

AUDIT REPORT OF
BERKELEY COUNTY
BUILDING COMMISSION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011



LISA K. THORNBURG, CPA

**BERKELEY COUNTY BUILDING COMMISSION
FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011**

**BERKELEY COUNTY BUILDING COMMISSION
TABLE OF CONTENTS
For the Fiscal Year Ended June 30, 2011**

	<u>Page</u>
INTRODUCTORY SECTION	
Board Officials.....	1
FINANCIAL SECTION	
Independent Auditor's Report.....	2-3
<i>Financial Statements</i>	
Statement of Net Assets.....	4
Statement of Revenues, Expenses and Changes in Net Assets.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7-13
ACCOMPANYING INFORMATION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14-15

**BERKELEY COUNTY BUILDING COMMISSION
BOARD OFFICIALS
For the Fiscal Year Ended June 30, 2011**

Office	Name	Term
Board Chairman:	Kenneth Barton, Jr.	
Board Members:	Steven M. Roach	11-18-10 / 06-30-15
	Kenneth Barton, Jr	04-29-10 / 09-14-12
	Rebecca Linton	10-28-10 / 07-15-15
	Bill Klingelsmith	05-06-10 / 12-22-14
	Lester A. Henry	09-02-10 / 09-02-15

LISA K. THORNBURG, CPA
2514 Bedford Chapel Road
Milton, WV 25541
(304) 743-8192

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Berkeley County Building Commission
Martinsburg, West Virginia 25401

We have audited the accompanying basic financial statements of the Berkeley County Building Commission (Building Commission), a component unit of Berkeley County, West Virginia, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Building Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Berkeley County Building Commission are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of Berkeley County that is attributable to the transactions of the Berkeley County Building Commission. They do not purport to, and do not, present fairly the financial position of Berkeley County, West Virginia, as of June 30, 2011, and the changes in financial position 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 previously present fairly, in all material respects, the financial position of the Berkeley County Building Commission, as of June 30, 2011, and the changes in its financial position and its cash flows 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 June 30, 2012, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Building Commission has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Berkeley County Building Commission, as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lisa K. Thornburg".

Lisa K. Thornburg, CPA

June 30, 2012

BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2011

Assets

Current assets:

Cash and cash equivalents	\$	2,148
---------------------------	----	-------

Restricted assets:

Investments		679,639
-------------	--	---------

Capital assets:

Land		1,889,399
------	--	-----------

Building and equipment, net of accumulated depreciation of \$3,902,995		33,017,176
--	--	------------

Construction work in progress		4,159,210
-------------------------------	--	-----------

Total capital assets		39,065,785
----------------------	--	------------

Other assets:

Unamortized debt issue expense, net of accumulated amortization of \$262,700		930,829
--	--	---------

Total Assets	\$	40,678,401
--------------	----	------------

Liabilities

Current liabilities:

Accounts payable	\$	8,801
------------------	----	-------

Accrued interest		216,051
------------------	--	---------

Current portion of long-term debt		825,000
-----------------------------------	--	---------

Total current liabilities		1,049,852
---------------------------	--	-----------

Noncurrent liabilities:

Long-term debt		34,124,892
----------------	--	------------

Long-term debt premium		9,216
------------------------	--	-------

Long-term debt discount		(155,410)
-------------------------	--	-----------

Total noncurrent liabilities		33,978,698
------------------------------	--	------------

Total liabilities		35,028,550
-------------------	--	------------

Net Assets

Invested in capital assets, net of related debt		5,872,555
---	--	-----------

Restricted		679,639
------------	--	---------

Unrestricted		(902,343)
--------------	--	-----------

Total net assets		5,649,851
------------------	--	-----------

Total Liabilities and Net Assets	\$	40,678,401
----------------------------------	----	------------

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

Operating revenue:	
Lease income	\$ 2,351,037
Intergovernmental:	
Local	<u>8,300</u>
Total operating revenue	<u>2,359,337</u>
Operating expense:	
Professional fees	11,350
Depreciation expense	<u>876,960</u>
Total operating expense	<u>888,310</u>
Operating income	<u>1,471,027</u>
Other income (expenses):	
Interest income	1,186
Amortization of debt issue expenses	(41,380)
Bank trustee fees	(4,803)
Interest expense	<u>(1,455,268)</u>
Total other income (expense)	<u>(1,500,265)</u>
Increase in net assets	(29,238)
Net assets at beginning of year	<u>5,679,089</u>
Net assets at end of year	<u>\$ 5,649,851</u>

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011

Cash flows from operating activities:

Cash received for leases	\$ 2,351,037
Cash received from intergovernmental contributions and grants - local	8,300
Cash paid to vendors	<u>(3,500)</u>
Total cash flows from operating activities	<u>2,355,837</u>

Cash flows from investing activities:

Investment income	<u>1,186</u>
-------------------	--------------

Cash flows provided (used) by capital and related financing activities:

Payments for land, buildings, and equipment	(231,886)
Principal paid on bonds payable	(805,000)
Decrease in restricted assets	140,794
Payments for bank trustee fees	(4,802)
Interest paid on revenue bonds	<u>(1,455,213)</u>
Net cash flows used by capital and related financing activities	<u>(2,356,107)</u>

Net decrease in cash and cash equivalents	916
---	-----

Cash and cash equivalents - beginning of year	<u>1,232</u>
---	--------------

Cash and cash equivalents - end of year	\$ <u><u>2,148</u></u>
---	------------------------

Reconciliation of operating income to cash flows from

Operating activities:

Operating income	\$ 1,471,027
------------------	--------------

Adjustments to reconcile:

Depreciation	876,960
Increase in accounts payable	<u>7,850</u>

Net cash flows provided from operating activities	\$ <u><u>2,355,837</u></u>
---	----------------------------

Supplemental schedule of noncash investing and financing activities:

Amortization of bond issue costs	\$ <u><u>41,380</u></u>
Amortization of bond discounts costs	\$ <u><u>(7,606)</u></u>
Amortization of bond premium	\$ <u><u>377</u></u>

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies

The accounting policies and the presentation of the financial report of the 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 Berkeley County Council and leases them to the Berkeley County Council and others. Ownership of the assets passes to the Berkeley County Council 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 Berkeley County Council. The Building Commission is controlled by and is dependent on the Berkeley County Council, which also 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 revenues of the Building Commission enterprise fund are charges to the Berkeley County Council and the Blue Ridge Community and Technical College for lease payments. Operating expenses of the Building Commission include depreciation and any maintenance and repair costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, liabilities and net 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, 2011

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 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 \$81,413 net of \$591 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

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 Court.

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 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".

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 carrying amount of deposits and bank balances was \$2,148 which was entirely covered by Federal Deposit Insurance Corporation coverage.

The Building Commission's cash balance at June 30, 2011 was composed of the following accounts:

General Checking Account	\$ <u>2,148</u>
Total cash and cash equivalents	\$ <u><u>2,148</u></u>

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 formal policy for custodial credit risk but complies with West Virginia State Code regarding only depositing funds in an approved county depository that provides adequate collateral security coverage.

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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	\$ 679,639	AAA Standard and Poor's

Interest Rate Risk

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

Credit Risk

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.

B. Capital Assets

A summary of changes in Capital Assets for the fiscal year ended June 30, 2011 and the changes in Capital Assets values based on current and prior year depreciation allowances are as follows:

	<u>Balance at 7/1/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/11</u>
Land	\$ 1,889,399	\$ -	\$ -	\$ 1,889,399
Buildings, improvements and equipment	33,655,826	3,264,305	-	36,920,131
Construction work in progress - capitalized interest	529,694	-	(268,137)	261,557
Construction work in progress	<u>6,661,936</u>	<u>-</u>	<u>(2,764,283)</u>	<u>3,897,653</u>
Totals	<u>\$ 42,736,855</u>	<u>\$ 3,264,305</u>	<u>\$ (3,032,420)</u>	<u>\$ 42,968,740</u>

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 6/30/11	Accumulated Depreciation		Balance at 6/30/11
		Prior Year	Current Year	
Land	\$ 1,889,399	\$ -	\$ -	\$ 1,889,399
Buildings, improvements and equipment	36,920,131	3,025,995	876,960	33,017,176
Construction work in progress - capitalized interest	261,557	-	-	261,557
Construction work in progress	3,897,653	-	-	3,897,653
Totals	\$ 42,968,740	\$ 3,025,995	\$ 876,960	\$ 39,065,785

C. Long-term Debt - Lease Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2011:

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. \$ 8,505,000

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. 7,995,000

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. 8,895,000

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. 4,920,000

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5.	Series 2007 lease revenue bonds, original face value of \$3,185,000, with interest payable in quarterly installments, and principal payable in annual installments, beginning September 21, 2007 at 3.10% interest 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 known as the Blue Ridge Outlet Center.	<u>1,450,000</u>
Total long term debt		<u>\$ 34,949,892</u>

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

	Principal	Interest	Total
Due in fiscal year ending June 30, 2012	\$ 825,000	\$ 1,508,837	\$ 2,333,837
Due in fiscal year ending June 30, 2013	890,770	1,526,746	2,417,516
Due in fiscal year ending June 30, 2014	940,732	1,492,487	2,433,219
Due in fiscal year ending June 30, 2015	978,327	1,456,110	2,434,437
Due in fiscal year ending June 30, 2016	1,016,043	1,417,326	2,433,369
Due in fiscal years ending June 30, 2017-2021	5,755,594	6,405,288	12,160,882
Due in fiscal years ending June 30, 2022-2026	7,145,186	4,989,502	12,134,688
Due in fiscal years ending June 30, 2027-2031	8,872,672	3,107,930	11,980,602
Due in fiscal years ending June 30, 2032-2036	7,283,903	1,105,583	8,389,486
Due in fiscal years ending June 30, 2037-2041	1,176,225	126,292	1,302,517
Due in fiscal year ending June 30, 2042	65,440	619	66,059
Total	<u>\$ 34,949,892</u>	<u>\$ 23,136,720</u>	<u>\$ 58,086,612</u>

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

	Balance at 6/30/2010	Additions	Deductions	Balance at 6/30/2011
2004A Series Bonds	\$ 8,760,000	\$ -	\$ (255,000)	\$ 8,505,000
2004B Series Bonds	8,185,000	-	(190,000)	7,995,000
2005 Series Bonds	9,100,000	-	(205,000)	8,895,000
2006 Series Bonds	5,025,000	-	(105,000)	4,920,000
2007 Series Bonds	3,184,892	-	-	3,184,892
2009 Series Bonds	1,500,000	-	(50,000)	1,450,000
Totals	<u>\$ 35,754,892</u>	<u>\$ -</u>	<u>\$ (805,000)</u>	<u>\$ 34,949,892</u>

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

D. Subsequent Events

The Building 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 received a loan commitment letter from a bank in the amount of \$5.5 million at 4.56% interest for 360 months. The first year of monthly installments are interest only based on the current outstanding balance. The remaining installments will be principal and interest on the outstanding balance after the first year, amortized over 29 years. The loan will be secured by property. The proceeds of the loan will be used to refinance the outstanding balance of the 2007 Series Bonds and the remaining balances will be used for construction and bond issuance costs.

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. The Commission is expecting use the remaining 2009 bond proceeds to meet the match requirements of the grant and to complete improvements to two Dunn Building parking lots.

LISA K. THORNBURG, CPA

2514 Bedford Chapel Road
Milton, West Virginia 25541
(304) 743-8192

**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***

Honorable Members of the
Berkeley County Building Commission
Martinsburg, West Virginia 25401

We have audited the financial statements of the Berkeley County Building Commission (Building Commission), as of and for the year ended June 30, 2011, and have issued our report thereon dated June 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Building Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 Building Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 Building Commission'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 Building Commission's basic 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 the audit committee, management, others within the organization, and Building Commission and County Commission officials, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Lisa K. Thornburg". The signature is written in a cursive style with a long, sweeping tail on the letter "g".

Lisa K. Thornburg, CPA

June 30, 2012