

BERKELEY COUNTY BUILDING COMMISSION

FINANCIAL STATEMENTS

June 30, 2017



BERKELEY COUNTY BUILDING COMMISSION

TABLE OF CONTENTS

June 30, 2017

	<u>Page</u>
Accountant's Report on Financial Statements	3
<i>Financial Statements</i>	
Statement of Net Position	4-5
Statement of Revenues, Expenses and Changes in Net Position.....	6
Statement of Cash Flows.....	7
Notes to the Financial Statements	8-14

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ACCOUNTANT'S COMPILATION REPORT

Members of the
Berkeley County Building Commission
Martinsburg, West Virginia

Management is responsible for the accompanying financial statements of the Berkeley County Building Commission, which comprise the statement of net position as of June 30, 2017, and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted the United States of America. We have performed a compilation engagement in accordance with the Statement of Standards for Accounting and Review Services promulgated by the Accounting and Review services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the financial statements.

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 basic financial statements.

We are not independent with respect to the Berkeley County Building Commission.

CoxHollida & Professionals PLLC
Martinsburg, WV

August 1, 2017

Berkeley County Building Commission
STATEMENT OF NET POSITION
June 30, 2017

Assets

Restricted assets:

Construction cash	\$ 643,685
Investments	<u>719,944</u>

Total restricted assets 1,363,629

Capital assets:

Land	1,889,399
Building and equipment, net of accumulated depreciation of \$9,587,249	29,885,725
Construction work in progress	<u>6,625,917</u>
Total capital assets	<u>38,401,041</u>

Total assets 39,764,670

Deferred outflows of resources

Unamortized bond discount	<u>44,240</u>
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Total assets and deferred outflows of resources \$ 39,808,910

See accompanying notes and accountant's compilation report.

Berkeley County Building Commission
STATEMENT OF NET POSITION - CONTINUED
June 30, 2017

Liabilities

Current liabilities:

Accounts payable	\$	1,800
Accounts payable construction		18,275
Accrued interest		146,850
Current portion of long-term debt		<u>1,619,655</u>
Total current liabilities		<u>1,786,580</u>

Noncurrent liabilities:

Long-term debt		<u>32,087,152</u>
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Total liabilities		33,873,732
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Deferred inflows of resources

Unamortized bond premium		<u>582,706</u>
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Total liabilities and deferred inflows		<u>34,456,438</u>
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Net Position

Invested in capital assets, net of related debt		4,652,603
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Restricted		719,944
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Unreserved fund balance		<u>(20,075)</u>
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Total net position		<u>5,352,472</u>
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Total liabilities and net position	\$	<u><u>39,808,910</u></u>
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See accompanying notes and accountant's compilation report.

Berkeley County Building Commission
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

Operating revenue:

Lease income	\$	2,640,258
Intergovernmental		
Local		<u>22,320</u>

Total operating revenue		<u>2,662,578</u>
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Operating expense:

Professional fees		12,012
Depreciation expense		<u>992,695</u>

Total operating expenses		1,004,707
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Operating income		<u>1,657,871</u>
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Other income (expenses):

Interest income		1,069
Bank trustee fees		(5,100)
Bond issuance costs		(131,111)
Loss on refinance of bonds		(13,888)
Interest expense		<u>(997,993)</u>

Total other income (expense)		<u>(1,147,023)</u>
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Increase in net position		<u>510,848</u>
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Net position at beginning of year		<u>4,841,624</u>
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Net position at end of year	\$	<u><u>5,352,472</u></u>
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See accompanying notes and accountant's compilation report.

Berkeley County Building Commission
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

Cash flows provided (used) by operating activities:

Cash received for leases	\$ 2,640,258
Cash received from intergovernmental contributions and grants - local	22,320
Cash paid to vendors	<u>(12,012)</u>
Total cash flows provided by operating activities	<u>2,650,566</u>

Cash flows provided (used) by investing activities:

Investment income	1,069
Payments for land, buildings, and equipment	(870,859)
Net decrease in restricted assets	<u>831,204</u>
Total cash flows used by investing activities	<u>(38,586)</u>

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

Proceeds from bond issuance	4,328,875
Principal paid on bonds payable	(5,723,804)
Payments for bank trustee fees	(5,100)
Bond issuance costs	(94,274)
Interest paid on revenue bonds	<u>(1,119,869)</u>
Net cash flows used by capital and related financing activities	<u>(2,614,172)</u>

Net decrease in cash and cash equivalents (2,192)

Cash and cash equivalents - beginning of year 2,192

Cash and cash equivalents - end of year \$ -

Reconciliation of operating income to cash flows from operating activities:

Operating income	\$ 1,657,871
Adjustments to reconcile:	
Depreciation	<u>992,695</u>
Net cash flows provided by operating activities	<u>\$ 2,650,566</u>

Supplemental schedule of noncash investing and financing activities:

Amortization of bond discount costs	\$ <u>(3,462)</u>
Amortization of bond premium	<u>34,918</u>
Financing of bond issuance costs	<u>\$ (36,837)</u>

See accompanying notes and accountant's compilation report.

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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 Council. The Building Commission is controlled by and is dependent on the County Council of Berkeley County. The County Council appoints the members of the Building Commission's board and provides intergovernmental revenue to pay certain Building Commission obligations.

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

The financial statements of the Commission are prepared in accordance with Generally Accepted Accounting Principles (GAAP). As a proprietary fund type, the Commission applies all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

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

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

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.

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

C. Assets, liabilities and net position (Continued)

1. Deposits and investments (Continued)

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

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

2. Receivables and payables

All receivables and payables are shown at the net amount due. Since all lease revenue comes from the Berkeley County Council or the Blue Ridge Community and Technical College, no allowance has been made for uncollectible accounts 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. \$79,451 of the total interest of \$997,993 was capitalized by the Building Commission during the current fiscal year.

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

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

4. Construction Work in Process

The construction work in progress consists of the Crawford Building which was part of the original purchase of the Blue Ridge Outlet Center Complex, and the construction of improvements to the Berkeley County 911 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.

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

C. Assets, liabilities and net position (Continued)

4. Construction Work in Process (Continued)

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 consists of four phases with a total estimated cost of \$3,000,000 to complete. The Commission estimates completion in late 2017. Total construction cost of \$2,466,709 was capitalized as of balance sheet date.

5. Equity Classification

Equity is classified as net position 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 position - 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 position - All other net position that amounts do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

It is the Commission's policy to first use restricted assets when available and then use general revenues to finance projects and expenses.

6. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Long-term obligations

Long-term debt and other long-term obligations are reported as liabilities on the statement of net position. 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.

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

Note 2. Detailed notes on all funds

A. Deposits and investments

At year end, the Building Commission did not have any bank balances.

Custodial Credit Risk - Deposits

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

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

<u>Investments</u>	<u>Maturities</u>	Quoted Prices in Active Markets for Identical Assets	<u>Fair Value</u>	<u>Credit rating</u>
Federated U.S. Treasury				
Cash Reserves	Daily	\$	1,363,629	AAAm Standard and Poor's

Interest Rate Risk

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

Credit Risk

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.

Fair value measurement

The Commission categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles as follows:

Level I - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level II - Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level III - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker- traded transactions.

The Commission has the following fair value measurements as of June 30,2017

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
U.S Treasury - Mutual Fund	\$ <u>1,363,629</u>	\$ <u>-</u>	\$ <u>-</u>

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

B. Capital Assets

A summary of changes in Capital Assets for the fiscal year ended June 30, 2017 and the changes in Capital Assets values based on current and prior year depreciation allowances are as follows:

	Balance at <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>June 30, 2017</u>
Land	\$ 1,889,399	\$ -	\$ -	\$ 1,889,399
Buildings, improvements, and and equipment	39,472,974	-	-	39,472,974
Construction work in progress - capitalized interest	123,123	79,451	-	202,574
Construction work in progress	<u>5,534,209</u>	<u>889,134</u>	<u>-</u>	<u>6,423,343</u>
Totals	\$ <u>47,019,705</u>	\$ <u>968,585</u>	\$ <u>-</u>	\$ <u>47,988,290</u>

Capital Assets-Net of Depreciation

A summary of changes in capital assets net of depreciation values based on current and prior year depreciation

	Balance at <u>June 30, 2016</u>	<u>Accumulated Depreciation</u>		Balance at <u>June 30, 2017</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Land	\$ 1,889,399	\$ -	\$ -	\$ 1,889,399
Buildings, improvements, and and equipment	39,472,974	8,594,554	992,695	29,885,725
Construction work in progress - capitalized interest	202,574	-	-	202,574
Construction work in progress	<u>6,423,343</u>	<u>-</u>	<u>-</u>	<u>6,423,343</u>
Totals	\$ <u>47,988,290</u>	\$ <u>8,594,554</u>	\$ <u>992,695</u>	\$ <u>38,401,041</u>

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

C. Long Term Debt - Lease Revenue Bonds

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.	\$ 8,745,000
2	Series 2017 lease revenue bonds, original face value of \$4,210,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning June 1, 2017 interest between 2% to 4% and concluding 2036, issued to refinance the Series 2006 A bonds.	4,210,000
3	Series 2011 lease revenue bonds, 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.	4,726,807
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, 2015 at 3% increasing to 4% interest and concluding September 1, 2033, issued to refinance the 2004B lease revenue bonds.	6,470,000
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, 2015 at 3% increasing to 5% interest and concluding December 1, 2029, issued to refinance the 2004A lease revenue bonds.	6,530,000
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, 2015 at 1.3% increasing to 3.35% interest and concluding December 1, 2034, issued to provide funding for construction of to the Berkeley County 911 Dispatch facilities.	<u>2,755,000</u>
	Total long term debt	\$ <u>33,436,807</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, 2018	\$ 1,619,655	\$ 1,040,653	\$ 2,660,308
Due in fiscal year ending June 30, 2019	1,625,990	1,009,662	2,635,652
Due in fiscal year ending June 30, 2020	1,667,536	967,292	2,634,828
Due in fiscal year ending June 30, 2021	1,724,301	920,140	2,644,441
Due in fiscal year ending June 30, 2022	1,756,292	875,814	2,632,106
Due in fiscal years ending June 30, 2023-2027	9,649,773	3,520,198	13,169,971
Due in fiscal years ending June 30, 2028-2032	9,658,084	1,781,345	11,439,429
Due in fiscal years ending June 30, 2033-2037	<u>6,005,176</u>	<u>403,368</u>	<u>6,408,544</u>
Total	\$ <u>33,706,807</u>	\$ <u>10,518,472</u>	\$ <u>44,225,279</u>

BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

C. Long-term Debt - Lease Revenue Bonds (Continued)

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

	Balance at <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>June 30, 2017</u>
2006 Series Bonds	\$ 4,320,000	\$ -	\$ (4,320,000)	\$ -
2011 Series Bonds	4,905,611	-	(178,804)	4,726,807
2014A Series Bonds	7,030,000	-	(290,000)	6,740,000
2014B Series Bonds	6,950,000	-	(420,000)	6,530,000
2014C Series Bonds	2,875,000	-	(120,000)	2,755,000
2015 Series Bonds	9,140,000	-	(395,000)	8,745,000
2017 Series Bonds	<u>-</u>	<u>4,210,000</u>	<u>-</u>	<u>4,210,000</u>
Totals	\$ <u>35,220,611</u>	\$ <u>4,210,000</u>	\$ <u>(5,723,804)</u>	\$ <u>33,706,807</u>

C. Subsequent Events

The Commission's management has considered all subsequent events through August 1, 2017, the date the financial statements were made available.