

**BERKELEY COUNTY
BUILDING COMMISSION**

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

FOR THE YEAR ENDED JUNE 30, 2013
RFP #12-065 (Berkeley County)

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**BERKELEY COUNTY BUILDING COMMISSION
BOARD OF DIRECTORS
FOR THE YEAR ENDED JUNE 30, 2013**

Board Member

Term Expires

Steven M. Roach
Rebecca Linton
Bill Klingel Smith
Lester A. Henry
M. Sharon Brown

09/04/18
09/04/15
09/04/17
09/04/14
09/04/16



Tetrick & Bartlett, PLLC
*Certified Public Accountants
Consultants*

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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, 2013, and the related notes to the financial statements, which collectively comprise the 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 audit 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 opinions.

Opinion

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, 2013, and the changes in financial position and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

The financial statements present only the Berkeley County Building Commission and do not purport to, and do not, present fairly the financial position of the Berkeley County Commission as of June 30, 2013, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity 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, 2013, Berkeley County Building Commission adopted new accounting guidance, GASB 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34*, GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. 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 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 the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2014, 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.

Justin A. Bantel, Ph.D.

March 15, 2014

BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2013

Assets

Current assets:

Cash and cash equivalents	\$ <u>2,176</u>
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Restricted assets:

Investments	709,568
Construction reserve	<u>743,180</u>
Total restricted assets	<u>1,452,748</u>

Capital assets:

Land	1,889,399
Building and equipment, net of accumulated depreciation of \$5,652,536	29,103,991
Construction work in progress	<u>8,447,285</u>
Total capital assets	<u>39,440,675</u>

Other assets:

Unamortized debt issue expense, net of accumulated amortization of \$333,583	<u>896,016</u>
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Total Assets	<u>41,791,615</u>
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The accompanying independent auditor's report and notes are integral parts of this statement.

BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF NET POSITION (CONTD)
JUNE 30, 2013

Liabilities

Current liabilities:

Accounts payable	\$	900
Accounts payable construction		435,982
Accrued interest		218,303
Current portion of long-term debt		<u>1,051,372</u>
Total current liabilities		<u>1,706,557</u>

Noncurrent liabilities:

Long-term debt		34,457,535
Long-term debt premium		8,461
Long-term debt discount		<u>(140,206)</u>
Total noncurrent liabilities		<u>34,325,790</u>

Total liabilities

36,032,347

Net Position

Net investment in capital assets		4,523,547
Restricted		
Debt retirement		709,568
Construction reserve		743,180
Unrestricted		<u>(217,027)</u>
Total net position	\$	<u><u>5,759,268</u></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, 2013**

Operating revenue:	
Lease income	\$ 2,519,213
Intergovernmental	
Local	<u>12,450</u>
Total operating revenue	<u>2,531,663</u>
Operating expense:	
Professional fees	9,450
Depreciation expense	<u>874,783</u>
Total operating expenses	<u>884,233</u>
Operating income	<u>1,647,430</u>
Other income (expenses):	
Interest income	34
Amortization of debt issue expenses	(43,082)
Bank trustee fees	(4,800)
Interest expense	<u>(1,383,268)</u>
Total other income (expense)	<u>(1,431,116)</u>
Increase in net position	<u>216,313</u>
Net position at beginning of year	<u>5,542,955</u>
Net position at end of year	<u>\$ 5,759,268</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, 2013**

Cash flows from operating activities:

Cash received for leases	\$ 2,519,213
Cash received from intergovernmental contributions and grants - local	12,450
Cash paid to vendors	<u>(12,450)</u>
Net cash provided by operating activities	<u>2,519,213</u>

Cash flows from investing activities:

Investment income	34
Payments for land, buildings, and equipment	(1,688,489)
Increase in restricted assets	<u>(758,186)</u>
Net cash (used in) investing activities	<u>(2,446,641)</u>

Cash flows from capital and related financing activities:

Proceeds from bonds payable	2,240,168
Principal paid on bonds payable	(931,093)
Payments for bank trustee fees	(4,800)
Interest paid on revenue bonds	<u>(1,376,840)</u>
Net cash (used in) capital and related financing activities	<u>(72,565)</u>

Net increase in cash and cash equivalents	7
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Cash and cash equivalents - beginning of year	<u>2,169</u>
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Cash and cash equivalents - end of year	<u><u>\$ 2,176</u></u>
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The accompanying independent auditor's report and notes are integral parts of this statement.

**BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF CASH FLOWS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Reconciliation of operating income to net cash provided by

Operating activities:

Operating income	\$ 1,647,430
Adjustments to reconcile: operating income to net cash provided by operating activities	
Depreciation	874,783
Increase (decrease) in accounts payable	<u>(3,000)</u>
Net cash provided by operating activities	<u>\$ 2,519,213</u>

Supplemental schedule of noncash investing and financing activities:

Amortization of bond issue costs	\$ <u>43,082</u>
Amortization of bond discounts 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, 2013**

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.

During the year ended June 30, 2013, the Commission adopted the following GASB statements:

GASB 60 – Accounting and Financial Reporting for Service Concession Arrangements – The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public – private or public – public partnership. This statement had no effect on the accompanying financial statements.

GASB 61 – The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34 – This Statement modifies certain requirements for inclusion of component units in the financial reporting entities financial statements.

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, 2013**

GASB 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements – The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations.
2. Accounting Principles Board Opinions.
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Principles.

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in that Statement for enterprise funds and business-type activities to apply post November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – The purpose of this Statement was to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53 – The purpose of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and the hedge accounting should continue to be applied. This statement had no effect on the accompanying financial statements.

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, 2013**

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 Commission has determined that there are no component units required to be included in the Commission's financial statements.

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).

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.

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, 2013**

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.

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

All receivables and payables are shown at the net 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.

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, 2013**

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. \$191,501 of the total interest of \$1,574,769 was capitalized by the Building Commission during the current fiscal year.

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.

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, 2013**

The Building Commission is in the planning stage of converting the property located at 510 S. Raleigh Street. The project is expected to be completed in December 2013 with construction cost about \$3 million. Building Commission issued a 2011 bond in the amount of \$5.5 million to pay for the construction and refinance the property acquisition loan. The completed facility will house the sheriff's department.

5. Equity Classification

Net Position Classifications:

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

- a. Net investment in capital assets – consist 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 is 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 – all other net position is reported in this category.

It is the Commission's policy to first use restricted assets when available and then use general revenues to finance projects and expenses.

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.

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, 2013**

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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

2. Detailed Notes on All Funds

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. Deposits and Investments

At year end, the Building Commission's bank balance of deposits was \$2,176, 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>	Quoted Prices in Active Markets for Identical Assets	
		<u>Fair Value</u>	<u>Credit rating</u>
Federated U.S. Treasury			
Cash Reserves	Daily	\$ 743,180	AAA Standard and Poor's

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, 2013**

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 any one issuer.

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, 2013, \$1,204,924 of the Commission's bank balance of \$1,454,924 was exposed to custodial credit risk. \$250,000 of the bank balance was covered by Federal Deposit Insurance (FDIC), and \$1,204,924 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 (CONTD)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

B. Capital Assets

A summary of changes in Capital Assets for the fiscal year ended June 30, 2013 and the changes in Capital Assets values based on current and prior year depreciation allowances are as follows:

	Balance at <u>7/1/2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>6/30/2013</u>
Land	\$ 1,889,399	-	-	\$ 1,889,399
Buildings, improvements, and and equipment	34,756,527		-	34,756,527
Construction work in progress - capitalized interest	261,557	191,501	-	453,058
Construction work in progress	<u>6,448,952</u>	<u>1,545,275</u>	<u>-</u>	<u>7,994,227</u>
Totals	\$ <u>43,356,435</u>	\$ <u>1,736,776</u>	\$ <u>-</u>	\$ <u>45,093,211</u>

Capital Assets-Net of Depreciation

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

	Balance at <u>6/30/13</u>	<u>Accumulated Depreciation</u>		Balance at <u>6/30/13</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Land	\$ 1,889,399	-	-	\$ 1,889,399
Buildings, improvements, and and equipment	34,756,527	4,777,753	874,783	29,103,991
Construction work in progress - capitalized interest	453,058	-	-	453,058
Construction work in progress	<u>7,994,227</u>	<u>-</u>	<u>-</u>	<u>7,994,227</u>
Totals	\$ <u>45,093,211</u>	\$ <u>4,777,753</u>	\$ <u>874,783</u>	\$ <u>39,440,675</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, 2013**

C. Long-Term Debt – Lease Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2013:

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.	\$ 7,975,000
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.	7,600,000
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.	8,465,000
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.	4,695,000
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 buildings know as the Blue Ridge Outlet Center.	1,350,000
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>5,423,907</u>
	Total long term debt	\$ <u>35,508,907</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, 2013**

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, 2014	1,051,372	1,525,995	2,577,367
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 years ending June 30, 2019-2023	6,928,092	5,942,143	12,870,235
Due in fiscal years ending June 30, 2024-2028	8,580,217	4,262,602	12,842,819
Due in fiscal years ending June 30, 2029-2033	9,680,751	2,129,289	11,810,040
Due in fiscal years ending June 30, 2034-2037	<u>4,640,531</u>	<u>340,996</u>	<u>4,981,527</u>
Total	\$ <u>35,508,907</u>	\$ <u>19,886,557</u>	\$ <u>55,395,464</u>

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

	<u>Balance at 6/30/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/2013</u>
2004A Series Bonds	8,245,000	-	(270,000)	7,975,000
2004B Series Bonds	7,800,000	-	(200,000)	7,600,000
2005 Series Bonds	8,685,000	-	(220,000)	8,465,000
2006 Series Bonds	4,810,000	-	(115,000)	4,695,000
2009 Series Bonds	1,400,000	-	(50,000)	1,350,000
2011 Series Bonds	<u>3,259,832</u>	<u>2,240,168</u>	<u>(76,093)</u>	<u>5,423,907</u>
Totals	\$ <u>34,199,832</u>	\$ <u>2,240,168</u>	\$ <u>(931,093)</u>	\$ <u>35,508,907</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, 2013**

D. Subsequent Event

The Commission is in the planning phase of converting certain property known as the “Kimco Property” to provide current and future space requirements for the Berkeley County Sheriff’s Department. With the proximity of the location to the Judicial Center and other county offices, the Commission believes that the Sheriff’s Department is the proper fit.

The Commission was also awarded several smaller grants totaling approximately \$76,092 from federal, West Virginia and private entities for the public safety building project. These grants are matching grants for items such as flooring, trees and office equipment.

The Commission has considered all subsequent events through March 15, 2014, the date the financial statements were made available.

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



**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, 2013, 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 date March 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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 the Berkeley County Building Commission'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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this 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.

Detrick + Baxley, Pllc

March 15, 2014