

**BERKELEY COUNTY
BUILDING COMMISSION**

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014
RFP #14-065 (Berkeley County)

TABLE OF CONTENTS

	Page
Board of Directors	1
Independent Auditor's Report	2-4
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	5-6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9-19
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 <i>Government Auditing Standards</i>	20-21

**BERKELEY COUNTY BUILDING COMMISSION
BOARD OF DIRECTORS
FOR THE YEAR ENDED JUNE 30, 2014**

Board Member	Term Expires
Steven M. Roach	09/04/18
Rebecca Linton	09/04/15
Bill KlingelSmith	09/04/17
Lester A. Henry	09/04/19
M. Sharon Brown	09/04/16



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Berkeley County Building Commission
Martinsburg, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Berkeley County Building Commission, a component unit of the Berkeley County Commission as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Berkeley County Building Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Berkeley County Building Commission, as of June 30, 2014, and the change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements for the year ended June 30, 2014, Berkeley County Building Commission adopted new accounting guidance, GASB 65, *Items Previously Reported as Assets and Liabilities*, GASB 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62* and GASB 67 – *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2015, on our consideration of the Berkeley County Building Commission's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Berkeley County Building Commission's internal control over financial reporting and compliance.

Detrick + Bauder PLLC

January 24, 2015

BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2014

Assets

Current Assets

Cash and cash equivalents \$ 2,183

Restricted Assets

Investments 605,915

Capital Assets

Land 1,889,399

Building and equipment, net of accumulated depreciation
of \$6,609,152 32,863,822

Construction work in progress 4,159,208

Total capital assets 38,912,429

Total assets 39,520,527

Deferred Outflows of Resources

Unamortized bond discount 132,605

Total deferred outflows of resources 132,605

Total assets and deferred outflows of resources 39,653,132

The accompanying independent auditor's report and notes are integral parts of this statement.

Liabilities

Current Liabilities

Accounts payable	\$ 900
Accrued interest	214,534
Current portion of long-term debt	<u>1,091,929</u>
Total current liabilities	<u>1,307,363</u>

Noncurrent Liabilities

Long-term debt	<u>33,364,216</u>
Total noncurrent liabilities	<u>33,364,216</u>

Total liabilities 34,671,579

Deferred Inflows of Resources

Unamortized bond premium	<u>8,084</u>
Total deferred inflows of resources	<u>8,084</u>

Total liabilities and deferred inflows of resources 34,679,663

Net Position

Net investment in capital assets	4,580,805
Restricted	605,915
Unrestricted	<u>(213,251)</u>
Total net position	\$ <u>4,973,469</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

**BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Operating Revenue	
Lease income	\$ 2,473,251
Intergovernmental:	
Local	<u>11,120</u>
Total operating revenue	<u>2,484,371</u>
Operating Expense	
Professional fees	11,100
Depreciation expense	<u>956,616</u>
Total operating expenses	<u>967,716</u>
Operating income	<u>1,516,655</u>
Other Income (Expense)	
Interest income	31
Bank trustee fees	(4,820)
Interest expense	<u>(1,401,649)</u>
Total other income (expense)	<u>(1,406,438)</u>
Increase in net position	110,217
Net position at beginning of year, restated	<u>4,863,252</u>
Net position at end of year	\$ <u>4,973,469</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

**BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

Cash Flows from Operating Activities

Cash received for leases	\$ 2,473,251
Cash received from intergovernmental contributions and grants – local	11,120
Cash paid to vendors	(11,100)
Net cash provided by operating activities	<u>2,473,271</u>

Cash Flows from Investing Activities

Investment income	31
Payments for land, buildings, and equipment	(864,353)
Decrease in restricted assets	<u>846,833</u>
Net cash (used in) investing activities	<u>(17,489)</u>

Cash Flows from Capital and Related Financing Activities

Principal paid on notes payable	(1,052,762)
Payments for bank trustee fees	(4,820)
Interest paid on revenue bonds	<u>(1,398,193)</u>
Net cash (used in) capital and related financing activities	<u>(2,455,775)</u>

Net increase in cash and cash equivalents	7
Cash and cash equivalents – beginning of year	<u>2,176</u>
Cash and cash equivalents – end of year	\$ <u>2,183</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 1,516,655
Adjustments to reconcile:	
Depreciation	<u>956,616</u>
Net cash provided by operating activities	\$ <u>2,473,271</u>

Supplemental Schedule of Noncash, Investing and Financing Activities

Amortization of bond discount costs	\$ (<u>7,601</u>)
Amortization of bond premium	\$ <u>377</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. Summary of Significant Accounting Policies

The accounting policies and the presentation of the financial report of Berkeley County Building Commission have been designed to conform to generally accepted accounting principles as applicable to government units, in accordance with the Governmental Accounting Standards Board (GASB). GASB embodies the official pronouncements previously issued by the National Council on Governmental Accounting (NCGA).

A. Reporting Entity

The Berkeley County Building Commission ("Building Commission") was created pursuant to Chapter 8, Article 33 of the West Virginia Code of 1931, as amended, by an order entered by the County Commission of Berkeley County, West Virginia ("County Commission") on the 4th day of September 1979. The Building Commission finances the purchase and construction of capital assets for the County Commission and leases them to the County Commission and others. Ownership of the assets passes to the County Commission when the bonds mature and are returned. The lease or loan payments the Building Commission receives are used to pay the revenue bonds' principal and interest.

The Building Commission, for financial statement purposes, is a component unit of the County Council. The Building Commission is controlled by and is dependent on the County Council of Berkeley County. The County Council appoints the members of the Building Commission's board and provides intergovernmental revenue to pay certain Building Commission obligations.

The Commission complies with GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34." This statement established standards for defining and reporting component units in the financial statements of the reporting entity. It defines component units as legally separate organizations for which the component unit not only has a fiscal dependency on the reporting entity but also a financial benefit or burden relationship must be present between the reporting entity and the entity that is to be included as a component unit. In addition, an entity may be included as a component unit in the financial statements of the reporting entity, if the reporting entity's management determines that it would be misleading to exclude them.

The accompanying independent auditor's report is an integral part of these notes.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The Commission considered all potential component units in determining what entities should be included in the Commission's financial statements. Based on these criteria, there are no component units to include in the Commission's financial statements.

During the year ended June 30, 2014, the Commission adopted the following GASB Statements:

GASB 65 – *Items Previously Reported as Assets and Liabilities* – The purpose of this Statement was to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB 66 – *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62* – This Statement improves accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements – Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

GASB 67 – *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* – This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain requirements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Commission are prepared in accordance with Generally Accepted Accounting Principles (GAAP). As a proprietary fund type, the Commission applies all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

The accompanying independent auditor's report is an integral part of these notes.

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The financial statements of this special-purpose government are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal ongoing revenue of the Building Commission enterprise fund are charges to the Berkeley County Council and the Blue Ridge Community and Technical College for lease payments. Operating expenses of the Building Commission include depreciation and any maintenance and repair costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities and Net Position

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of less than three months from the date of acquisition.

In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", the government reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value.

The accompanying independent auditor's report is an integral part of these notes.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States of any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia; obligations of the federal national mortgage association; indebtedness secured by first lien deed of trusts for property situated within this state if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with the SEC which have fund assets over three hundred million dollars.

2. Receivables and Payables

All receivables and payables are shown at the new amount due. Since all lease revenue comes from the Berkeley County Council or the Blue Ridge Community and Technical College, no allowance has been made for uncollectible as there is minimal risk that these lease payments will not be received.

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the Building Commission's financial statements. Capital assets costing over \$5,000 with useful lives longer than one year are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. Assets are depreciated using the straight-line method over the estimated useful lives of the assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. \$121,173 of the total interest of \$1,401,649 was capitalized by the Building Commission during the current fiscal year.

The accompanying independent auditor's report is an integral part of these notes.

**BERKELEY COUNTY BUILDING COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Property, plant and equipment of the Building Commission is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Equipment	5-10

4. Construction Work in Process

The construction-work-in-progress consists of the Crawford Building which was part of the original purchase of the Blue Ridge Outlet Center Complex. The Building Commission has invested in renovations to stabilize the facility and the County is expected to maintain the property. Currently the County is using the property as a storage facility. The Commission's intermediate plans consist of additional office and court room space for the 23rd Circuit Magistrate.

5. Equity Classification

Net position classification:

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – divided net position for government-wide net position is divided into three components:

- a. Net investment capital assets – Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position – Consists of net position that are restricted by the Commission's creditors (for example through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- c. Unrestricted net position – All other net positions are reported in this category.

The accompanying independent auditor's report is an integral part of these notes.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

6. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities on the statement of net position. 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.

8. Prior Period Adjustment – GASB 65 Implementation

Implementation of GASB 65 recognizes cost of debt issuance as an expense; therefore the adoption of this statement resulted in a decrease of bond issuance cost and net position of \$896,016 as of July 1, 2013. Beginning balances were changed to reflect this as of July 1, 2013.

2. Detailed Notes on all Funds

A. Deposits and Investments

At year end, the Building Commission's bank balance of deposits was \$2,183, which was entirely covered by federal depository insurance.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Building Commission's deposits may not be returned to it. The Building Commission does not have a deposit policy for custodial credit risk.

The accompanying independent auditor's report is an integral part of these notes.

**BERKELEY COUNTY BUILDING COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

At year end the Building Commission's investment balances were as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Quoted Prices in Active Markets for Identical Assets</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Federal U.S. Treasury Cash Reserves	Daily		\$ 605,915	AAAm Standard and Poor's

Interest Rate Risk

The Building Commission does not have a formal investment policy that limits investment maturities as a means of managing its fair value losses arising from increasing interest rates.

Credit Risk

As described above, state statutes prescribe the types of investments which the Building Commission may utilize. The Building Commission has no investment policy that would further limit its investment choices.

Concentration Risk

State statute limitations concerning the aforementioned investments include the following: at no time can investment portfolios consist of more than 75% of the indebtedness of any private corporation nor can the portfolio have over 25% of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year; at no time may more than 9% of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than 60% of the portfolio be invested in equity mutual funds. The Building Commission has no policy that would further limit the amount that they may invest.

Custodial Credit Risk Deposits and Investments

Custodial credit risk is the risk that in the event of a bank or counterparty failure, the Commission will not be able to recover the value of its deposits, investments, or collateral securities that are in possession of an outside party. The Commission does not have a formal deposit policy for custodial risk. As of June 30, 2014, \$358,098 of the Commission's bank balance of \$608,098 was exposed to custodial credit risk. \$250,000 of the bank balance was covered by Federal Deposit Insurance (FDIC), and \$358,098 was collateralized with securities held by pledging financial institution in the Berkeley County Building Commission's name.

The accompanying independent auditor's report is an integral part of these notes.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

B. Capital Assets

A summary of changes in Capital Assets for the fiscal year ended June 30, 2014 and the changes in Capital Assets values based on current and prior year depreciation allowances are as follows:

	<u>Balance at</u> <u>7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/2014</u>
Land	\$ 1,889,399	\$ -0-	\$ -0-	\$ 1,889,399
Buildings, improvements, and equipment	34,756,527	4,716,447	-0-	39,472,974
Construction work in progress-capitalized interest	453,058	-0-	453,058	-0-
Construction work in progress	<u>7,994,227</u>	<u>-0-</u>	<u>3,835,019</u>	<u>4,159,208</u>
Totals	\$ <u>45,093,211</u>	\$ <u>4,716,447</u>	\$ <u>4,288,077</u>	\$ <u>45,521,581</u>

Capital Assets-Net of Depreciation

A summary of changes in Capital Assets Net of Depreciation values based on current and prior year depreciation:

	<u>Balance at</u> <u>6/30/2014</u>	<u>Accumulated Depreciation</u>		<u>Balance at</u> <u>6/30/2014</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Land	\$ 1,889,399	\$ -0-	\$ -0-	\$ 1,889,399
Buildings, improvements, and equipment	39,472,974	5,652,536	956,616	32,863,822
Construction work in progress-capitalized interest	-0-	-0-	-0-	-0-
Construction work in progress	<u>4,159,208</u>	<u>-0-</u>	<u>-0-</u>	<u>4,159,208</u>
Totals	\$ <u>45,521,581</u>	\$ <u>5,652,536</u>	\$ <u>956,616</u>	\$ <u>38,912,429</u>

The accompanying independent auditor's report is an integral part of these notes.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

C. Long-Term Debt – Lease Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2014:

1. Series 2004A lease revenue bonds, original face value of \$9,995,000, with interest payable in semi-annual installments, and principal payable in annual installments, beginning December 1, 2014 at 1.45% increasing to 4.95% interest and concluding December 31, 2031, issued to refinance a \$9,995,000 lease revenue bond and to provide additional funding for renovation of the buildings known as the Blue Ridge Outlet Center.	\$ 7,695,000
2. Series 2004B lease revenue bonds, original face value of \$9,000,000, with interest payable in semi-annual installments, and principal payable in annual installments, beginning March 1, 2005 at 3.75% increasing to 5% interest and concluding September 1, 2034, issued to provide additional funding for the renovation of the building known as the Blue Ridge Outlet Center.	7,390,000
3. Series 2005 lease revenue bonds, original face value of \$9,800,000, with interest payable in semi-annual installments, and principal payable in annual installments, beginning December 1, 2005 at 3.25% increasing to 5.55% interest and concluding December 1, 2035, issued to provide additional funding for the renovation of the building known as the Blue Ridge Outlet Center.	8,240,000
4. Series 2006 lease revenue bonds, original face value of \$5,300,000, with interest payable in semi-annual installments, and principal payable in annual installments, beginning 2007 at 4.77% interest and concluding 2037, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	4,575,000
5. Series 2009 lease revenue bonds, original face value of \$1,500,000, with interest payable in semi-annual installments, and principal payable in annual installments, beginning December 1, 2010 at 4.75% increasing to 5.50% interest and concluding December 1, 2029, issued to provide additional funding for the building known as the Blue Ridge Outlet Center.	1,300,000
6. Series 2011 lease revenue bond, in the original principal amount of \$5,500,000, with interest and principal payable monthly at interest rate currently 3.29% concluding November 1, 2035. The bond refunded Series 2007 bond and provided financing of public safety building.	<u>5,256,145</u>
Total long-term debt	\$ <u>34,456,145</u>

The accompanying independent auditor's report is an integral part of these notes.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The total of principal and interest due on bonds during the next five years and in subsequent five-year periods as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Due in fiscal year ending June 30, 2015	\$ 1,091,929	\$ 1,486,656	\$ 2,578,585
Due in fiscal year ending June 30, 2016	1,132,671	1,444,846	2,577,517
Due in fiscal year ending June 30, 2017	1,173,606	1,400,884	2,574,490
Due in fiscal year ending June 30, 2018	1,229,738	1,353,146	2,582,884
Due in fiscal year ending June 30, 2019	1,271,076	1,301,722	2,572,798
Due in fiscal years ending June 30, 2019 – 2023	7,228,099	5,644,232	12,872,331
Due in fiscal years ending June 30, 2024 – 2028	8,966,474	3,866,053	12,832,527
Due in fiscal years ending June 30, 2029 – 2033	9,349,374	1,702,165	11,051,539
Due in fiscal years ending June 03, 2034 – 2037	<u>3,013,178</u>	<u>160,858</u>	<u>3,174,036</u>
 Total	 \$ <u>34,456,145</u>	 \$ <u>18,360,562</u>	 \$ <u>52,816,707</u>

A summary of changes in Long-Term Debt for the fiscal year follows:

	<u>Balance at 6/30/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/2014</u>
2004A Series Bonds	\$ 7,975,000	\$ -0-	\$(280,000)	\$ 7,695,000
2004B Series Bonds	7,600,000	-0-	(210,000)	7,390,000
2005 Series Bonds	8,465,000	-0-	(225,000)	8,240,000
2006 Series Bonds	4,695,000	-0-	(120,000)	4,575,000
2009 Series Bonds	1,350,000	-0-	(50,000)	1,300,000
2011 Series Bonds	<u>5,423,907</u>	<u>-0-</u>	<u>(167,762)</u>	<u>5,256,145</u>
 Totals	 \$ <u>35,508,907</u>	 \$ <u>-0-</u>	 \$ <u>(1,052,762)</u>	 \$ <u>34,456,145</u>

D. Subsequent Events

In July 2014, the Berkeley County Building Commission issued Series 2014A Lease Revenue Refunding Bonds in the original amount \$7,290,000. Interest between 3% to 3.375% will be payable on March 1 and September 1, commencing on March 1, 2015, and concluding on September 1, 2033. These bonds refunded the Building Commission's 2004B Series Bonds.

The accompanying independent auditor's report is an integral part of these notes.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The Commission is in the planning phase to finance and construct improvements, furnishings and equipment of the Berkeley County 911 Dispatch facilities located at 802 Emmett Roush Drive, Martinsburg, Berkeley County, West Virginia. This project will provide facilities for the 911 Central Dispatch, Emergency Communication Center, Department of Homeland Security and other related operations. The project is estimated to cost \$3,000,000 to complete and no amounts were incurred as of balance sheet date.

The Commission has considered all subsequent events through January 24, 2015, the date the financial statements were made available.

The accompanying independent auditor's report is an integral part of these notes.



Tetrick & Bartlett, PLLC

Certified Public Accountants
Consultants

122 N. Oak St. • PO Box 1916 • Clarksburg, WV 26302-1916 • (304) 624-5564 • Fax: (304) 624-5582 • www.tetrickbartlett.com
1517 Mary Lou Retton Drive • Fairmont, WV 26554 • (304) 366-2992 • Fax: (304) 366-2370

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*

To the Board of Directors
Berkeley County Building Commission
Martinsburg, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Berkeley County Building Commission, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Berkeley County Building Commission's basic financial statements, and have issued our report thereon dated January 24, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Berkeley County Building Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berkeley County Building Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Berkeley County Building Commission's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berkeley County Building Commission's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gettick, Bartlett, PLLC

January 24, 2015