

AUDIT REPORT OF
BERKELEY COUNTY
BUILDING COMMISSION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009



LISA K. THORNBURG, CPA

**BERKELEY COUNTY BUILDING COMMISSION
FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009**

BERKELEY COUNTY BUILDING COMMISSION
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For the Fiscal Year Ended June 30, 2009

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**BERKELEY COUNTY BUILDING COMMISSION
BOARD OFFICIALS
For the Fiscal Year Ended June 30, 2009**

Office	Name	Term
Board Members:	Kevin Starliper	07-01-05 / 06-30-10
	Charles M. Brown	07-01-05 / 06-30-10
	Gerald Arndt	09-04-06 / 06-30-11
	Kelley Kisner	07-01-07 / 06-30-12
	James Ruess	07-01-05 / 06-30-10
Board Chairman:	Kelley Kisner	

LISA K. THORNBURG, CPA
2514 Bedford Chapel Road
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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, 2009, 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, 2009, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

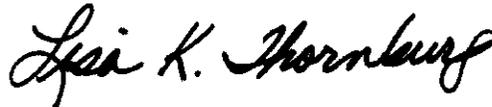
In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Berkeley County Building Commission, as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2011, 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 black ink that reads "Lisa K. Thornburg". The signature is written in a cursive, flowing style.

Lisa K. Thornburg, CPA

July 31, 2011

BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2009

Assets

Current assets:

Cash and cash equivalents	\$ <u>161,229</u>
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Restricted assets:

Investments	<u>1,644,419</u>
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Capital assets:

Land	1,889,399
Building and equipment, net of accumulated depreciation of \$2,228,977	31,426,849
Construction work in progress	<u>4,443,772</u>
Total capital assets	<u>37,760,020</u>

Other assets:

Unamortized debt issue expense, net of accumulated amortization of \$181,167	<u>962,517</u>
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Total Assets	\$ <u><u>40,528,185</u></u>
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Liabilities

Current liabilities:

Accounts payable	\$ 1,950
Accounts payable - construction	283,550
Accrued interest	223,555
Current portion of long-term debt	3,909,892
Total current liabilities	<u>4,418,947</u>

Noncurrent liabilities:

Long-term debt	31,070,000
Long-term debt premium	9,970
Long-term debt discount	<u>(132,179)</u>
Total noncurrent liabilities	<u>30,947,791</u>

Total liabilities	<u>35,366,738</u>
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Net Assets

Invested in capital assets, net of related debt	5,225,723
Restricted	1,644,419
Unrestricted	<u>(1,708,695)</u>
Total net assets	<u>5,161,447</u>

Total Liabilities and Net Assets	\$ <u><u>40,528,185</u></u>
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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, 2009

Operating revenue:	
Lease income	\$ 2,167,667
Intergovernmental:	
State	160,000
Local	28,900
Total operating revenue	<u>2,356,567</u>
Operating expense:	
Professional fees	13,000
Depreciation expense	797,018
Total operating expense	<u>810,018</u>
Operating income	<u>1,546,549</u>
Other income (expenses):	
Interest income	39,631
Amortization of debt issue expenses	(38,907)
Bank trustee fees	(3,800)
Gain on disposal of assets	129,832
Interest expense	(1,433,597)
Total other income (expense)	<u>(1,306,841)</u>
Increase in net assets before transfers out	239,708
Transfers out	<u>(195,000)</u>
Increase in net assets	44,708
Net assets at beginning of year	<u>5,116,739</u>
Net assets at end of year	<u><u>\$ 5,161,447</u></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, 2009

Cash flows from operating activities:	
Cash received for leases	\$ 2,167,667
Cash received from intergovernmental contributions and grants	185,000
Cash paid to vendors	<u>(9,100)</u>
Total cash flows from operating activities	<u>2,343,567</u>
Cash flows from investing activities:	
Investment income	<u>39,631</u>
Cash flows provided (used) by capital and related financing activities:	
Payments for land, buildings, and equipment	(2,243,810)
Proceeds from the sale of assets	195,000
Principal paid on notes payable	(705,000)
Decrease in restricted assets	2,001,198
Payments for bank trustee fees	(3,800)
Transfers to county	(195,000)
Interest paid on revenue bonds	<u>(1,316,481)</u>
Net cash flows used by capital and related financing activities	<u>(2,267,893)</u>
Net decrease in cash and cash equivalents	115,305
Cash and cash equivalents - beginning of year	<u>45,924</u>
Cash and cash equivalents - end of year	<u><u>\$ 161,229</u></u>
Reconciliation of operating income to cash flows from	
Operating activities:	
Operating income	\$ 1,546,549
Adjustments to reconcile:	
Depreciation	<u>797,018</u>
Net cash flows provided from operating activities	<u><u>\$ 2,343,567</u></u>
Supplemental schedule of noncash investing and financing activities:	
Amortization of bond issue costs	\$ <u>38,907</u>
Amortization of bond discounts costs	\$ <u>5,731</u>
Amortization of bond premium	\$ <u>378</u>
Construction work in progress financed through accounts payable	<u><u>\$ 283,550</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, 2009

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 County Commission and leases them to the County Commission and others. Ownership of the assets passes to the County Commission when the bonds mature and are returned. The lease or loan payments the Building Commission receives are used to pay the revenue bonds' principal and interest.

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

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

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

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

C. Assets, liabilities and net assets

1. Deposits and investments

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

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

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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 Commission or the Blue Ridge Community and Technical College, no allowance has been made for uncollectibles as there is minimal risk that the lease payments will not be received.

3. Capital Assets

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

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest capitalized by the Building Commission during the current fiscal year was \$229,507 net of \$36,237 of interest income.

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

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

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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 \$161,229, which was entirely covered by Federal Deposit Insurance Corporation coverage.

The Building Commission's cash balance at June 30, 2009 was composed of the following accounts:

General Checking Account	\$	161,229
Total cash and cash equivalents	\$	161,229

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.

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

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Prime Obligations Funds	Daily	\$ 1,664,419

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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. Receivables

At year end, the amount of receivables due the Building Commission was \$0.

C. Capital Assets

A summary of changes in Capital Assets for the fiscal year ended June 30, 2009 and the changes in Capital Assets values based on current and prior year depreciation allowances are as follows:

	Balance at <u>7/1/08</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>6/30/09</u>
Land	\$ 1,954,567	\$ -	\$ 65,168	\$ 1,889,399
Buildings, improvements and equipment	33,655,826	-	-	33,655,826
Construction work in progress	<u>1,921,914</u>	<u>2,521,858</u>	<u>-</u>	<u>4,443,772</u>
Totals	\$ <u>37,532,307</u>	\$ <u>2,521,858</u>	\$ <u>65,168</u>	\$ <u>39,988,997</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>6/30/09</u>	<u>Accumulated Depreciation</u>		Balance at <u>6/30/09</u>
		<u>Prior Year</u>	<u>Current Year</u>	
Land	\$ 1,889,399	\$ -	\$ -	\$ 1,889,399
Buildings, improvements and equipment	33,655,826	1,431,959	797,018	31,426,849
Construction work in progress	<u>4,443,772</u>	<u>-</u>	<u>-</u>	<u>4,443,772</u>
Totals	\$ <u>39,988,997</u>	\$ <u>1,431,959</u>	\$ <u>797,018</u>	\$ <u>37,760,020</u>

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

D. Long-term Debt - Lease Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2009:

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.	\$ 9,005,000
2. Series 2004B lease revenue bonds, original face value of \$9,000,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning March 1, 2005 at 3.75% increasing to 5% interest and concluding September 1, 2034, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	8,365,000
3. Series 2005 lease revenue bonds, original face value of \$9,800,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning December 1, 2005 at 3.25% increasing to 5.55% interest and concluding December 1, 2035, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	9,295,000
4. Series 2006 lease revenue bonds, original face value of \$5,300,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning 2007 at 4.77% interest and concluding 2037, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	5,130,000
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 June 1, 2010, issued to provide funding to purchase additional property to be used as part of the Judicial Center.	<u>3,184,892</u>
Total long term debt	<u>\$ 34,979,892</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, 2010	\$ 3,909,892	\$ 1,478,374	\$ 5,388,266
Due in fiscal year ending June 30, 2011	755,000	1,363,321	2,118,321
Due in fiscal year ending June 30, 2012	775,000	1,337,416	2,112,416
Due in fiscal year ending June 30, 2013	805,000	1,309,763	2,114,763
Due in fiscal year ending June 30, 2014	835,000	1,280,193	2,115,193
Due in fiscal years ending June 30, 2015-2019	4,680,000	5,884,351	10,564,351
Due in fiscal years ending June 30, 2020-2024	5,760,000	4,786,771	10,546,771
Due in fiscal years ending June 30, 2025-2029	7,190,000	3,314,730	10,504,730
Due in fiscal years ending June 30, 2030-2034	7,730,000	1,488,591	9,218,591
Due in fiscal years ending June 30, 2035-2037	2,540,000	149,031	2,689,031
Total	<u>\$ 34,979,892</u>	<u>\$ 22,392,541</u>	<u>\$ 57,372,433</u>

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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

	Balance at <u>6/30/2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>6/30/2009</u>
2004A Series Bonds	\$ 9,245,000	\$ -	\$ 240,000	\$ 9,005,000
2004B Series Bonds	8,540,000	-	175,000	8,365,000
2005 Series Bonds	9,485,000	-	190,000	9,295,000
2006 Series Bonds	5,230,000	-	100,000	5,130,000
2007 Series Bonds	3,184,892	-	-	3,184,892
Totals	<u>\$ 35,684,892</u>	<u>\$ -</u>	<u>\$ 705,000</u>	<u>\$ 34,979,892</u>

E. Assignment of Lease Revenue

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

F. Subsequent Events

In December 2009, the Building Commission issued additional lease revenue bonds, Series 2009, for the renovation and repair of the Dunn Building in the amount of \$1,500,000.

LISA K. THORNBURG, CPA
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(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, 2009, and have issued our report thereon dated July 31, 2011. 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

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.

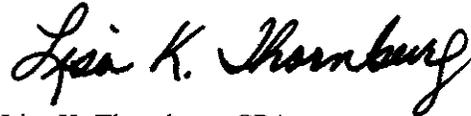
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 large, prominent "L" and "T".

Lisa K. Thornburg, CPA

July 31, 2011