BERKELEY COUNTY
BUILDING COMMISSION

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

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FOR THE YEAR ENDED JUNE 30, 2016
RFP #16-107 (Berkeley County)
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<td>Board Member</td>
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<tr>
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<td>David Irwin</td>
<td>09/05/20</td>
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<td>Bill Klingelsmith</td>
<td>09/04/17</td>
</tr>
<tr>
<td>M. Sharon Brown</td>
<td>09/04/16</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Berkeley County Building Commission
Martinsburg, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Berkeley County Building Commission, a component unit of the Berkeley County Commission as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Berkeley County Building Commission’s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial
To the Board of Directors  
Berkeley County Building Commission

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Berkeley County Building Commission as of June 30, 2016, and the changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter


Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America 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 the 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.
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2017 on our consideration of the Berkeley County Building Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Berkeley County Building Commission's internal control over financial reporting and compliance.

*Seal*  

Clarksburg, West Virginia  
February 3, 2017
BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2016

Assets

Current Assets
Cash and cash equivalents $  2,192

Restricted Assets
Investments  681,513
Construction cash  1,513,319
Total restricted assets  2,194,832

Capital Assets
Land  1,889,399
Building and equipment, net of accumulated depreciation of $8,594,554  30,878,420
Construction work in progress  5,657,332
Total capital assets  38,425,151

Total assets  40,622,175

Deferred Outflows of Resources
Unamortized bond discount  61,590
Total deferred outflows of resources  61,590

Total assets and deferred outflows of resources  40,683,765

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

<table>
<thead>
<tr>
<th>Current Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ 1,800</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>157,818</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>1,538,683</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1,698,301</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Noncurrent Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>33,681,928</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>33,681,928</td>
</tr>
</tbody>
</table>

Total liabilities                                           | 35,380,229|

### Deferred Inflows of Resources

<table>
<thead>
<tr>
<th>Unamortized bond premium</th>
<th>461,912</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total deferred inflows of resources</td>
<td>461,912</td>
</tr>
</tbody>
</table>

Total liabilities and deferred inflows of resources         | 35,842,141|

### Net Position

<table>
<thead>
<tr>
<th>Net investment in capital assets</th>
<th>4,159,719</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted</td>
<td>681,513</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>392</td>
</tr>
<tr>
<td>Total net position</td>
<td>$ 4,841,624</td>
</tr>
</tbody>
</table>

The accompanying independent auditor's report and notes are integral parts of this statement.
BERKELEY COUNTY BUILDING COMMISSION  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

<table>
<thead>
<tr>
<th>Operating Revenue</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease income</td>
<td>$ 2,656,836</td>
</tr>
<tr>
<td>Intergovernmental:</td>
<td></td>
</tr>
<tr>
<td>Local</td>
<td>9,895</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>2,666,731</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Expense</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional fees</td>
<td>10,795</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>992,702</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>1,003,497</td>
</tr>
</tbody>
</table>

| Operating income                       | 1,663,234 |

<table>
<thead>
<tr>
<th>Other Income (Expense)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>177</td>
</tr>
<tr>
<td>Bank trustee fees</td>
<td>(11,850)</td>
</tr>
<tr>
<td>Bond issuance costs</td>
<td>(183,712)</td>
</tr>
<tr>
<td>Loss on refinance of bonds</td>
<td>(53,609)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,122,498)</td>
</tr>
<tr>
<td>Total other income (expense)</td>
<td>(1,371,492)</td>
</tr>
</tbody>
</table>

Increase in net position                | 291,742 |

Net position at beginning of year       | 4,549,882 |

Net position at end of year             | $ 4,841,624 |

The accompanying independent auditor's report and notes are integral parts of this statement.
Cash Flows from Operating Activities
Cash received for leases $ 2,656,836
Cash received from intergovernmental contributions and grants – local 9,895
Cash paid to vendors (9,895)
Net cash provided by operating activities 2,656,836

Cash Flows from Investing Activities
Investment income 177
Payments for land, buildings, and equipment (667,939)
Decrease in restricted assets 626,155
Net cash (used in) investing activities (41,607)

Cash Flows from Capital and Related Financing Activities
Proceeds from bond issuance 9,309,018
Principal paid on notes payable (10,568,294)
Payments for bank trustee fees (11,850)
Bond issuance costs (90,312)
Interest paid on revenue bonds (1,253,786)
Net cash (used in) capital and related financing activities (2,615,224)

Net increase in cash and cash equivalents 5

Cash and cash equivalents – beginning of year 2,187
Cash and cash equivalents – end of year $ 2,192

Reconciliation of operating income to net cash provided by operating activities:
Operating income $ 1,663,234
Adjustments to reconcile:
Depreciation 992,702
Increase in accounts payable 900
Net cash provided by operating activities $ 2,656,836
BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF CASH FLOWS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016

Supplemental Schedule of Noncash, Investing and Financing Activities

Amortization of bond discount costs $ (3,752)
Amortization of bond premium $ 31,217
Financing of bond issuance costs $ (93,400)

The accompanying independent auditor's report and notes are integral parts of this statement.
BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

The Commission complies with GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34." This statement established standards for defining and reporting component units in the financial statements of the reporting entity. It defines component units as legally separate organizations for which the component unit not only has a fiscal dependency on the reporting entity but also a financial benefit or burden relationship must be present between the reporting entity and the entity that is to be included as a component unit. In addition, an entity may be included as a component unit in the financial statements of the reporting entity, if the reporting entity's management determines that it would be misleading to exclude them.

The accompanying independent auditor's report is an integral part of these notes.
BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The Commission considered all potential component units in determining what entities should be included in the Commission's financial statements. Based on these criteria, there are no component units to include in the Commission's financial statements.

During the year ended June 30, 2016, the Commission adopted the following GASB Statements:

GASB 72 – Fair Value Measurement and Application – This Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques and fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This GASB is effective for fiscal years beginning after June 15, 2015 and had no effect on the accompanying financial statements.

GASB 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 – This Statement improves financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension related information reported by employers and nonemployee contributing entities. The provisions for this Statement are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployee contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016 and had no effect on the accompanying financial statements. The Commission has elected early implementation of this GASB Statement.

GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans – This Statement improves financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. This GASB is effective for fiscal years beginning after June 15, 2016 and had no effect on the accompanying financial statements.

The accompanying independent auditor's report is an integral part of these notes.
BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

GASB 75 – Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions – This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This GASB is effective for fiscal years beginning after June 15, 2016 and had no effect on the accompanying financial statements. The Commission has elected early implementation of this GASB Statement.

GASB 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – This Statement improves financial reporting by raising the category of GASB Implementation Guides in the GAAP hierarchy, emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP, and requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. This GASB is effective for periods beginning after June 15, 2015.

GASB 77 – Tax Abatement Disclosures – This Statement improves financial reporting by giving users of financial statements essential information that is not consistently comprehensively reported to the public at present. This GASB is effective for periods beginning after December 15, 2015 and has no effect on the accompanying financial statements.

GASB 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans – This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer. This GASB is effective for reporting periods beginning after December 15, 2015 and has no effect on the accompanying financial statements.

The accompanying independent auditor's report is an integral part of these notes.
BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

GASB 79 – Certain External Investment Pools and Pool Participants – This
Statement will enhance comparability of financial statements among governments by
establishing specific criteria used to determine whether a qualifying external investment
pool may elect to use an amortized cost exception to fair value measurement. This
GASB is effective for reporting periods beginning after June 15, 2015. Certain
provisions relating to portfolio quality, custodial credit risk, and shadow pricing are
effective for reporting periods beginning after December 15, 2015. This GASB has no
effect on the accompanying financial statements.

GASB 80 – Blending Requirement for Certain Component Units – an amendment of
GASB Statement No. 14 – This Statement amends the blending requirements for the
financial statement presentation of component units of all state and local governments.
This GASB is effective for reporting periods beginning after June 15, 2016 and has no
effect on the accompanying financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Commission are prepared in accordance with Generally
Accepted Accounting Principles (GAAP). 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 cash, 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.
C. Assets, Liabilities and Net Position

1. Deposits and Investments

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

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

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

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States of 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.

The accompanying independent auditor's report is an integral part of these notes.
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 uncollectible 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 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. $82,070 of the total interest of $1,204,568 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:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>40</td>
</tr>
<tr>
<td>Building improvements</td>
<td>20</td>
</tr>
<tr>
<td>Equipment</td>
<td>5-10</td>
</tr>
</tbody>
</table>

The accompanying independent auditor’s report is an integral part of these notes.
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 and the construction of improvement to the Berkeley County E911 Dispatch facilities. 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 Commission is in the construction phase for improvements, furnishings and equipment of the Berkeley County 911 Dispatch facilities located at 802 Emmett Roush Drive, Martinsburg, Berkeley County, West Virginia. This project will provide facilities for the 911 Central Dispatch, Emergency Communication Center, Department of Homeland Security and other related operations. The project consist of four phases with a total estimated cost of $3,000,000 to complete. The Commission estimates the completion late 2017. Total construction cost of $1,390,471 was capitalized as of balance sheet date.

5. Equity Classification

Net position classification:

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

a. Net investment capital assets – Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

The accompanying independent auditor's report is an integral part of these notes.
b. Restricted net position – Consists of net position that are restricted by the Commission’s creditors (for example through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

c. Unrestricted net position – All other net positions are reported in this category.

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 position. Bond premiums and discounts 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.

2. Detailed Notes on all Funds

A. Deposits and Investments

At year end, the Building Commission’s bank balance of deposits was $2,192, 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.

The accompanying independent auditor's report is an integral part of these notes.
BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

<table>
<thead>
<tr>
<th>Investments</th>
<th>Maturities</th>
<th>Fair Value</th>
<th>Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal U.S. Treasury Cash Reserves</td>
<td>Daily</td>
<td>$ 2,194,832</td>
<td>AAAm Standard and Poor's</td>
</tr>
</tbody>
</table>

*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.

*Custodial Credit Risk Deposits and Investments*

Custodial credit risk is the risk that in the event of a bank or counterparty failure, the Commission will not be able to recover the value of its deposits, investments, or collateral securities that are in possession of an outside party. The Commission does not have a formal deposit policy for custodial risk. As of June 30, 2016, $1,944,832 of the Commission's bank balance of $2,194,832 was exposed to custodial credit risk. $250,000 of the bank balance was covered by Federal Deposit Insurance (FDIC), and $1,944,832 was collateralized with securities held by pledging financial institution in the Berkeley County Building Commission's name.

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

A summary of changes in Capital Assets for the fiscal year ended June 30, 2016 and the changes in Capital Assets values based on current and prior year depreciation allowances are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance at 7/1/2015</th>
<th>Additions</th>
<th>Deductions</th>
<th>Balance at 6/30/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$1,889,399</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$1,889,399</td>
</tr>
<tr>
<td>Buildings, improvements, and equipment</td>
<td>39,472,974</td>
<td>$0.00</td>
<td>$0.00</td>
<td>39,472,974</td>
</tr>
<tr>
<td>Construction work in progress-capitalized interest</td>
<td>41,053</td>
<td>82,070</td>
<td>$0.00</td>
<td>123,123</td>
</tr>
<tr>
<td>Construction work in progress</td>
<td>4,881,740</td>
<td>652,469</td>
<td>$0.00</td>
<td>5,534,209</td>
</tr>
<tr>
<td>Totals</td>
<td>$46,285,166</td>
<td>$734,539</td>
<td>$0.00</td>
<td>$47,019,705</td>
</tr>
</tbody>
</table>

*Capital Assets-Net of Depreciation*

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

<table>
<thead>
<tr>
<th></th>
<th>Balance at 6/30/2016</th>
<th>Accumulated Depreciation</th>
<th>Balance at 6/30/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$1,889,399</td>
<td>$0.00</td>
<td>$1,889,399</td>
</tr>
<tr>
<td>Buildings, improvements, and equipment</td>
<td>39,472,974</td>
<td>7,601,852</td>
<td>992,702</td>
</tr>
<tr>
<td>Construction work in progress-capitalized interest</td>
<td>123,123</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Construction work in progress</td>
<td>5,534,209</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Totals</td>
<td>$47,019,705</td>
<td>$7,601,852</td>
<td>$992,702</td>
</tr>
</tbody>
</table>

The accompanying independent auditor's report is an integral part of these notes.
C. Long-Term Debt – Lease Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2016:

1. Series 2015 lease revenue bonds, original face value of $9,340,000, with interest payable in semi-annual installments, and principal payable in annual installments, beginning December 1, 2015 at not more than 5% interest and concluding 2035. The bond refunded Series 2005 and 2009 bonds. $ 9,140,000

2. 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. 4,320,000

3. Series 2011 lease revenue bond, in the original principal amount of $5,500,000, with interest and principal payable monthly at interest rate currently 3.29% concluding November 1, 2035. The bond refunded Series 2007 bond and provided financing of public safety building. 4,905,611

4. Series 2014A lease revenue bonds, original face value of $7,290,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning September 1, 2016 at 3% increasing to 4% interest and concluding September 1, 2033, issued to refinance the 2004B lease revenue bonds. 7,030,000

5. Series 2014B lease revenue bonds, original face value of $7,365,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning December 1, 2016 at 3% increasing to 5% interest and concluding December 1, 2029, issued to refinance the 2004A lease revenue bonds. 6,950,000

6. Series 2014C lease revenue bonds, original face value of $3,000,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning December 1, 2016 at 1.3% increasing to 3.35% interest and concluding December 1, 2034, issued to provide funding for construction of the Berkeley County E911 Dispatch facilities. 2,875,000

Total long-term debt $ 35,220,611

The accompanying independent auditor's report is an integral part of these notes.
BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

<table>
<thead>
<tr>
<th>Due in fiscal year ending June 30,</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$1,538,683</td>
<td>$1,116,219</td>
<td>$2,654,902</td>
</tr>
<tr>
<td>2018</td>
<td>$1,594,818</td>
<td>$1,080,577</td>
<td>$2,675,395</td>
</tr>
<tr>
<td>2019</td>
<td>$1,606,159</td>
<td>$1,047,250</td>
<td>$2,653,409</td>
</tr>
<tr>
<td>2020</td>
<td>$1,647,710</td>
<td>$1,002,250</td>
<td>$2,649,960</td>
</tr>
<tr>
<td>2021</td>
<td>$1,709,481</td>
<td>$952,316</td>
<td>$2,661,797</td>
</tr>
<tr>
<td>2022–2026</td>
<td>$9,322,149</td>
<td>$3,930,672</td>
<td>$13,252,821</td>
</tr>
<tr>
<td>2027–2031</td>
<td>$10,083,745</td>
<td>$2,232,188</td>
<td>$12,315,933</td>
</tr>
<tr>
<td>2032–2036</td>
<td>$7,412,865</td>
<td>$670,881</td>
<td>$8,083,746</td>
</tr>
<tr>
<td>2037</td>
<td>$305,001</td>
<td></td>
<td>$311,635</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$35,220,611</td>
<td>$12,038,987</td>
<td>$47,259,598</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Balance at 6/30/2015</th>
<th>Additions</th>
<th>Deductions</th>
<th>Balance at 6/30/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005 Series Bonds</td>
<td>$8,005,000</td>
<td>$(8,005,000)</td>
<td>-</td>
</tr>
<tr>
<td>2006 Series Bonds</td>
<td>$4,450,000</td>
<td>$(130,000)</td>
<td>$4,320,000</td>
</tr>
<tr>
<td>2009 Series Bonds</td>
<td>$1,245,000</td>
<td>$(1,245,000)</td>
<td>-</td>
</tr>
<tr>
<td>2011 Series Bonds</td>
<td>$5,093,905</td>
<td>$(188,294)</td>
<td>$4,905,611</td>
</tr>
<tr>
<td>2014A Series Bonds</td>
<td>$7,290,000</td>
<td>$(260,000)</td>
<td>$7,030,000</td>
</tr>
<tr>
<td>2014B Series Bonds</td>
<td>$7,365,000</td>
<td>$(415,000)</td>
<td>$6,950,000</td>
</tr>
<tr>
<td>2014C Series Bonds</td>
<td>$3,000,000</td>
<td>$(125,000)</td>
<td>$2,875,000</td>
</tr>
<tr>
<td>Totals</td>
<td>$36,448,905</td>
<td>$(10,568,294)</td>
<td>$25,880,611</td>
</tr>
</tbody>
</table>

D. Subsequent Events

The Commission's management has considered all subsequent events through February 3, 2017, the date the financial statements were made available.

The accompanying independent auditor's report is an integral part of these notes.
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Berkeley County Building Commission
Martinsburg, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Berkeley County Building Commission, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Berkeley County Building Commission's basic financial statements, and have issued our report thereon dated February 3, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Berkeley County Building Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Berkeley County Building Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Berkeley County Building Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
To the Board of Directors

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Berkeley County Building Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Signature]

Clarksburg, West Virginia
February 3, 2017