

**BERKELEY COUNTY  
BUILDING COMMISSION**

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

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**FOR THE YEAR ENDED JUNE 30, 2012**  
*RFP #12-065 (Berkeley County)*

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BERKELEY COUNTY BUILDING COMMISSION  
BOARD OF DIRECTORS  
FOR THE YEAR ENDED JUNE 30, 2012

**Board Member**

**Term Expires**

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

09/04/13  
09/04/15  
09/04/12  
09/04/14  
09/04/16



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Berkeley County Building Commission  
Martinsburg, West Virginia

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, 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Berkeley County Building Commission's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2012, 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.

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, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012 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* and should be considered in assessing the results of our audit.

Berkeley County Building Commission has omitted 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 this missing information.

*T. Truck & Bartlett, PLLC*

December 17, 2012

BERKELEY COUNTY BUILDING COMMISSION  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ <u>2,169</u>
Restricted assets:	
Investments	<u>694,562</u>
Capital assets:	
Land	1,889,399
Building and equipment, net of accumulated depreciation of \$4,777,753	29,978,774
Construction work in progress	<u>6,710,509</u>
Total capital assets	<u>38,578,682</u>
Other assets:	
Unamortized debt issue expense, net of accumulated amortization of \$290,501	<u>939,099</u>
Total Assets	\$ <u><u>40,214,512</u></u>

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

**BERKELEY COUNTY BUILDING COMMISSION**  
**STATEMENT OF NET ASSETS (CONT'D)**  
**JUNE 30, 2012**

**Liabilities**

Current liabilities:

Accounts payable	\$	3,900
Accounts payable construction		387,695
Accrued interest		219,100
Current portion of long-term debt		896,481
Total current liabilities		<u>1,507,176</u>

Noncurrent liabilities:

Long-term debt		33,303,351
Long-term debt premium		8,838
Long-term debt discount		<u>(147,808)</u>
Total noncurrent liabilities		<u>33,164,381</u>

Total liabilities		<u>34,671,557</u>
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**Net Assets**

Invested in capital assets, net of related debt		5,069,224
Restricted		694,562
Unreserved fund balance		<u>(220,831)</u>
Total net assets		<u>5,542,955</u>

Total liabilities and net assets	\$	<u><u>40,214,512</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 REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

Operating revenue:		
Lease income	\$	2,363,283
Intergovernmental		
Local		<u>19,462</u>
		<u>2,382,745</u>
Operating expense:		
Professional fees		13,200
Depreciation expense		<u>874,798</u>
Total operating expenses		<u>887,998</u>
Operating income		<u>1,494,747</u>
Other income (expenses):		
Interest income		105
Amortization of debt issue expenses		(42,801)
Bank trustee fees		(4,810)
Interest expense		<u>(1,554,138)</u>
Total other income (expense)		<u>(1,601,644)</u>
Decrease in net assets		<u>(106,897)</u>
Net assets at beginning of year		<u>5,649,852</u>
Net assets at end of year	\$	<u><u>5,542,955</u></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, 2012

Cash flows from operating activities:	
Cash received for leases	\$ 2,363,283
Cash received from intergovernmental contributions and grants - local	19,462
Cash paid to vendors	<u>(18,101)</u>
Total cash flow from operating activities	<u>2,364,644</u>
Cash flows from investing activities:	
Investment income	<u>105</u>
Cash flows provided by investing activities:	
Payments for land, buildings, and equipment	(1,362)
Principal paid on notes payable	(825,000)
Increase in restricted assets	(14,924)
Payments for bank trustee fees	(4,810)
Interest paid on revenue bonds	<u>(1,518,632)</u>
Net cash flows (used) by capital and related financing activities	<u>(2,364,728)</u>
Net increase in cash and cash equivalents	21
Cash and cash equivalents - beginning of year	<u>2,148</u>
Cash and cash equivalents - end of year	<u>\$ 2,169</u>

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, 2012

Reconciliation of operating income to cash flows from  
Operating activities:

Operating income	\$	1,494,747
Adjustments to reconcile:		
Depreciation		874,798
Decrease in accounts payable		<u>(4,901)</u>
Net cash flows provided from operating activities	\$	<u><u>2,364,644</u></u>

Supplemental schedule of noncash investing and financing activities:

Amortization of bond issue costs	\$	<u>42,801</u>
Amortization of bond discounts costs	\$	<u>(7,606)</u>
Amortization of bond premium	\$	<u>377</u>
Refinance of bond anticipation note	\$	<u><u>3,184,892</u></u>

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

# BERKELEY COUNTY BUILDING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### 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 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.

#### **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 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 (CONT'D)**

**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.

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

## BERKELEY COUNTY BUILDING COMMISSION NOTES TO FINANCIAL STATEMENTS (CONTD)

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. No interest 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 Building Commissions is in the planning stage of converting the property located on the corner of South Raleigh and West South streets. The project is expected to be completed in March 2013 with construction cost about \$2.5 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**

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.

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

**BERKELEY COUNTY BUILDING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

- 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 legislation.
- 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".

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.

**7. 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 \$2,168, 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>
Prime Obligations Funds	Daily	\$ 694,562	AAA Standard and Poor's

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

**BERKELEY COUNTY BUILDING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

*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

**B. Capital Assets**

A summary of changes in Capital Assets for the fiscal year ended June 30, 2012 and the changes in Capital Assets values based on current and prior year depreciation allowances are as follows:

	Balance at <u>7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>6/30/2012</u>
Land	\$ 1,889,399	\$ -	\$ -	\$ 1,889,399
Buildings, improvements, and and equipment	36,920,131	-	2,163,604	34,756,527
Construction work in progress - capitalized interest	261,557	-	-	261,557
Construction work in progress	<u>3,897,653</u>	<u>2,551,299</u>	<u>-</u>	<u>6,448,952</u>
Totals	\$ <u>42,968,740</u>	\$ <u>2,551,299</u>	\$ <u>2,163,604</u>	\$ <u>43,356,435</u>

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

**BERKELEY COUNTY BUILDING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

*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>6/30/12</u>	Accumulated Depreciation		Balance at <u>6/30/12</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Land	\$ 1,889,399	\$ -	\$ -	\$ 1,889,399
Buildings, improvements, and and equipment	34,756,527	3,902,955	874,798	29,978,774
Construction work in progress - capitalized interest	261,557	-	-	261,557
Construction work in progress	<u>6,448,952</u>	<u>-</u>	<u>-</u>	<u>6,448,952</u>
<b>Totals</b>	<b>\$ <u>43,356,435</u></b>	<b>\$ <u>3,902,955</u></b>	<b>\$ <u>874,798</u></b>	<b>\$ <u>38,578,682</u></b>

**C. Long-term Debt - Lease Revenue Bonds**

The Building Commission had the following long-term debt outstanding at June 30, 2012:

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. \$ 8,245,000
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. 7,800,000
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. 8,685,000
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. 4,810,000

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

**BERKELEY COUNTY BUILDING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

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.	1,400,000
6.	Series 2011 lease revenue bond, in the principal amount not to exceed \$5,500,000, with interest payable monthly at an annual interest rate 4.56% beginning September 1, 2011 until September 1, 2012 with interest and principal payments concluding September 1, 2041. The bond refunded Series 2007 bond and provided financing of public safety building.	<u>3,259,832</u>
Total long term debt		\$ <u>34,199,832</u>

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, 2013	\$ 896,481	\$ 1,530,009	\$ 2,426,490
Due in fiscal year ending June 30, 2014	942,557	1,495,606	2,438,164
Due in fiscal year ending June 30, 2015	980,238	1,459,144	2,439,381
Due in fiscal year ending June 30, 2016	1,018,043	1,420,271	2,438,314
Due in fiscal year ending June 30, 2017	1,055,978	1,379,308	2,435,286
Due in fiscal years ending June 30, 2018-2022	6,013,938	6,165,724	12,179,662
Due in fiscal years ending June 30, 2023-2027	7,500,773	4,662,030	12,162,803
Due in fiscal years ending June 30, 2028-2032	9,182,353	2,687,825	11,870,178
Due in fiscal years ending June 30, 2033-2037	5,840,002	791,372	6,631,374
Due in fiscal years ending June 30, 2038-2042	769,470	76,868	846,338
Total	\$ <u>34,199,832</u>	\$ <u>21,668,158</u>	\$ <u>55,867,990</u>

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

	<u>Balance at</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/2012</u>
2004A Series Bonds	8,505,000	-	(260,000)	8,245,000
2004B Series Bonds	7,995,000	-	(195,000)	7,800,000
2005 Series Bonds	8,895,000	-	(210,000)	8,685,000
2006 Series Bonds	4,920,000	-	(110,000)	4,810,000
2007 Series Bonds	3,184,892	-	(3,184,892)	-
2009 Series Bonds	1,450,000	-	(50,000)	1,400,000
2011 Series Bonds	-	3,259,832	-	3,259,832
Totals	\$ <u>34,949,892</u>	\$ <u>3,259,832</u>	\$ <u>(4,009,892)</u>	\$ <u>34,199,832</u>

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

BERKELEY COUNTY BUILDING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

**D. Subsequent Events**

The Authority has considered all subsequent events through December 17, 2012, the date the financial statements were made available.

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 awarded an \$80,000 grant from the West Virginia Courthouse Facilities Improvement Authority. This is a cost reimbursement grant which requires 100% match from the Commission for expenditures. The Commission is planning to use the grant to either replace or refurbish windows at the Dunn Building.

The Commission was also awarded several smaller grants totaling approximately \$38,000 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 accompanying independent auditor's report is an integral part of these notes.



**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**

Board of Directors  
Berkeley County Building Commission  
Martinsburg, West Virginia

We have audited the financial statements of the business-type activities of the Berkeley County Building Commission, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 17, 2012. We conducted our audit in accordance with auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Berkeley County Building Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Berkeley County Building Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Berkeley County Building Commission's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, state and federal awarding agencies and pass-through entities and the West Virginia State Auditor's Office, Chief Inspector Division and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

*Detrick + Bruchman, PLLC*

December 17, 2012