

BERKELEY COUNTY BUILDING COMMISSION

FINANCIAL STATEMENTS

June 30, 2010



BERKELEY COUNTY BUILDING COMMISSION
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ACCOUNTANTS' REPORT ON FINANCIAL STATEMENTS

Members of the
Berkeley County Building Commission
Martinsburg, West Virginia

We have compiled the accompanying financial statements of the basic financial statements of the Berkeley County Building Commission, component unit of the Berkeley County Commission, as of and for the year ended June 30, 2010, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has not presented the management's discussion and analysis information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

We are not independent with respect to the Berkeley County Building Commission.

CoxHollidaPrice LLP
Martinsburg, WV

September 16, 2010

Berkeley County Building Commission
 STATEMENT OF NET ASSETS
 June 30, 2010

Assets

Current assets:

Cash and cash equivalents	\$	1,229
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Restricted assets:

Investments		820,433
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Capital assets:

Land		1,889,399
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Building and equipment, net of accumulated depreciation of \$3,025,995		30,629,831
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Construction work in progress		7,191,630
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Total capital assets		39,710,860
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Other assets:

Unamortized debt issue expense, net of accumulated amortization of \$221,320		972,208
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Total Assets	\$	41,504,730
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Liabilities

Current liabilities:

Accounts payable	\$	1,950
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Accrued interest		222,219
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Current portion of long-term debt		3,989,892
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Total current liabilities		4,214,061
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Noncurrent liabilities:

Long-term debt		31,765,000
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Long-term debt premium		9,593
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Long-term debt discount		(163,010)
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Total noncurrent liabilities		31,611,583
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Total liabilities		35,825,644
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Net Assets

Invested in capital assets, net of related debt		5,902,026
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Unreserved fund balance		(222,940)
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Total net assets		5,679,086
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Total liabilities and net assets	\$	41,504,730
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See accompanying notes and accountants' report.

Berkeley County Building Commission
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2010

Operating revenue:	
Lease income	\$ 2,293,448
Intergovernmental	
Federal	329,600
Local	<u>23,700</u>
	<u>2,646,748</u>
Operating expense:	
Professional fees	33,621
Depreciation expense	<u>797,018</u>
Total operating expenses	<u>830,639</u>
Operating income	<u>1,816,109</u>
Other income (expenses):	
Interest income	1,064
Amortization of debt issue expenses	(40,153)
Bank trustee fees	(5,401)
Interest expense	<u>(1,253,977)</u>
Total other income (expense)	<u>(1,298,467)</u>
Increase in net assets	<u>517,642</u>
Net assets at beginning of year	<u>5,161,444</u>
Net assets at end of year	<u>\$ 5,679,086</u>

See accompanying notes and accountants' report.

Berkeley County Building Commission
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received for leases	\$ 2,293,448
Cash paid to vendors	<u>(9,921)</u>
Total cash flows from operating activities	<u>2,283,527</u>
Cash flows from investing activities:	
Investment income	<u>1,064</u>
Cash flows provided (used) by capital and related financing activities:	
Payments for land, buildings, and equipment	(2,701,808)
Principal paid on notes payable	(725,000)
Proceeds from revenue bonds	1,462,500
Payments for bond acquisition cost	(49,844)
Decrease in restricted assets	823,987
Payments for bank trustee fees	(5,401)
Interest paid on revenue bonds	<u>(1,249,022)</u>
Net cash flows used by capital and related financing activities	<u>(2,444,588)</u>
Net decrease in cash and cash equivalents	(159,997)
Cash and cash equivalents - beginning of year	<u>161,226</u>
Cash and cash equivalents - end of year	\$ <u><u>1,229</u></u>
Reconciliation of operating income to cash flows from	
Operating activities:	
Operating income	\$ 1,816,109
Adjustments to reconcile:	
Depreciation	797,018
Construction work in progress financed through federal grant	<u>(329,600)</u>
Net cash flows provided from operating activities	\$ <u><u>2,283,527</u></u>
Supplemental schedule of noncash investing and financing activities:	
Professional fees paid by local government	\$ <u>23,700</u>
Acquisition costs on bond discount	\$ <u>37,500</u>
Amortization of bond issue costs	\$ <u>40,153</u>
Amortization of bond discounts costs	\$ <u>6,669</u>
Amortization of bond premium	\$ <u>377</u>
Construction work progress paid by local government	\$ <u>329,600</u>
Local government reimbursed by federal grant	\$ <u>329,600</u>

See accompanying notes and accountants' report.

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Note 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 Commission. The Building Commission is controlled by and is dependent on the County Commission of Berkeley County. The County Commission appoints the members of the Building Commission's board and provides intergovernmental revenue to pay certain Building Commission obligations.

B. Measurement focus, basis of accounting, and financial statement presentation

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 Commission 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 assets

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.

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

C. Assets, liabilities and net assets (Continued)

1. Deposits and investments (Continued)

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.

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 or 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

Trade Receivables

All receivables and payables are shown at the net amount due. Since all lease revenue comes from the Berkeley County Commission or the Blue Ridge Community and Technical College, no allowance has been made for uncollectibles as there is minimal risk that the 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. The total interest capitalized by the Building Commission during the current fiscal year was \$268,137 net of \$811 of interest income.

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

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

C. Assets, liabilities and net assets (Continued)

4. Equity Classification

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

5. 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.

6. Long-term obligations

Long-term debt and other long-term obligations are reported as liabilities on the 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.

Note 2. Detailed notes on all funds

A. Deposits and investments

At year end, the Building Commission's bank balance of deposits was \$1,229, 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.

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 (Level 1) Fair Value</u>	<u>Credit rating</u>
Prime Obligations Funds	Daily	\$ 820,433	AAAm Standard and Poor's

Fair Value Measurements

SFAS No. 157, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consists of unadjusted quote prices in active markets for identical assets to Level 3 inputs were not available.

Level 1 Fair Value Measurements

Fair values are based on quoted prices (unadjusted) in active markets for identical assets that the plan has the ability to access at the measurement date.

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Note 2. Detailed notes on all funds (Continued)

A. Deposits and investments (Continued)

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 in

B. Capital Assets

A summary of changes in Capital Assets for the fiscal year ended June 30, 2010 and the changes in Capital Assets values based on current and prior year depreciation allowances are as follows:

	Balance at <u>7/1/2009</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>6/30/2010</u>
Land	\$ 1,889,399	\$ -	\$ -	\$ 1,889,399
Buildings, improvements, and and equipment	33,655,826	-	-	33,655,826
Construction work in progress - capitalized interest	261,557	268,137	-	529,694
Construction work in progress	<u>4,182,215</u>	<u>2,479,721</u>	<u>-</u>	<u>6,661,936</u>
Totals	\$ <u>39,988,997</u>	\$ <u>2,747,858</u>	\$ <u>-</u>	\$ <u>42,736,855</u>

Capital Assets-Net of Depreciation

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

	Balance at <u>6/30/10</u>	<u>Accumulated Depreciation</u>		Balance at <u>6/30/10</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Land	\$ 1,889,399	\$ -	\$ -	\$ 1,889,399
Buildings, improvements, and and equipment	33,655,826	2,228,977	797,018	30,629,831
Construction work in progress - capitalized interest	529,694	-	-	529,694
Construction work in progress	<u>6,661,936</u>	<u>-</u>	<u>-</u>	<u>6,661,936</u>
Totals	\$ <u>42,736,855</u>	\$ <u>2,228,977</u>	\$ <u>797,018</u>	\$ <u>39,710,860</u>

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Note 2. Detailed notes on all funds (Continued)

C. Long-term Debt - Lease Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2010:

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, 2004 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 the renovation of the buildings known as the Blue Ridge Outlet Center.	\$ 8,760,000
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 buildings known as the Blue Ridge Outlet Center.	8,185,000
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 buildings known as the Blue Ridge Outlet Center.	9,100,000
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.	5,025,000
5.	Series 2007 lease revenue bonds, original face value of \$3,185,000, with interest payable in quarterly installments at an annual interest rate of 3.10% and concluding with principal payment on September 1, 2010, issued to provide funding to purchase additional property to be used as part of the Judicial Center.	3,184,892
6.	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 buildings know as the Blue Ridge Outlet Center.	<u>1,500,000</u>
	Total long term debt	\$ <u>35,754,892</u>

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Note 2. Detailed notes on all funds (Continued)

C. Long-term Debt - Lease Revenue Bonds (Continued)

The total of principal and interest due on bonds during the next four 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, 2011	\$ 3,989,892	\$ 1,459,541	\$ 5,449,433
Due in fiscal year ending June 30, 2012	825,000	1,412,016	2,237,016
Due in fiscal year ending June 30, 2013	855,000	1,381,987	2,236,987
Due in fiscal year ending June 30, 2014	835,000	1,280,192	2,115,192
Due in fiscal years ending June 30, 2015-2019	3,955,000	5,109,027	9,064,027
Due in fiscal years ending June 30, 2020-2024	5,880,000	5,278,614	11,158,614
Due in fiscal years ending June 30, 2025-2029	7,345,000	3,786,197	11,131,197
Due in fiscal years ending June 30, 2030-2035	8,225,000	1,873,417	10,098,417
Due in fiscal years ending June 30, 2035-2038	<u>3,845,000</u>	<u>307,808</u>	<u>4,152,808</u>
Total	\$ <u>35,754,892</u>	\$ <u>21,888,799</u>	\$ <u>57,643,691</u>

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

	<u>Balance at</u> <u>6/30/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/2010</u>
2004A Series Bonds	9,005,000	-	(245,000)	8,760,000
2004B Series Bonds	8,365,000	-	(180,000)	8,185,000
2005 Series Bonds	9,295,000	-	(195,000)	9,100,000
2006 Series Bonds	5,130,000	-	(105,000)	5,025,000
2007 Series Bonds	3,184,892	-	-	3,184,892
2009 Series Bonds	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
Totals	\$ <u>34,979,892</u>	\$ <u>1,500,000</u>	\$ <u>(725,000)</u>	\$ <u>35,754,892</u>

D. Bond Maturity Extension

The Building Commission successfully negotiated an extension of the 2007 Series Bond maturity from June 1, 2010 to September 1, 2010.

E. Assignment of Lease Revenue

As of July 1, 2007, the Building Commission assigned rent revenue received from Blue Ridge Community and Technical College to the Berkeley County Commission.