

RFP #09-025
BERKELEY CO

AUDIT REPORT OF
BERKELEY COUNTY
BUILDING COMMISSION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007



LISA K. THORNBURG, CPA

BERKELEY COUNTY BUILDING COMMISSION
FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

BERKELEY COUNTY BUILDING COMMISSION
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For the Fiscal Year Ended June 30, 2007

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**BERKELEY COUNTY BUILDING COMMISSION
BOARD OFFICIALS
For the Fiscal Year Ended June 30, 2007**

Office	Name	Term
Board Members:	Kevin Starliper	07-01-04 / 06-30-09
	Charles M. Brown	07-01-05 / 06-30-10
	Gerald Arndt	09-04-06 / 06-30-11
	Kelley Kisner	08-08-02 / 06-30-07
	James Ruess	07-01-03 / 06-30-08
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 financial statements of the business-type activities of the Berkeley County Building Commission, a component unit of Berkeley County, West Virginia, as of and for the year ended June 30, 2007, which collectively comprise the Berkeley County Building Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 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.

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, 2007, 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 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, 2007, 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 May 28, 2010, on our consideration of the Building Commission's internal control over financial reporting and 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 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berkeley County Building Commission's basic financial statements. 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 express no opinion on it.

Respectfully submitted,

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

Lisa K. Thornburg, CPA

May 28, 2010

BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2007

Assets

Current assets:

Cash and cash equivalents	\$	429,269
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Restricted assets:

Investments		4,560,517
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Capital assets:

Land		2,255,127
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Building and equipment, net of accumulated depreciation of \$926,591		34,182,549
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Construction work in progress		760,796
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Total capital assets		<u>37,198,472</u>
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Other assets:

Unamortized debt issue expense, net of accumulated amortization of \$88,352		1,055,332
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Total Assets	\$	<u><u>43,243,590</u></u>
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Liabilities

Current liabilities:

Accounts payable - construction	\$	10,402
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Accrued interest		119,216
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Prepaid lease income		143,721
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Current portion of long-term debt		3,946,923
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Total current liabilities		<u>4,220,262</u>
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Noncurrent liabilities:

Long-term debt		32,685,925
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Long-term debt premium		10,725
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Long-term debt discount		(143,641)
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Total noncurrent liabilities		<u>32,553,009</u>
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Total Liabilities		<u>36,773,271</u>
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Net Assets

Invested in capital assets, net of related debt		6,303,987
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Unreserved fund balance		166,332
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Total net assets		<u>6,470,319</u>
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Total liabilities and net assets	\$	<u><u>43,243,590</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, 2007**

Operating revenues:	
Lease income	\$ 1,972,124
Rent income	150,000
Interest income	16,304
Other	<u>300</u>
 Total operating revenues	 <u>2,138,728</u>
Operating expenses:	
Professional fees	2,525
Depreciation expense	<u>552,440</u>
 Total operating expenses	 <u>554,965</u>
 Operating income	 <u>1,583,763</u>
Other income (expenses):	
Contribution in aid of construction	52,860
Insurance proceeds	95,806
Amortization of debt issue expenses	(36,007)
Interest expense	(130,110)
Repairs and maintenance	<u>(95,826)</u>
 Total other income (expenses)	 <u>(113,277)</u>
 Increase in net assets	 1,470,486
Net assets - beginning of year	<u>4,999,833</u>
 Net assets - end of year	 \$ <u><u>6,470,319</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, 2007

Cash flows from operating activities:

Cash received for leases	\$	2,115,845
Cash received for rents		312,500
Cash paid for professional fees		(2,525)
Bid fees received		300
Net cash flows provided by operating activities		2,426,120

Cash flows from investing activities:

Investment income		236,161
Net cash flows provided by investing activities		236,161

Cash flows from capital and related financing activities:

Payments for land, buildings and equipment		(7,540,873)
Insurance proceeds		95,806
Principal paid on revenue bonds		(606,822)
Bond issuance costs		(174,101)
Proceeds from revenue bonds		5,295,444
Interest paid on revenue bonds		(1,365,306)
Decrease in restricted assets		1,850,777
Contributions in aid of construction		52,860
Cash paid for repairs and maintenance		(95,826)
Net cash flows provided from capital and related financing activities		(2,488,041)
Net increase in cash		174,240

Cash and cash equivalents - beginning of year		255,029
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Cash and cash equivalents - end of year	\$	429,269
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Reconciliation of operating income to cash flows from operating activities:

Operating income	\$	1,583,763
Adjustments to reconcile:		
Depreciation		552,440
Prepaid lease income		143,721
Adjustment for interest included in financing activities		(16,304)
Decrease in due from other governments		162,500
Net cash flows provided from operating activities	\$	2,426,120

Supplemental schedule of noncash investing and financing activities:

Acquisition costs on issuance of bonds	\$	15,000
Acquisition of building and land by bond	\$	3,184,892
Amortization of bond discount	\$	20,920
Amortization of bond issue costs	\$	36,005
Amortization of bond discount costs	\$	5,382
Amortization of bond premium	\$	378

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, 2007

Note 1. Summary of Significant Accounting Policies

The accounting policies and the presentation of the financial report of Berkeley County Building Commission have been designed to conform to generally accepted accounting principles as applicable to government units, in accordance with the Governmental Accounting Standards Board (GASB). GASB embodies the official pronouncements previously issued by the National Council on Governmental Accounting (NCGA).

A. Reporting Entity

The Berkeley County Building Commission ("Building Commission") was created pursuant to Chapter 8, Article 33 of the West Virginia Code of 1931, as amended, by an order entered by the County Commission of Berkeley County, West Virginia ("County Commission") on the 4th day of September, 1979. The Building Commission finances the purchase and construction of capital assets for the County Commission and leases them to the County Commission and others. Ownership of the assets passes to the County Commission when the bonds mature and are returned. The lease or loan payments the Building Commission receives are used to pay the revenue bonds' principal and interest.

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

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

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

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

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, 2007

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia; obligations of the federal national mortgage association; indebtedness secured by first lien deed of trusts for property situated within this state if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with the SEC which have fund assets over three hundred million dollars.

2. Receivables and payables

Trade Receivables

All receivables and payables are shown at the net amount due. Since all lease revenue comes from the Berkeley County Commission or the Blue Ridge Community and Technical College, no allowance has been made for uncollectibles as there is minimal risk that the lease payments will not be received.

3. Capital Assets

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

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest capitalized by the Building Commission during the current fiscal year was \$1,153,039 net of \$219,857 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, 2007

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 bank balance of deposits was \$429,269. Of the bank balance, \$100,000 was covered by federal depository insurance or by collateral held by the government's agent in the government's name. All other bank deposits were collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Building Commission's deposits may not be returned to it. The Building Commission does not have a deposit policy for custodial credit risk.

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

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Prime Obligations Funds	Daily	\$ 4,560,517

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

Interest Rate Risk

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

Credit Risk

As described above, state statutes prescribe the types of investments which the Building Commission may utilize. The Building Commission has no investment policy that would further limit its investment choices.

Concentration Risk

State statute limitations concerning the aforementioned investments include the following: at no time can investment portfolios consist of more than 75% of the indebtedness of any private corporation nor can the portfolio have over 25% of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year; at no time may more than 9% of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than 60% of the portfolio be invested in equity mutual funds. The Building Commission has no policy that would further limit the amount that they may invest in any one issuer.

B. Receivables

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

C. Capital Assets

A summary of changes in Capital Assets for the fiscal year ended June 30, 2007 and the changes in Capital Assets values based on current and prior year depreciation allowances are as follows:

	Balance at <u>7/1/06</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>6/30/07</u>
Land	\$ 1,241,963	\$ 1,013,164	\$ -	2,255,127
Buildings, improvements and equipment	4,076,444	31,032,696	-	35,109,140
Construction work in progress - capitalized interest	1,662,591	933,183	2,595,774	-
Construction work in progress	<u>19,524,818</u>	<u>7,445,991</u>	<u>26,210,013</u>	<u>760,796</u>
Totals	<u>\$ 26,505,816</u>	<u>\$ 40,425,034</u>	<u>\$ 28,805,787</u>	<u>\$ 38,125,063</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>6/30/07</u>	<u>Accumulated Depreciation</u>		Balance at <u>6/30/2007</u>
		<u>Prior Year</u>	<u>Current Year</u>	
Land	\$ 2,255,127	\$ -	\$ -	2,255,127
Buildings, improvements and equipment	35,109,140	374,151	552,440	34,182,549
Construction work in progress - capitalized interest	-	-	-	-
Construction work in progress	<u>760,796</u>	<u>-</u>	<u>-</u>	<u>760,796</u>
Totals	<u>\$ 38,125,063</u>	<u>\$ 374,151</u>	<u>\$ 552,440</u>	<u>\$ 37,198,472</u>

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

D. Long-term Debt - Lease Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2007:

1. Series 1999 lease revenue bonds, original face value of \$600,000, payable in annual installments, with principal and interest beginning September 30, 2000 at 6% interest and concluding September 30, 2009, issued for the acquisition of the office building known as the Spring Street Building located at 205 East King Street, Martinsburg, WV.	\$ 292,956
2. 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.	9,475,000
3. 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.	8,710,000
4. 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.	9,670,000
5. 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.	5,300,000
6. 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 3.77% interest and concluding June 30, 2008, issued to provide funding to purchase property to be used as part of the Judicial Center	<u>3,184,892</u>
Total long term debt	\$ <u><u>36,632,848</u></u>

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

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, 2008	\$ 3,946,923	\$ 1,608,845	\$ 5,555,768
Due in fiscal year ending June 30, 2009	787,520	1,463,520	2,251,040
Due in fiscal year ending June 30, 2010	813,405	1,439,644	2,253,049
Due in fiscal year ending June 30, 2011	745,000	1,402,822	2,147,822
Due in fiscal year ending June 30, 2012	765,000	1,376,666	2,141,666
Due in fiscal years ending June 30, 2013-2017	4,280,000	6,423,852	10,703,852
Due in fiscal years ending June 30, 2018-2022	5,245,000	5,438,154	10,683,154
Due in fiscal years ending June 30, 2023-2027	6,560,000	4,104,530	10,664,530
Due in fiscal years ending June 30, 2028-2032	8,295,000	2,333,019	10,628,019
Due in fiscal years ending June 30, 2033-2037	5,195,000	563,625	5,758,625
Total	\$ 36,632,848	\$ 26,154,677	\$ 62,787,525

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

	<u>Balance at</u> <u>6/30/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/2007</u>
1999 Series Bonds	379,777	-	86,821	292,956
2004A Series Bonds	9,700,000		225,000	9,475,000
2004B Series Bonds	8,875,000		165,000	8,710,000
2005 Series Bonds	9,800,000		130,000	9,670,000
2006 Series Bonds	-	5,300,000	-	5,300,000
2007 Series Bonds	-	3,184,892	-	3,184,892
Totals	\$ 28,754,777	\$ 8,484,892	\$ 606,821	\$ 36,632,848

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 business-type activities of the Berkeley County Building Commission, as of and for the year ended June 30, 2007, which collectively comprise the Building Commission's basic financial statements and have issued our report thereon dated May 28, 2010. 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 opinions 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Building Commission's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Building Commission's financial statements that is more than inconsequential will not be prevented or detected by the Building Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement will not be prevented or detected by the Building Commission's internal control.

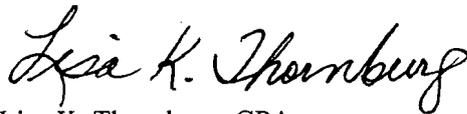
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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, Building Commission Officials and federal and state grant agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,


Lisa K. Thornburg, CPA

May 28, 2010