows:

Class I	\$ 106,547,096
Class II	1,026,770,878
Class III	645,779,372
Class IV	<u>260,451,326</u>
TOTAL	<u>\$2,039,548,672</u>

4. There is bonded indebtedness for school purposes in the District in the outstanding amount of \$13,690,000. The unbonded indebtedness of the District is negligible and can be paid from current levy funds. Accordingly, Bonds in the aggregate principal amount of \$27,800,000, together with the existing bonded indebtedness of \$13,690,000, being less than 5% of the value of such taxable property as ascertained by the last assessment thereof for State and county taxes, may be issued for the purposes herein provided without exceeding any constitutional or statutory limitation.

5. Bonds in the principal amount of \$5,000 each, or integral multiples thereof, aggregating not more than \$27,800,000, shall be issued and sold, in whole, or from time to time in part, as the Board may in its discretion, deem proper, advisable and in the best interests of the inhabitants of the District, the proceeds of which sale shall be used for the Project, provided, that if any part of the bond proceeds should not be needed for completion of the Project, such unneeded part shall be deposited with the West Virginia Municipal Bond Commission to be used solely for the purchase or redemption of any Bonds of this issue outstanding or for the payment of such Bonds and the interest thereon at the maturities thereof. The proceeds of sale of the Bonds will not be used except as herein specified, provided that the Board shall have the authority to pay matured interest and the

principal amount of any matured Bonds from Bond proceeds until levy money is available to pay the same and thereafter, the bond proceeds expended for this purpose may be reimbursed from levy moneys collected.

6. The Bonds shall bear interest at a rate or rates not exceeding 7 1/4% per annum, payable semiannually, but it is anticipated that the best bid for the Bonds will provide a much lower interest rate (which will result in a lower levy rate needed to pay the Bonds and the interest thereon), and the Bonds shall be payable for a maximum term of 15 1/2 years from the date of issuance thereof.

7. It is further hereby ordered by the Board of Education of the County of Berkeley that:

(A) The question of incurring said debt and issuing said Bonds and all other questions properly connected therewith shall be submitted to the voters of Berkeley County School District at a special election to be held in the District on **Saturday, September 29, 2001.**

(B) The names of the Commissioners for holding said election shall be as follows (provided that, if any of such Commissioners are unavailable or otherwise unable to serve, substitutes will be appointed):

Virginia M. Sine (Circuit Clerk)

P. Douglas Luttrell

Joanne Overington

(C) The registration of voters and the use of the registration books shall be governed by the permanent registration laws of the State of West Virginia and the Board

hereby adopts the registration lists of the County of Berkeley as the official registration lists of the District for such school bond election.

(D) The purposes or projects for which the proceeds of sale of the Bonds (\$27,800,000), if authorized by the voters and the expected grants from the School Building Authority of West Virginia (\$15,450,000), are to be expended are as follows:

<u>PROJECT</u>	<u>LOCATION</u>	<u>ESTIMATED COST</u>	
		<u>BOND PROCEEDS</u>	<u>SBA GRANT</u>
1. NEW SPRING MILLS AREA MIDDLE SCHOOL Acquisition of site, site preparation and furnish and equip a new middle school to house approximately 750 students containing approximately 95,000 square feet, together with all necessary furnishings, fixtures, equipment and appurtenances.	Site located near intersection of I-81 and Route 901	\$10,525,000	\$2,000,000
2. NEW BACK CREEK VALLEY/GERRARDSTOWN INTERMEDIATE SCHOOL Acquisition of site, site preparation and furnish and equip a new intermediate school to house approximately 450 students containing approximately 44,000 square feet, together with all necessary furnishings, fixtures, equipment and appurtenances.	Site located near the community of Gerrardstown	\$1,125,000	\$4,500,000

		<u>ESTIMATED COST</u>	
<u>PROJECT</u>	<u>LOCATION</u>	<u>BOND PROCEEDS</u>	<u>SBA GRANT</u>
3. EXISTING MARTINSBURG SOUTH MIDDLE SCHOOL Construct new classrooms, library, kitchen/dining, entrance foyer and additional offices; renovation and improvements to existing buildings, flooring, windows, ceilings, HVAC, electrical wiring and lighting, toilets and locker rooms, together with all necessary furnishings, fixtures, equipment and appurtenances.	Existing Martinsburg South Middle School	\$1,150,000	\$4,650,000
4. EXISTING BACK CREEK ELEMENTARY SCHOOL Construct new classrooms, new toilets and storage areas, renovation and improvements to existing buildings, flooring, windows, ceilings, exterior walls, doors, HVAC, electrical wiring/lighting and roof, together with all necessary furnishings, fixtures, equipment and appurtenances.	Existing Back Creek Elementary School	\$ 800,000	\$ -0-

	<u>PROJECT</u>	<u>LOCATION</u>	<u>ESTIMATED COST</u>	
			<u>BOND PROCEEDS</u>	<u>SBA GRANT</u>
5.	EXISTING HEDGESVILLE ELEMENTARY SCHOOL Construct new classrooms, multipurpose room, addition and renovation of storage and office areas, renovate existing buildings, floors, wall structure, exterior wall structure, windows, doors, flooring, ceilings, HVAC, electrical wiring and toilets, install elevator and expand/equip kitchen, together with all necessary furnishings, fixtures, equipment and appurtenances.	Existing Hedgesville Elementary School	\$3,300,000	\$ -0-
6.	EXISTING MILL CREEK INTERMEDIATE SCHOOL Construct new multipurpose room, dining room, renovation of existing storage and office areas, renovate existing building's exterior walls, flooring, ceilings, toilets and HVAC system, together with all necessary furnishings, fixtures, equipment and appurtenances.	Existing Mill Creek Intermediate School	\$1,300,000	\$ -0-

7.	EXISTING HEDGESVILLE HIGH SCHOOL	Existing Hedgesville High School	\$2,200,000	\$4,300,000
	Construct new classrooms and storage areas, locker rooms and spectator gym, renovation of existing building's HVAC system, together with all necessary furnishings, fixtures, equipment and appurtenances.			
8.	EXISTING MARTINSBURG HIGH SCHOOL	Existing Martinsburg High School	\$3,700,000	\$ -0-
	Construct new classroom addition, expand existing gym seating area, renovate and improve locker rooms and toilets, together with all necessary furnishings, fixtures, equipment and appurtenances.			
9.	EXISTING BUNKER HILL ELEMENTARY SCHOOL	Existing Bunker Hill Elementary School	\$3,700,000	\$ -0-
	Construct new classrooms, computer lab and kitchen, addition to storage and office areas, renovate existing buildings, windows, roof, flooring, ceilings, HVAC system, electrical wiring/lighting and toilets			
	TOTALS		<u>\$27,800,000</u>	<u>\$15,450,000</u>
	APPROXIMATE TOTAL COST TO BE PAID FROM BOND PROCEEDS		\$27,800,000	
	APPROXIMATE TOTAL COST TO BE PAID FROM SBA GRANTS		\$15,450,000	
	APPROXIMATE TOTAL COST OF ALL PROJECTS		<u>\$43,250,000</u>	

The above amounts include costs of site acquisition and improvement, demolition as needed, construction, erection, furnishing and equipping of the Project, architectural and engineering fees and costs, interest on the Bonds during construction of the Project and for a period of six months thereafter, expenses of issuance and sale of the Bonds, including bond insurance and rating agency fees, if appropriate, and such other costs as may be necessary for properly carrying out and completing the Project.

(E) If the voters of the District approve such debt and the issuance of said Bonds, the Board shall lay annually upon the assessed valuation of all the taxable property within the District a levy sufficient to provide funds for the payment of the annual interest upon said Bonds as it accrues semiannually, and the principal of said Bonds at the maturities thereof, for which purpose a levy upon each \$100 valuation, based upon the last assessment of such property for state and county purposes, will be required at the approximate rates as follows:

Upon Class I property, approximately 6.00 cents

Upon Class II property, approximately 12.00 cents

Upon Class III property, approximately 24.00 cents

Upon Class IV property, approximately 24.00cents

(F) In the laying of such levy, the assessment levy authorized to be laid by the Board for the District by the Constitution of West Virginia and the statutes enacted pursuant thereto shall not be exceeded; provided, however, that the rates hereinabove set forth may, whenever necessary, be exceeded in making the annual levy for interest and

principal of such Bonds within any statutory and constitutional limitations; and in the levy, collection and disbursement of taxes within constitutional and statutory limitations, such levy for interest and principal upon such proposed Bonds shall have preference over all other taxes collected by the Board for any purpose whatever, except the payment of interest and sinking fund requirements on other Bond issues which heretofore have been authorized or which may hereafter be authorized.

(G) If the debt and the Bond issue shall be approved by the voters, the Bonds, together with all existing bonded indebtedness, including any other bonds heretofore issued and payable from taxes levied outside the limitations fixed by Section 1, Article X of said Constitution, will not exceed in the aggregate 5% of the valuation of the taxable property in the District ascertained in accordance with Sections 8 and 10, Article X of said Constitution, and such Bonds and the interest thereon will be payable from a direct annual tax levied and collected each year, on all taxable property in the District, sufficient to pay the principal and interest maturing and becoming due on such Bonds in each year together with any deficiencies for prior years, within, and not exceeding 34 years, which tax levies will be laid separate and apart from, and in addition to, the maximum rates provided for tax levies for school districts on the several classes of property in Section 1, Article X of said Constitution, but in the same proportions as such maximum rates are levied on the several classes of property; and said tax will be levied outside the limits fixed by Section 1, Article X of said Constitution.

(H) If the debt and Bond issue submitted to the voters shall be approved, by virtue of Section 8, Article X of the Constitution, known as the "School Bond

Amendment," and Section 10, Article X of the Constitution, known as the "Better Schools Amendment," and the enabling legislation enacted by the Legislature of West Virginia, Regular Session, 1951, amending and re-enacting Sections 3 and 4, Article 1, Chapter 13 of the Code of West Virginia, 1931, the levies hereinbefore provided will not violate any constitutional or statutory provisions of this State establishing maximum levies; said levies herein provided shall be levied and allocated each year for the purpose of discharging the interest and principal of the Bonds to be authorized, and for such purposes shall be laid separate and apart from all other levies made for all other purposes of the District, and the Board does further find that after laying and allocating said special levies for payment of the principal and interest requirements of said Bonds, there will be, out of the levies authorized by law, moneys which, when added to other income, will be sufficient to carry on the proper requisite functions of the Board and of the District.

(I) The form of ballot to be used for such school bond election shall be as follows:

OFFICIAL BALLOT
BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
SPECIAL SCHOOL BOND ELECTION
SATURDAY, SEPTEMBER 29, 2001

Shall the Board of Education of the County of Berkeley incur debt and issue Bonds in the amount of not more than TWENTY-SEVEN MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$27,800,000), maturities on such Bonds to run not more than 15½ years from the date of such Bonds, with interest not exceeding the rate of 7 1/4% per annum, payable semi-annually, for the purpose of making the following improvements in Berkeley County School District (Estimated Costs to include both Bond proceeds and proceeds of grants expected to be received from the School Building Authority of West Virginia, as shown below) to provide adequate, safe and convenient educational facilities for the School District, and levy taxes sufficient to pay the interest on and the principal of such Bonds?

<u>PROJECT</u>	<u>LOCATION</u>	<u>ESTIMATED COST</u>	
		<u>BOND PROCEEDS</u>	<u>SBA GRANT</u>
1. NEW SPRING MILLS AREA MIDDLE SCHOOL Acquisition of site, site preparation and furnish and equip a new middle school to house approximately 750 students containing approximately 95,000 square feet, together with all necessary furnishings, fixtures, equipment and appurtenances.	Site located near intersection of I-81 and Route 901	\$10,525,000	\$2,000,000
2. NEW BACK CREEK VALLEY/GERRARDSTOWN INTERMEDIATE SCHOOL Acquisition of site, site preparation and furnish and equip a new intermediate school to house approximately 450 students containing approximately 44,000 square feet, together with all necessary furnishings, fixtures, equipment and appurtenances.	Site located near the community of Gerrardstown	\$1,125,000	\$4,500,000

	<u>PROJECT</u>	<u>LOCATION</u>	<u>ESTIMATED COST</u>	
			<u>BOND PROCEEDS</u>	<u>SBA GRANT</u>
3.	EXISTING MARTINSBURG SOUTH MIDDLE SCHOOL Construct new classrooms, library, kitchen/dining, entrance foyer and additional offices; renovation and improvements to existing buildings, flooring, windows, ceilings, HVAC, electrical wiring and lighting, toilets and locker rooms, together with all necessary furnishings, fixtures, equipment and appurtenances.	Existing Martinsburg South Middle School	\$1,150,000	\$4,650,000
4.	EXISTING BACK CREEK ELEMENTARY SCHOOL Construct new classrooms, new toilets and storage areas, renovation and improvements to existing buildings, flooring, windows, ceilings, exterior walls, doors, HVAC, electrical wiring/lighting and roof, together with all necessary furnishings, fixtures, equipment and appurtenances.	Existing Back Creek Elementary School	\$ 800,000	\$ -0-

	<u>PROJECT</u>	<u>LOCATION</u>	<u>ESTIMATED COST</u>	
			<u>BOND PROCEEDS</u>	<u>SBA GRANT</u>
5.	EXISTING HEDGESVILLE ELEMENTARY SCHOOL Construct new classrooms, multipurpose room, addition and renovation of storage and office areas, renovate existing buildings, floors, wall structure, exterior wall structure, windows, doors, flooring, ceilings, HVAC, electrical wiring and toilets, install elevator and expand/equip kitchen, together with all necessary furnishings, fixtures, equipment and appurtenances.	Existing Hedgesville Elementary School	\$3,300,000	\$ -0-
6.	EXISTING MILL CREEK INTERMEDIATE SCHOOL Construct new multipurpose room, dining room, renovation of existing storage and office areas, renovate existing building's exterior walls, flooring, ceilings, toilets and HVAC system, together with all necessary furnishings, fixtures, equipment and appurtenances.	Existing Mill Creek Intermediate School	\$1,300,000	\$ -0-

	<u>PROJECT</u>	<u>LOCATION</u>	<u>ESTIMATED COST</u>	
			<u>BOND PROCEEDS</u>	<u>SBA GRANT</u>
7.	EXISTING HEDGESVILLE HIGH SCHOOL Construct new classrooms and storage areas, locker rooms and spectator gym, renovation of existing building's HVAC system, together with all necessary furnishings, fixtures, equipment and appurtenances.	Existing Hedgesville High School	\$2,200,000	\$4,300,000
8.	EXISTING MARTINSBURG HIGH SCHOOL Construct new classroom addition, expand existing gym seating area, renovate and improve locker rooms and toilets, together with all necessary furnishings, fixtures, equipment and appurtenances.	Existing Martinsburg High School	\$3,700,000	\$ -0-

		<u>ESTIMATED COST</u>	
<u>PROJECT</u>	<u>LOCATION</u>	<u>BOND PROCEEDS</u>	<u>SBA GRANT</u>
9. EXISTING BUNKER HILL ELEMENTARY SCHOOL	Existing Bunker Hill Elementary School	\$3,700,000	\$ -0-
Construct new classrooms, computer lab and kitchen, addition to storage and office areas, renovate existing buildings, windows, roof, flooring, ceilings, HVAC system, electrical wiring/lighting and toilets			
TOTALS		<u>\$27,800,000</u>	<u>\$15,450,000</u>
APPROXIMATE TOTAL COST TO BE PAID FROM BOND PROCEEDS		\$27,800,000	
APPROXIMATE TOTAL COST TO BE PAID FROM SBA GRANTS			\$15,450,000
APPROXIMATE TOTAL COST OF ALL PROJECTS		<u>\$43,250,000</u>	

The above amounts include costs of site acquisition and improvement, demolition, as needed, construction, erection, furnishing and equipping of such Project, architectural and engineering fees and costs, interest on the Bonds during construction of the Project and for six months thereafter, expenses of issuance and sale of the Bonds, including bond insurance and rating agency fees, if appropriate, and such other costs as may be necessary for properly carrying out and completing the Project.

YES

NO

INSTRUCTIONS TO VOTERS: To vote in favor of the proposition submitted on this ballot, place an X mark in the square before the word "YES".

To vote against the proposition, place a similar mark in the square before the word "NO".

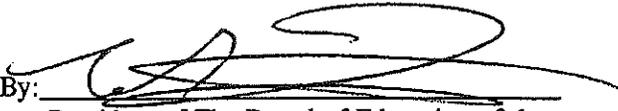
* * * * *

8. The Secretary of the Board with the assistance of the Clerk of the County Commission of Berkeley County, which Clerk is hereby designated and appointed as an agent of the Board for this election, is hereby authorized and directed to procure and furnish to the election commissioners at each voting precinct, insofar as practicable, the ballots, poll books, tally sheets and other supplies and things necessary for conducting the election as provided by West Virginia Code, Chapter 13, Article 1, Section 11, and perform all duties imposed by law upon Clerks of the Circuit Court and County Commission in relation to general elections insofar as practicable; and, in accordance with Section 13, Article 1 of said Chapter 13, the Board shall canvass the election returns, and shall meet on Friday, October 5, 2001, that being the 5th day, Sunday excepted, after such election for such purposes.

9. Absentee ballots shall be applied for, obtained from and returned to the Clerk of the Circuit Court of the County of Berkeley in accordance with the laws of the State of West Virginia, and said Clerk is hereby appointed the agent of the Board to perform all duties relating to absentee ballots in this election.

10. Notice of the school bond election hereby ordered shall be given, as required by law, by the publication of this order within the 14 consecutive days next preceding the date of such election, with an interval of at least 6 full days between the first and second publications, once a week for 2 successive weeks in the Martinsburg Journal, being the only qualified newspaper published or of general circulation in Berkeley County, West Virginia, the publication dates to be September 20 and September 27, 2001.

Given under my hand this 18th day of June, 2001.

By: 
President of The Board of Education of the
County of Berkeley

CERTIFICATE

Certified a true and correct copy of the Order Directing Election, made and entered of record by The Board of Education of the County of Berkeley at a regular meeting thereof duly and regularly called and held upon lawful notice to all members thereof and to the public and news media, on the 18th day of June, 2001, at Martinsburg, Berkeley County, West Virginia, a quorum of said members being present at said meeting and acting throughout the same. Such order is in full force and effect.

Given under my hand this February 12, 2002.

By 
Secretary of The Board of Education of the
County of Berkeley

02/12/02
067600/00002

**THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
RESOLUTION AND ORDER DIRECTING ISSUANCE OF BONDS**

WHEREAS, The Board of Education of the County of Berkeley (the "Issuer"), has heretofore, on June 18, 2001, made and entered of record an order upon the question of authorizing bonds in the amount of Twenty-Seven Million Eight Hundred Thousand Dollars (\$27,800,000) to be issued and sold for the purpose of providing funds for making certain improvements in Berkeley County School District (the "District");

WHEREAS, in pursuance of said order, a special election was held on September 29, 2001, at each of the legally established voting precincts in the District for the purpose of ascertaining the will of the voters upon the question of whether or not said bonds should be issued. The result of said election, as shown by a canvass of the returns thereof made by the Issuer and The County Commission of Berkeley County, sitting jointly as a canvassing board, on October 5, 2001, and as certified on October 5, 2001, was Three Thousand Five Hundred Fourteen (3,514) votes for and Two Thousand Forty-One (2,041) votes against the issuance of said bonds; so that more than 50% of the voters, to wit, 63.26% voting upon said proposition at said election, voted for the issuance of said bonds.

WHEREAS, the Issuer has accordingly determined to proceed with the issuance of bonds as hereinafter provided;

**NOW THEREFORE, BE IT RESOLVED AND ORDERED BY THE
BOARD OF EDUCATION OF THE COUNTY OF BERKELEY AS FOLLOWS:**

1. Bonds in the aggregate principal amount of \$27,800,000 (the "Bonds"), shall be issued and sold, in denominations of \$5,000 or integral multiples thereof, the proceeds of which sale shall be used for the purposes hereinafter set forth, the sale of such Bonds to be made in whole, or from time to time in part, as the Issuer may in its discretion, deem proper, advisable and in the best interests of the residents of the District. Upon completion of the Projects and payment of all costs thereof in full, any unused sum remaining from the sale of the Bonds shall be deposited with the West Virginia Municipal Bond Commission to be used for the purchase of any Bonds of this proposed issue outstanding at a price of not more than the par value thereof plus accrued interest to the date of such purchase or for the payment of the Bonds hereby authorized and the interest thereon at the maturities thereof.

2. The Bonds shall bear interest at a rate or rates not exceeding seven and one-quarter per centum (7.25%) per annum, payable semiannually, but it is hoped that

the best bid for the Bonds will provide a lower interest rate (which will result in somewhat lower levy rates needed to pay the Bonds and the interest thereon), and the Bonds shall be payable annually in the principal amounts and shall mature in the years as follows:

Bonds in the amount of \$1,015,000 due and payable on May 1, 2003;

Bonds in the amount of \$1,390,000 due and payable on May 1, 2004;

Bonds in the amount of \$1,455,000 due and payable on May 1, 2005;

Bonds in the amount of \$1,525,000 due and payable on May 1, 2006;

Bonds in the amount of \$1,600,000 due and payable on May 1, 2007;

Bonds in the amount of \$1,675,000 due and payable on May 1, 2008;

Bonds in the amount of \$1,755,000 due and payable on May 1, 2009;

Bonds in the amount of \$1,840,000 due and payable on May 1, 2010;

Bonds in the amount of \$1,925,000 due and payable on May 1, 2011;

Bonds in the amount of \$2,015,000 due and payable on May 1, 2012;

Bonds in the amount of \$2,110,000 due and payable on May 1, 2013;

Bonds in the amount of \$2,210,000 due and payable on May 1, 2014;

Bonds in the amount of \$2,315,000 due and payable on May 1, 2015;

Bonds in the amount of \$2,425,000 due and payable on May 1, 2016;

Bonds in the amount of \$2,545,000 due and payable on May 1, 2017;

3. Both the Bonds and the interest thereon shall be payable in lawful money of the United States of America at the office of a bank or trust company to be named by subsequent resolution of the Issuer prior to issuance of the Bonds (the "Paying Agent"), as agent for the West Virginia Investment Management Board, and the Issuer shall annually, at the levy term thereof, make up and lay a levy upon all taxable property within the District sufficient to provide funds for paying the interest on the Bonds as the same accrues and becomes payable and the principal thereof at their respective maturities.

4. The Bonds shall be issued under the 5% limitation of the Better Schools Amendment, and will be payable from a direct annual tax on all taxable property in the District, in the ratio, as between the several classes or types of such taxable property specified in Section 1, Article X of the Constitution, separate and apart from and in addition to all other taxes for all other purposes, sufficient to pay, annually, the interest of such debt and the principal thereof, within and not exceeding 34 years, which may be levied outside the limits fixed by Section 1, Article X of the Constitution, and the Issuer covenants with the registered owners from time to time of the Bonds that the District shall include in its budget the amount of the debt service for each fiscal year of the District in which such sums are payable, shall appropriate such amount from its revenues for the payment of such debt service and shall duly and punctually pay or cause to be paid from its sinking fund or any other of its available revenues or funds the principal amount of each of the Bonds and the interest due thereupon at the date and place and in the manner stated therein, according to the true intent and meaning thereof; and, for such budgeting, appropriation and payment, subject to the limitations fixed by the District shall and does pledge, irrevocably, its full faith, credit and taxing power.

5. It is hereby found and determined by the Issuer that the aggregate amount of such Bonds, to wit, Twenty-Seven Million Eight Hundred Thousand Dollars (\$27,800,000), does not exceed or violate any provisions or limitations in any manner provided by the School Bond Amendment and the Better Schools Amendment.

6. The Bonds hereby authorized shall be exempt from all taxation by the State of West Virginia or any political subdivision thereof and shall contain the following recital: "It is certified that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and statutes of the State of West Virginia."

7. Each Bond shall be signed by and on behalf of the Issuer by its President and countersigned by its Secretary, and the corporate seal of the Issuer shall be

affixed to each Bond, which signatures and seal may be manual or by facsimile, and the Bonds herein authorized to be issued shall be upon the terms and in form or effect substantially as set forth in "Exhibit A," attached hereto as a part hereof. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution and Order unless and until the Registrar's Certificate of Authentication and Registration on such Bond, substantially in the form set forth in said "Exhibit A" shall have been manually executed by the Paying Agent, as registrar for the Bonds (the "Registrar").

8. The Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at the address as it appears on the books of the Registrar.

9. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain outstanding, the Issuer, through the Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

The Bonds shall be transferable only upon the books of the Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privileges of exchanging Bonds or transferring the registered Bonds is exercised, Bonds shall be delivered in accordance with the provisions of this Bond Resolution and Order. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Registrar. Transfers and exchanges of Bonds shall be made by the Registrar without charge to the holder or the transferee thereof, except as provided below. For every such exchange or transfer of Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, and such tax or other governmental charge shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month preceding an interest payment date on the Bonds.

10. The Bonds may be subject to redemption prior to their stated dates of maturity at the option of the Issuer, on or after such date, in such order of maturity as may be determined by the Issuer and by lot within a maturity, and at the redemption price or prices to be set forth in the Notice of Sale of the Bonds. The Issuer shall not levy taxes in connection with the redemption of any Bonds in excess of the taxes that would have been levied for the payment of principal of and interest on the Bonds in such year.

11. The Bonds shall be registered upon issuance to CEDE & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). In the event the Issuer determines that it is in the best interest of the beneficial owners of the Bonds that they obtain Bond certificates, the Issuer may notify DTC and the Registrar, whereupon DTC will notify its participants, of the availability through DTC of Bond certificates. In such event, the Registrar shall cause to be issued, transferred and exchanged Bond certificates as requested by DTC as Bondholder in appropriate amounts. DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the Issuer or the Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Issuer and the Registrar shall be obligated to deliver Bond certificates as described in a resolution supplemental hereto. In the event the Bond certificates are issued, the provisions of this Resolution and Order shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such Bond certificates. Whenever DTC requests the Issuer and the Registrar to do so, the Registrar and the Issuer will cooperate with DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the Bonds to any participant having the Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Bonds. The President of the Issuer is hereby authorized and directed to execute and deliver to DTC a Letter of Representations in substantially the form presented to this meeting and the Issuer is authorized to comply with all requirements of DTC.

12. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Bonds are used for a Private Business Use, and (B) in excess of 5% of the principal or 5% of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use

or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related.

13. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

14. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

15. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

16. The Issuer covenants with the registered owners from time to time of the Bonds that it will make no use of the proceeds of such issue or do or suffer any other action which, if such use or action had been reasonably expected on the date of issue of such Bonds, would cause such Bonds to be "arbitrage bonds," as that term is defined in Section 148 of the Internal Revenue Code of 1986, as amended, or any successor provision, and the applicable regulations thereunder (the "Code"). The Issuer further covenants that it will comply with the requirements of such Section 148 and with the regulations thereunder throughout the term of this issue. In addition, the President of the Issuer being the official responsible for issuing the Bonds, is hereby authorized and directed to execute and deliver, in the name and on behalf of the District, any and all documents or other instruments which Bond Counsel may reasonably request in connection with the providing of its opinion that the Bonds are not "arbitrage bonds" within the meaning of said Section 148 and the regulations promulgated thereunder, including, without limitation, a certificate dated the date of issuance, sale and delivery of the Bonds, which certificate shall set forth the reasonable expectations of the District as to the amount and use of the proceeds of the Bonds and other matters relating to such Section 148.

17. The Issuer hereby covenants to take all actions necessary to comply with the "rebate" provisions of Section 148(f) of the Code and shall employ such professionals as may be necessary in order to ensure such compliance.

18. The Issuer hereby approves the Tax and Non-Arbitrage Certificate to be dated that date of delivery of the Bonds, in substantially the form presented to this

meeting, and the President of the Issuer is hereby authorized and directed to execute such certificate with such changes, insertions and deletions as shall be approved by the President.

19. The Issuer hereby covenants to take all actions necessary to comply with SEC Rule 15c2-12 and to deliver a continuing disclosure agreement or similar document to the successful bidder or bidders for the Bonds.

20. The Secretary of the Issuer shall transmit to the Attorney General of the State of West Virginia a duly certified copy of all orders, resolutions, proclamations, notices, advertisements, affidavits and records of all proceedings connected with or pertaining to this Bond issue, and any and all other matters relative thereto which the Attorney General may require, as provided by Section 25, Article 1, Chapter 13 of the Code of West Virginia.

21. The Bonds hereby authorized shall be advertised for sale to the public on sealed bids, in the manner set forth in Chapter 13, Article 1, Section 21 of the West Virginia Code of 1931, as amended, at such time or times as shall be determined by the Board. The Issuer may issue the Bonds in one or more series and may reject any and all bids.

22. All officers, members and employees of the Issuer are hereby authorized, empowered and directed to do any and all things proper and necessary to cause valid Bonds to be issued as authorized by the voters of the District at the special election held on September 29, 2001, pursuant to the calling thereof, and to do all things proper and necessary to obtain the approval and sale of said Bonds, and no further authority shall be necessary to authorize any such officers or employees to give further assurance, to execute such additional documents and do such further acts as may legally be required by any individual or corporate purchaser of the Bonds hereby authorized or any of them.

23. This resolution and order shall be effective immediately upon its adoption and entry of record.

Adopted and entered of record this October 16, 2001.

By: 
Secretary of the Board of Education of
The County of Berkeley

EXHIBIT A

[FORM OF BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY
(WEST VIRGINIA)
PUBLIC SCHOOL BONDS, SERIES 200__

No. _____ \$ _____

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
_____ %	_____	_____	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY, (West Virginia) a public corporation created and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby acknowledges itself to be indebted and promises to pay to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, upon presentation and surrender hereof, the Principal Amount specified above and to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, at the Interest Rate per annum specified above, semiannually, on May 1 and November 1 in each year, beginning November 1, 2002, (each an "Interest Payment Date"), until maturity. The Treasurer of the State of West Virginia has designated _____,

_____, West Virginia, as its agent to act in the capacities of registrar and paying agent for the Bonds (the "Paying Agent").

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the Paying Agent to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the Paying Agent by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by the Paying Agent, or, at the option of any Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in Charleston, West Virginia. The Issuer and the Paying Agent shall not be required to issue or transfer any Bonds during a period beginning with the close of business on the Record Date next preceding any Interest Payment Date and ending at the close of business on such Interest Payment Date.

This Bond is one of a series of bonds of the Issuer designated as "Public School Bonds, Series 2002" (the "Bonds"), issued by the Issuer in the aggregate principal amount of _____ Dollars (\$_____). The Bonds are in fully registered form, without coupons, and are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 13, Article 1 of the West Virginia Code of 1931, as amended (the "Act") and a Resolution and Order Directing Issuance of Bonds as supplemented and amended (the "Order") duly adopted by the Issuer, for the purpose of providing funds for the acquisition, construction and equipping of certain new public schools and additions, renovations and improvements to certain existing schools, together with all necessary appurtenances, in Berkeley County School District. The terms and provisions of the Order are hereby incorporated by reference as if set forth fully herein.

This Bond may be transferred or exchanged by the Registered Owner hereof upon surrender of this Bond to the Paying Agent at its principal corporate trust office, accompanied by a written instrument or instruments of transfer in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the Registered Owner of this Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of this Bond in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same maturity and form for the aggregate denominations of the same maturity and form for the aggregate amount which the transferee is entitled to receive at the earliest practicable time. The Issuer and the Paying Agent may deem and treat

the registered owner hereof as the absolute owner thereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the Issuer and the Paying Agent shall not be affected by any notice to the contrary. All payments made to the Registered Owner of a Bond, as herein provided, shall be valid and effectual to satisfy in full and discharge the liability of the Issuer upon the Bond as paid.

No recourse shall be had for the payment of the principal of or interest on this Bond, or for any claim based hereon or on the Order, against any member, officer or employee, past, present, or future, of the Issuer or of any successor body, as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members, officers or employees is released as a condition of and as consideration for the issuance of this Bond.

The Bonds maturing on May 1, 20__ and thereafter are subject to redemption at the option of the Issuer prior to their respective dates of maturity on or after _____, 20__, in whole at any time or in part on any interest payment date, in any order of maturity selected by the Issuer, and by lot within a maturity, at a redemption price equal to ___% of the principal amount of the Bonds to be redeemed, together with interest accrued to the date fixed for redemption.

Notice of any redemption of Bonds shall be given by the Registrar, on behalf of the Issuer, to the 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 the 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 Issuer shall default in the payment of the redemption price), such Bonds shall cease to bear interest.

[The Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by _____.]

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the laws of the State of West Virginia to exist, to have

happened or to have been performed, precedent to or in connection with the issuance of this Bond or in the creation of the debt of which this Bond is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and statutes of the State of West Virginia, and that legal provision has been made by the Issuer for the levy and collection of a direct annual tax sufficient in amount to meet the payment of the interest and principal hereof, which shall have precedence over all other taxes for any purpose whatever, except bond issues heretofore or hereafter authorized and issued under the five percent limitation provided by the Better Schools Amendment of the Constitution of West Virginia, and said tax is levied outside the limits fixed by Section 1, Article X of the Constitution of the State of West Virginia in the manner provided by Sections 8 and 10, Article X of the State Constitution; that said levies do not exceed any constitutional or statutory limitations; and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any statutory or constitutional limitation thereon.

For payment of both principal and interest hereof the full faith and credit and resources of the Issuer are hereby irrevocably pledged within the limitations prescribed by the Constitution and statutes of the State of West Virginia.

The Issuer has covenanted in the Order that it shall include in its budget the amount of the debt service for each fiscal year of the Issuer in which principal and/or interest on the Bonds is payable, that it shall appropriate from its revenues any such sums for the payment of such debt service and that it shall duly and punctually cause to be paid when due, the principal of and interest on the Bonds.

Subject to the registration requirements set forth herein, this Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

The Issuer has caused CUSIP numbers to be printed on the Bonds, and has directed the Paying Agent to use such numbers in notices, if any, as a convenience to bondholders. No representation is made as to the accuracy of such numbers either as printed on the Bonds or as contained in any notice.

This Bond shall not be entitled to any benefit under the Order nor shall it be valid, obligatory or enforceable for any purpose until this Bond shall have been authenticated by the Paying Agent.

IN WITNESS WHEREOF, THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY has caused this Bond to be duly signed in its name and on its behalf by its President and countersigned by its Secretary and has caused its corporate seal to be hereto affixed in the manner provided in the Order, all as of _____, 20__.

THE BOARD OF EDUCATION OF THE COUNTY OF BERKELEY

(SEAL)

President

Secretary

REGISTRAR'S CERTIFICATE OF
AUTHENTICATION AND REGISTRATION

This Bond is one of the Bonds of the Series designated therein, described in the within-mentioned Resolution and Order Directing Issuance of Bonds and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, a signed original of which is on file with the undersigned, delivered and dated on the date of the original delivery of and payment for the Bonds of said Series.

Dated: _____.

_____, as Registrar

By _____
Its Authorized Officer

STATEMENT OF INSURANCE

[Language to be provided by Bond Insurer]

ATTORNEY GENERAL'S APPROVAL

I, DARRELL V. McGRAW, JR., Attorney General of the State of West Virginia, do hereby certify that this Bond has been approved by me by virtue of the authority vested in me by Article 1, Chapter 13, of the West Virginia Code of 1931, as amended; that notice of my approval hereof was published as required by Section 25 of said Chapter 13, Article 1; that 10 days have elapsed since the date of the last publication of such notice; that there has been no appeal from my decision to the Supreme Court of Appeals; and that this Bond has become incontestable, under and by virtue of the provisions of said Article 1, Chapter 13, and is a binding obligation upon The Board of Education of the County of Berkeley a corporation, the authority issuing the same, and upon the taxable property within Berkeley County School District, and that by reason of the provisions of said Article 1, Chapter 13, no one has the right hereafter to contest in any court or in any action or proceeding the validity of this Bond for any cause whatsoever.

WITNESS my hand this _____, 200__.

Attorney General of the State of
West Virginia

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____
_____ the within Bond and does hereby irrevocably constitute and appoint _____
_____ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

SIGNATURE GUARANTEED:

(Bank, Trust Company or Firm)

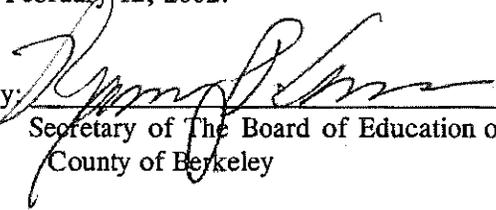
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

CERTIFICATE

Certified a true and correct copy of the Resolution and Order Directing Issuance of Bonds, adopted and entered by The Board of Education of the County of Berkeley at a meeting thereof duly and regularly called and held upon lawful notice to all members thereof on October 16, 2001, at the City of Martinsburg, Berkeley County, West Virginia, a quorum of said members being present at said meeting and acting throughout the same. Such resolution and order is in full force and effect.

Given under my hand this February 12, 2002.

By: 

Secretary of The Board of Education of The
County of Berkeley

02/12/02
067600/00002

WV MUNICIPAL BOND COMMISSION

1207 Quarrier Street, Suite 401
 Charleston, WV 25301
 (304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: February 9, 2012

ISSUE: The Board of Education of the County of Berkeley (West Virginia)	
ADDRESS: 401 South Queen Street Martinsburg, WV 25401	COUNTY: Berkeley
PURPOSE OF ISSUE: New Money: Refunding: X	REFUNDS ISSUE(S) DATED: February 1, 2002
ISSUE DATE: February 9, 2012	CLOSING DATE: February 9, 2012
ISSUE AMOUNT: \$11,570,000	RATE: %
1ST DEBT SERVICE DUE: November 1, 2012	1ST PRINCIPAL DUE: May 1, 2013
1ST DEBT SERVICE AMOUNT: \$169,375.72	PAYING AGENT: WV Municipal Bond Commission
BOND COUNSEL: Steptoe & Johnson PLLC Contact Person: Thomas L. Aman, Jr. Phone: 304-933-8136	UNDERWRITER'S COUNSEL: Jackson Kelly PLLC Contact Person: Samme L. Gee, Esquire Phone: 304-340-1318
CLOSING BANK: United Bank, Inc. Contact Person: Kathy Smith, Vice Pres. Phone: 304-348-8427	ESCROW TRUSTEE: WV Municipal Bond Commission Contact Person: Sara Boardman, Executive Director Phone: 304-558-3971
KNOWLEDGEABLE ISSUER CONTACT Contact Person: James V. Butts, Jr., CPA Position: Treasurer Phone: 304-267-3510 x3219	OTHER: Crews & Associates, Inc. Contact Person: Robert Steptoe, Director, Public Finance Function: Underwriter Phone: 304-276-5273
DEPOSITS TO MBC AT CLOSE: _____ By: <input checked="" type="checkbox"/> Wire \$11,721,050.00 <input type="checkbox"/> Check <input type="checkbox"/> In-House Transfer <input checked="" type="checkbox"/> Other: Series 2002 Debt Service Account \$ 1,663,752.34 (Transfer to Escrow Fund) <input checked="" type="checkbox"/> Other: Series 2002 Surplus Collections Account \$ 673,080.16 (Transfer to Escrow Fund)	Accrued Interest: \$ Capitalized Interest: \$ Reserve Account: \$ _____
REFUNDS & TRANSFERS BY MBC AT CLOSE By: _____ Wire _____ Check _____ IGT _____ To Other: \$	_____ To Escrow Trustee: \$ <input checked="" type="checkbox"/> To Issuer \$900,000 (Release of Surplus Funds) _____ To Cons. Invest. Fund \$
NOTES: \$11,721,050.00 Bond Proceeds received from Underwriter on Closing Date to be transferred to Escrow Fund. \$1,663,752.34 to be transferred by Bond Commission from Debt Service Account for Series 2002 Bonds to Escrow Fund. \$673,080.16 to be transferred by Bond Commission from Surplus Collections Account for Series 2002 Bonds to Escrow Fund.	
FOR MUNICIPAL BOND COMMISSION USE ONLY: Documents Required: _____ Transfers Required: _____	

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.

To: Financing Participants
From: Rob Steptoe, Crews & Associates, Inc.
Date: 2/7/2012
Re:

\$11,570,000
The Board of Education of the County of Berkeley
(West Virginia) Public School Refunding Bonds
Series 2012 (AA/Non BQ)

Closing Memorandum

1. Pre-Closing of the Bonds will occur on Monday, February 6, 2012 commencing at 1 p.m. CST at the offices of the Berkeley County Board of Education (the "Issuer"):

Berkeley County Board of Education
401 S. Queen Street
Martinsburg, WV 25401

2. Closing of the Bonds will occur on Thursday, February 9, 2012 commencing at 9 a.m. CST via telephone.
3. Prior to 8:30 a.m. CST on Thursday, February 9, 2012 Crews & Associates (the "Underwriter") will wire \$11,805,506.30 to the West Virginia Municipal Bond Commission (the "Escrow Trustee"). The amounts are computed as follows:

	Total
Par Amount	\$11,570,000.00
Less: Underwriter's Discount	(92,560.00)
Plus: Net Original Issue Premium	328,066.30
Total	\$11,805,506.30

4. Upon receipt of the all the above referenced funds, the Escrow Trustee shall allocate the funds as follows:

Sources of Funds	
Purchase Price	\$11,805,506.30
Uses of Funds	
Deposit to Current Refunding Fund	\$11,721,050.00
Pay Costs of Issuance	84,456.30
Total Uses of Funds	\$11,805,506.30

5. The Municipal Bond Commission will use funds on deposit for the Berkeley County Board of Education in connection with the Refunded Bonds to add to Bond Proceeds and

Closing Memorandum

February 7, 2012

Page 2

purchase SLGS sufficient to defease the May 1, 2012 debt service payment on the Refunded Bonds and to defease the Refunded Bonds on May 1, 2012.

Funds from 2012 Refunding Bonds	11,721,050.00
Funds on Deposit to Escrow May 1, 2012 DS Payment	2,058,826.00
Funds on Deposit to Escrow May 1, 2012 Interest on Refunded Bonds	278,006.00
Total SLGS Purchase	14,057,882.00
Total to Remain Uninvested in Escrow Fund	0.50

6. Once the Refunding Bond issue is closed, the Municipal Bond Commission will release \$900,000 to the Berkeley County Board of Education from the Surplus Collection Account for the Refunded Bonds. The Municipal Bond Commission will also transfer \$569,168.42 from the Surplus Collections Account for the Refunded Bonds to a Special Surplus Account pursuant to the Escrow Agreement. Funds may be released by the Municipal Bond Commission to the Issuer from the Special Surplus Account over a two year period following the Closing as provided in the Escrow Agreement. The sum of \$45,655.06 shall be transferred by the Bond Commission on the Closing Date from the Debt Service Account for the Refunded Bonds to the Debt Service Account for the Refunding Bonds.
7. Immediately following the closing of the bonds, the Escrow Trustee shall pay prior approved Costs of Issuance as detailed in Exhibit A.
8. Wire instructions for the parties are as follows:
 - a. Escrow Trustee – The Municipal Bond Commission
BB&T WV
250 East Second Avenue
Williamson, WV 25661

Account Name: State of West Virginia
Account #: 5270517317
ABA#: 051503394
Contact Person: Michael Holtsclow
Phone Number: 304 348.7078
9. Mailing instructions for the parties are as follows:
 - Underwriter - Crews & Associates, Inc.
521 President Clinton Ave, Suite 800
Little Rock, AR 72207
 - Underwriter's Counsel – Jackson Kelly PLLC
P.O. Box 553
Charleston, WV 25322

Closing Memorandum

February 7, 2012

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- Bond Counsel – Steptoe & Johnson PLLC
P.O. Box 247
Bridgeport, WV 26330
Apply to Account: 067600.00007
Berkeley County BOE Purchase Order Number 122859
- Rating Agency - Standard & Poor's
Standard & Poor's
2542 Collection Center Drive
Chicago, IL 60693
- Registrar – United Bank
United Bank Corporate Trust Department
P.O. Box 393
Charleston, WV 25322

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Closing Memorandum

February 7, 2012

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Exhibit A

Bond Counsel	Steptoe & Johnson PLLC	38,500.00
Underwriter's Counsel	Jackson Kelly PLLC	30,000.00
Rating Agency Fee	Standard & Poor's	13,000.00
West Virginia Bond Commission	Escrow Agent	1,259.68
Registrar	United Bank	650.00
Rounding Amount	Issuer	1,046.62
Total		\$84,456.30

To: Financing Participants
From: Marshall Hughes and Rob Steptoe, Crews & Associates, Inc.
Date: 2/9/2012
Re:

\$11,570,000
The Board of Education of the County of Berkeley
(West Virginia) Public School Refunding Bonds
Series 2012 (AA/Non BQ)

Closing Memorandum - ADDENDUM

1. Closing of the Bonds occurred on Thursday, February 9, 2012 commencing at 9 a.m. CST via telephone.
2. Prior to 8:30 a.m. CST on Thursday, February 9, 2012 Crews & Associates (the "Underwriter") wired \$11,805,506.30 to the West Virginia Municipal Bond Commission (the "Escrow Trustee"). The amounts were computed as follows:

	Total
Par Amount	\$11,570,000.00
Less: Underwriter's Discount	(92,560.00)
Plus: Net Original Issue Premium	328,066.30
Total	\$11,805,506.30

3. The Escrow Trustee (the West Virginia Bond Commission) informed the parties upon receipt of the wire that they do not have the processes in place to pay Costs of Issuance. On Friday, February 10, 2012, the Escrow Trustee will wire back to Crews & Associates, Inc. the amount of \$83,196.62 to pay Costs of Issuance as detailed in Exhibit A.
4. Mailing instructions for the parties are as follows:
 - Underwriter's Counsel – Jackson Kelly PLLC
P.O. Box 553
Charleston, WV 25322
 - Bond Counsel – Steptoe & Johnson PLLC
P.O. Box 247
Bridgeport, WV 26330
Apply to Account: 067600.00007
Berkeley County BOE Purchase Order Number 122859

Closing Memorandum

February 9, 2012

Page 2

- Rating Agency - Standard & Poor's
Standard & Poor's
2542 Collection Center Drive
Chicago, IL 60693
- Registrar – United Bank
United Bank Corporate Trust Department
P.O. Box 393
Charleston, WV 25322

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Closing Memorandum

February 9, 2012

Page 3

Exhibit A

Bond Counsel	Septon & Johnson PLLC	39,023.31
Underwriter's Counsel	Jackson Kelly PLLC	30,523.31
Rating Agency Fee	Standard & Poor's	13,000.00
Registrar	United Bank	650.00
Total		\$83,196.62

Final

\$11,570,000

The Board of Education of the County of Berkeley (West Virginia)

Public School Bonds

Refunding Series 2002 (AA/Non-BQ)

Refunding Summary

Dated 02/09/2012 | Delivered 02/09/2012

Sources Of Funds

Par Amount of Bonds	\$11,570,000.00
Reoffering Premium	328,066.30
Transfers from Prior Issue Debt Service Funds	278,006.25

Total Sources **\$12,176,072.55**

Uses Of Funds

Deposit to Current Refunding Fund	11,999,056.25
Total Underwriter's Discount (0.800%)	92,560.00
Bond Counsel	38,500.00
Underwriter's Counsel	30,000.00
Rating Agency Fee	13,000.00
Bond Commission	1,259.68
Rounding Amount	1,046.62
Registrar	650.00

Total Uses **\$12,176,072.55**

Flow of Funds Detail

State and Local Government Series (SLGS) rates for
Date of OMP Candidates

Current Refunding Escrow Solution Method	Gross Funded
Total Cost of Investments	\$11,999,056.25
Total Draws	\$11,999,056.25

Issues Refunded And Call Dates

Series 2002 5/01/2012

PV Analysis Summary (Net to Net)

Net PV Cashflow Savings @ 1.015%(Bond Yield)	1,319,697.11
Transfers from Prior Issue Debt Service Fund	(278,006.25)
Net Present Value Benefit	\$1,041,690.86

Net PV Benefit / \$11,605,000 Refunded Principal 8.976%
Net PV Benefit / \$11,570,000 Refunding Principal 9.003%

Bond Statistics

Average Life 3.284 Years
Average Coupon 1.8961657%

Net Interest Cost (NIC)	1.2762555%
Bond Yield for Arbitrage Purposes	1.0154407%
True Interest Cost (TIC)	1.2616633%
All Inclusive Cost (AIC)	1.4857996%

Series 2012 Final | SINGLE PURPOSE | 1/26/2012 | 11:19 AM

Final

\$11,570,000

The Board of Education of the County of Berkeley (West Virginia)

Public School Bonds

Refunding Series 2002 (AA/Non-BQ)

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
05/01/2013	Serial Coupon	2.000%	0.550%	2,165,000.00	101.771%	2,203,342.15
05/01/2014	Serial Coupon	2.000%	0.700%	2,270,000.00	102.868%	2,335,103.60
05/01/2015	Serial Coupon	3.000%	0.900%	2,320,000.00	106.665%	2,474,628.00
05/01/2016	Serial Coupon	2.000%	1.100%	2,385,000.00	103.707%	2,473,411.95
05/01/2017	Serial Coupon	1.100%	1.250%	2,430,000.00	99.242%	2,411,580.60
Total	-	-	-	\$11,570,000.00	-	\$11,898,066.30

Bid Information

Par Amount of Bonds	\$11,570,000.00
Reoffering Premium or (Discount)	328,066.30
Gross Production	\$11,898,066.30
Total Underwriter's Discount (0.800%)	\$(92,560.00)
Bid (102.035%)	11,805,506.30
Total Purchase Price	\$11,805,506.30
Bond Year Dollars	\$37,990.39
Average Life	3.284 Years
Average Coupon	1.8961657%
Net Interest Cost (NIC)	1.2762555%
True Interest Cost (TIC)	1.2616633%

Final

\$11,570,000

The Board of Education of the County of Berkeley (West Virginia)

Public School Bonds

Refunding Series 2002 (AA/Non-BQ)

Debt Service Comparison

Date	Total P+I	Existing D/S	Net New D/S	Old Net D/S	Savings
05/01/2012	-	2,058,826.25	2,058,826.25	2,058,826.25	-
05/01/2013	2,450,740.72	-	2,450,740.72	2,666,012.50	215,271.78
05/01/2014	2,459,430.00	-	2,459,430.00	2,673,700.00	214,270.00
05/01/2015	2,464,030.00	-	2,464,030.00	2,679,250.00	215,220.00
05/01/2016	2,459,430.00	-	2,459,430.00	2,673,500.00	214,070.00
05/01/2017	2,456,730.00	-	2,456,730.00	2,672,250.00	215,520.00
Total	\$12,290,360.72	\$2,058,826.25	\$14,349,186.97	\$15,423,538.75	\$1,074,351.78

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	1,319,697.11
Net PV Cashflow Savings @ 1.015%(Bond Yield)	1,319,697.11
Transfers from Prior Issue Debt Service Fund	(278,006.25)
Net Present Value Benefit	\$1,041,690.86
Net PV Benefit / \$11,605,000 Refunded Principal	8.976%
Net PV Benefit / \$11,570,000 Refunding Principal	9.003%

Refunding Bond Information

Refunding Dated Date	2/09/2012
Refunding Delivery Date	2/09/2012

Final

\$27,800,000

The Board of Education of the County of Berkeley (West Virginia)

Public School Bonds

Series 2002

Debt Service To Maturity And To Call

Date	Refunded Bonds	Premium	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/09/2012	-	-	-	-	-	-	-	-
05/01/2012	11,605,000.00	116,050.00	278,006.25	11,999,056.25	-	4.350%	278,006.25	278,006.25
11/01/2012	-	-	-	-	-	-	278,006.25	278,006.25
05/01/2013	-	-	-	-	2,110,000.00	4.375%	278,006.25	2,388,006.25
11/01/2013	-	-	-	-	-	-	231,850.00	231,850.00
05/01/2014	-	-	-	-	2,210,000.00	4.500%	231,850.00	2,441,850.00
11/01/2014	-	-	-	-	-	-	182,125.00	182,125.00
05/01/2015	-	-	-	-	2,315,000.00	5.000%	182,125.00	2,497,125.00
11/01/2015	-	-	-	-	-	-	124,250.00	124,250.00
05/01/2016	-	-	-	-	2,425,000.00	5.000%	124,250.00	2,549,250.00
11/01/2016	-	-	-	-	-	-	63,625.00	63,625.00
05/01/2017	-	-	-	-	2,545,000.00	5.000%	63,625.00	2,608,625.00
Total	\$11,605,000.00	\$116,050.00	\$278,006.25	\$11,999,056.25	\$11,605,000.00	-	\$2,037,718.75	\$13,642,718.75

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	2/09/2012
Average Life	3.321 Years
Average Coupon	4.8941238%
Weighted Average Maturity (Par Basis)	3.321 Years

Refunding Bond Information

Refunding Dated Date	2/09/2012
Refunding Delivery Date	2/09/2012

Final

\$11,570,000

The Board of Education of the County of Berkeley (West Virginia)

Public School Bonds

Refunding Series 2002 (AA/Non-BQ)

Summary Of Bonds Refunded

Issue	Maturity	Type	of Bond	Coupon	Maturity Value	Call Date	Call Price
Dated 2/01/2002 Delivered 2/01/2002							
Series 2002	05/01/2013	Serial	Coupon	4.375%	2,110,000	05/01/2012	101.000%
Series 2002	05/01/2014	Serial	Coupon	4.500%	2,210,000	05/01/2012	101.000%
Series 2002	05/01/2015	Serial	Coupon	5.000%	2,315,000	05/01/2012	101.000%
Series 2002	05/01/2016	Serial	Coupon	5.000%	2,425,000	05/01/2012	101.000%
Series 2002	05/01/2017	Serial	Coupon	5.000%	2,545,000	05/01/2012	101.000%
Subtotal	-	-	-	-	\$11,605,000	-	-
Total	-	-	-	-	\$11,605,000	-	-

Final

\$11,570,000

The Board of Education of the County of Berkeley (West Virginia)

Public School Bonds

Refunding Series 2002 (AA/Non-BQ)

Current Refunding Escrow

Date	Principal	Rate	Receipts	Disbursements	Cash Balance
02/09/2012	-	-	-	-	-
05/01/2012	11,999,056.25	-	11,999,056.25	11,999,056.25	-
Total	\$11,999,056.25	-	\$11,999,056.25	\$11,999,056.25	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	PV Discount
Default investment yield target	Unrestricted
Cost of Investments Purchased with Bond Proceeds	11,999,056.25
Total Cost of Investments	\$11,999,056.25
Target Cost of Investments at bond yield	\$11,971,405.18
Yield to Receipt	-1.74E-11
Yield for Arbitrage Purposes	1.0154407%

Final

\$11,570,000

The Board of Education of the County of Berkeley (West Virginia)

Public School Bonds

Refunding Series 2002 (AA/Non-BQ)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Existing D/S	Net New D/S
05/01/2012	-	-	-	-	2,058,826.25	2,058,826.25
11/01/2012	-	-	169,375.72	169,375.72	-	169,375.72
05/01/2013	2,165,000.00	2.000%	116,365.00	2,281,365.00	-	2,281,365.00
11/01/2013	-	-	94,715.00	94,715.00	-	94,715.00
05/01/2014	2,270,000.00	2.000%	94,715.00	2,364,715.00	-	2,364,715.00
11/01/2014	-	-	72,015.00	72,015.00	-	72,015.00
05/01/2015	2,320,000.00	3.000%	72,015.00	2,392,015.00	-	2,392,015.00
11/01/2015	-	-	37,215.00	37,215.00	-	37,215.00
05/01/2016	2,385,000.00	2.000%	37,215.00	2,422,215.00	-	2,422,215.00
11/01/2016	-	-	13,365.00	13,365.00	-	13,365.00
05/01/2017	2,430,000.00	1.100%	13,365.00	2,443,365.00	-	2,443,365.00
Total	\$11,570,000.00	-	\$720,360.72	\$12,290,360.72	\$2,058,826.25	\$14,349,186.97

Yield Statistics

Bond Year Dollars	\$37,990.39
Average Life	3.284 Years
Average Coupon	1.8961657%
Net Interest Cost (NIC)	1.2762555%
True Interest Cost (TIC)	1.2616633%
Bond Yield for Arbitrage Purposes	1.0154407%
All Inclusive Cost (AIC)	1.4857996%

IRS Form 8038

Net Interest Cost	1.0069391%
Weighted Average Maturity	3.274 Years

Final

\$11,570,000

The Board of Education of the County of Berkeley (West Virginia)

Public School Bonds

Refunding Series 2002 (AA/Non-BQ)

Derivation Of Form 8038 Yield Statistics

Maturity	Issuance Value	Price	Issuance Price	Exponent	Bond Years
02/09/2012	-	-	-	-	-
05/01/2013	2,165,000.00	101.771%	2,203,342.15	1.2277778x	2,705,214.53
05/01/2014	2,270,000.00	102.868%	2,335,103.60	2.2277778x	5,202,091.91
05/01/2015	2,320,000.00	106.665%	2,474,628.00	3.2277778x	7,987,549.27
05/01/2016	2,385,000.00	103.707%	2,473,411.95	4.2277778x	10,457,036.08
05/01/2017	2,430,000.00	99.242%	2,411,580.60	5.2277778x	12,607,207.47
Total	\$11,570,000.00	-	\$11,898,066.30	-	\$38,959,099.25

IRS Form 8038

Weighted Average Maturity = Bond Years/Issue Price	3.274 Years
Total Interest from Debt Service	720,360.72
Reoffering (Premium) or Discount	(328,066.30)
Total Interest	392,294.42
NIC = Interest / (Issue Price * Average Maturity)	1.0069391%
Bond Yield for Arbitrage Purposes	1.0154407%

Final

\$11,570,000

The Board of Education of the County of Berkeley (West Virginia)

Public School Bonds

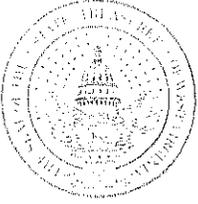
Refunding Series 2002 (AA/Non-BQ)

Proof Of Bond Yield @ 1.0154407%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
02/09/2012	-	1.0000000x	-	-
11/01/2012	169,375.72	0.9926556x	168,131.77	168,131.77
05/01/2013	2,281,365.00	0.9876412x	2,253,170.05	2,421,301.81
11/01/2013	94,715.00	0.9826521x	93,071.89	2,514,373.71
05/01/2014	2,364,715.00	0.9776881x	2,311,953.82	4,826,327.53
11/01/2014	72,015.00	0.9727493x	70,052.54	4,896,380.07
05/01/2015	2,392,015.00	0.9678354x	2,315,076.80	7,211,456.87
11/01/2015	37,215.00	0.9629463x	35,836.05	7,247,292.92
05/01/2016	2,422,215.00	0.9580820x	2,320,680.47	9,567,973.39
11/01/2016	13,365.00	0.9532421x	12,740.08	9,580,713.47
05/01/2017	2,443,365.00	0.9484268x	2,317,352.83	11,898,066.30
Total	\$12,290,360.72	-	\$11,898,066.30	-

Derivation Of Target Amount

Par Amount of Bonds	\$11,570,000.00
Reoffering Premium or (Discount)	328,066.30
Original Issue Proceeds	\$11,898,066.30



JOHN D. PERDUE
STATE TREASURER

DANNY ELLIS
ASSISTANT STATE TREASURER

State of West Virginia
OFFICE OF THE STATE TREASURER
CHARLESTON, WV 25305

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February 1, 2012

Mr. Robert Steptoe
Director, Public Finance
Crews & Associates, Inc.
150 Clay Street, Suite 410
Morgantown, West Virginia 26501

RE: \$11,570,000 The Board of Education of the
County of Berkeley (West Virginia),
Public School Refunding Bonds, Series 2012

Dear Mr. Steptoe:

Please be advised that in conjunction with the above captioned bond issue, United Bank, Inc., Charleston, West Virginia is hereby designated as registrar. Also, please be advised that the West Virginia Municipal Bond Commission will serve as paying agent and escrow agent for this issue.

If there are any questions concerning this designation, please feel free to contact me at (304) 558-5000.

Sincerely,

A handwritten signature in cursive script that reads "John".

John D. Perdue
Treasurer