

**BERKELEY COUNTY
BUILDING COMMISSION**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
RFP #17-207 (Berkeley County)

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**BERKELEY COUNTY BUILDING COMMISSION
BOARD OF DIRECTORS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board Member	Term Expires
Steven M. Roach	09/04/18
David Irwin	09/05/20
Bill Klingelsmith	09/05/22
M. Sharon Brown	09/04/21
John Taylor	09/04/19



Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

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 the Berkeley County Building Commission, as of and for the fiscal year ended June 30, 2018, 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

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 the Berkeley County Building Commission, as of June 30, 2018, and the changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements for the fiscal year ended June 30, 2018, Berkeley County Building Commission adopted new accounting guidance, GASB 85 – *Omnibus 2017* and GASB 86 – *Certain Debt Extinguishment Issues*. Our opinion is not modified with respect to these matters.

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 November 26, 2018, 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

To the Board of Directors
Berkeley County Building Commission

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report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Berkeley County Building Commission's 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 the Berkeley County Building Commission's internal control over financial reporting and compliance.

Detrick, Barton, PHA

Clarksburg, West Virginia
November 26, 2018

**BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2018**

Assets

Restricted assets:

Construction accounts	\$ 103,773
Investments	<u>716,837</u>
Total restricted assets	<u>820,610</u>

Capital assets:

Land	1,889,399
Building and equipment, net of accumulated depreciation of \$10,595,663	31,951,867
Construction work in progress	<u>4,159,208</u>
Total capital assets	<u>38,000,474</u>

Total assets	<u>\$ 38,821,084</u>
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See accompanying notes and independent auditor's report.

Liabilities**Current liabilities:**

Accounts payable	\$ 2,700
Accounts payable construction	7,250
Accrued interest	139,749
Current portion of long-term debt	<u>1,610,027</u>
Total current liabilities	<u>1,759,726</u>

Noncurrent liabilities:

Long-term debt	30,458,200
Unamortized bond premium	543,463
Loss: Unamortized bond discount	<u>(41,184)</u>
Total noncurrent liabilities	<u>30,960,479</u>

Total liabilities32,720,205**Net Position**

Net investment in capital assets	5,386,742
Restricted	716,837
Unrestricted	<u>(2,700)</u>
Total net position	<u>6,100,879</u>

Total liabilities and net position\$ 38,821,084

See accompanying notes and independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Operating Revenue:	
Lease income	\$ 2,661,222
Intergovernmental :	
Local	<u>11,223</u>
Total operating revenue	<u>2,672,445</u>
Operating Expense:	
Professional fees	12,112
Depreciation expense	<u>1,008,414</u>
Total operating expenses	<u>1,020,526</u>
Operating income	<u>1,651,919</u>
Other Income (Expenses):	
Interest income	4,190
Bank trustee fees	(8,511)
Interest expense	<u>(899,191)</u>
Total other income (expense)	<u>(903,512)</u>
Increase in net position	748,407
Net position at beginning of year	<u>5,352,472</u>
Net position at end of year	<u>\$ 6,100,879</u>

See accompanying notes and independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Cash Flows Provided (Used) By Operating Activities:	
Cash received for leases	\$ 2,661,222
Cash received from intergovernmental contributions and grants - local	11,223
Cash paid to vendors	<u>(11,212)</u>
Net cash flows provided by operating activities	<u>2,661,233</u>
Cash Flows Provided (Used) By Investing Activities:	
Investment income	4,190
Payments for land, buildings, and equipment	(541,896)
Net decrease in restricted assets	<u>543,019</u>
Net cash flows provided by investing activities	<u>5,313</u>
Cash Flows Provided (Used) By Capital and Related Financing Activities:	
Principal paid on bonds payable	(1,638,580)
Payments for bank trustee fees	(8,511)
Interest paid on revenue bonds	<u>(1,019,455)</u>
Net cash flows (used) by capital and related financing activities	<u>(2,666,546)</u>
Net decrease in cash and cash equivalents	-
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u>\$ -</u>
Reconciliation of operating income to net cash flows provided by operating activities:	
Operating income	\$ 1,651,919
Adjustments to reconcile operating income to net cash flows provided by operating activities:	
Depreciation	1,008,414
Increase in accounts payable	<u>900</u>
Net cash flows provided by operating activities	<u>\$ 2,661,233</u>
Supplemental Schedule of Noncash Investing and Financing Activities:	
Amortization of bond discount costs	<u>\$ (3,056)</u>
Amortization of bond premium	<u>\$ 39,243</u>

See accompanying notes and independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 establishes 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.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018, the Commission adopted the following GASB statements:

GASB 85 – *Omnibus 2017* – This Statement establishes accounting and reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits). The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2017 and had no effect on the accompanying financial statements.

GASB 86 – *Certain Debt Extinguishment Issues* – This Statement improves consistency in accounting and financial reporting for insubstance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017 and had no effect on the accompanying financial statements.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The following are recent GASB Pronouncements for which the Commission has not adopted as of June 30, 2018:

GASB 83 – *Certain Asset Retirement Obligations* – This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain Asset Retirement Obligations (AROs), including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. This statement is effective for reporting periods beginning after June 15, 2018.

GASB 84 – *Fiduciary Activities* – This Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. This statement is effective for reporting periods beginning after December 15, 2018.

GASB 87 – *Leases* – This Statement's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the rights to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. This statement is effective for reporting periods beginning after December 15, 2019.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

GASB 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements – This Statement requires that additional essential information related to debt be disclosed in the notes to financial statements, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period – This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB 90 – Majority Equity Interests – The requirements of the Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interest in legally separate organizations that previously was reported inconsistently. In addition, requiring reporting of information about component units if the government acquires a 100 percent equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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 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. \$76,976 of the total interest of \$1,109,455 was capitalized by the Building Commission during the current fiscal year.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONTD)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 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 completed construction 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 provides facilities for the 911 Central Dispatch, Emergency Communication Center, Department of Homeland Security and other related operations. The project was placed into service during the fiscal year upon completion, at a completed capitalized value of \$3,074,556.

5. Equity Classification

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – 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.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- b. Restricted net position – Consists of net position with constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations or 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 or "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 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.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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>	<u>Quoted Prices in Active Markets for Identical Assets Fair Value</u>	<u>Credit Rating</u>
Federal U.S. Treasury Cash Reserves	Daily	\$ 820,610	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.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONTD)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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; 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-trade transactions.

The Commission has the following fair value measurements as of June 30, 2018:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
U.S. Treasury – Mutual Fund	\$ <u>820,610</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

B. Capital Assets

A summary of changes in Capital Assets for the fiscal year ended June 30, 2018 and the changes in Capital Assets values based on current and prior year depreciation allowances are as follows:

	<u>Balance at</u> <u>7/1/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/2018</u>
Land	\$ 1,889,399	\$ -0-	\$ -0-	\$ 1,889,399
Buildings, improvements, and equipment	39,472,974	3,074,556	-0-	42,547,530
Construction work in progress-capitalized interest	202,574	76,976	279,550	-0-
Construction work in progress	<u>6,423,343</u>	<u>549,147</u>	<u>2,813,282</u>	<u>4,159,208</u>
Totals	\$ <u>47,988,290</u>	\$ <u>3,700,679</u>	\$ <u>3,092,832</u>	\$ <u>48,596,137</u>

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Capital Assets-Net of Depreciation

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

	<u>Cost</u>		<u>Accumulated Depreciation</u>		<u>Capital Assets</u>
	<u>Balance at</u> <u>6/30/2018</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Depreciation at</u> <u>6/30/2018</u>	<u>Net of</u> <u>Depreciation at</u> <u>6/30/2018</u>
Land	\$ 1,889,399	\$ -0-	\$ -0-	\$ -0-	\$ 1,889,399
Buildings, improvements, and equipment	42,547,530	9,587,249	1,008,414		31,951,867
Construction work in progress-capitalized interest	-0-	-0-	-0-		-0-
Construction work in progress	<u>4,159,208</u>	<u>-0-</u>	<u>-0-</u>		<u>4,159,208</u>
Totals	\$ <u>48,596,137</u>	\$ <u>9,587,249</u>	\$ <u>1,008,414</u>		\$ <u>38,000,474</u>

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. Secured by real estate. \$ 8,345,000
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 2006A bonds. Secured by real estate. 4,045,000
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. Secured by real estate. 4,518,227
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. Secured by real estate. 6,440,000

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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. Secured by real estate.	\$ 6,090,000
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 the Berkeley County 911 Dispatch facilities. Secured by real estate.	<u>2,630,000</u>
Total long-term debt	\$ <u>32,068,227</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, 2019	\$ 1,610,027	\$ 997,098	\$ 2,607,125
Due in fiscal year ending June 30, 2020	1,667,677	967,151	2,634,828
Due in fiscal year ending June 30, 2021	1,724,446	919,995	2,644,441
Due in fiscal year ending June 30, 2022	1,756,442	875,664	2,632,106
Due in fiscal year ending June 30, 2023	1,818,671	823,905	2,642,576
Due in fiscal years ending June 30, 2024 – 2028	9,940,535	3,203,720	13,144,255
Due in fiscal years ending June 30, 2029 – 2033	9,256,127	1,454,589	10,710,716
Due in fiscal years ending June 30, 2034 – 2038	<u>4,294,302</u>	<u>226,096</u>	<u>4,520,398</u>
Total	\$ <u>32,068,227</u>	\$ <u>9,468,218</u>	\$ <u>41,536,445</u>

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

	<u>Balance at</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/2018</u>
2011 Series Bonds	\$ 4,726,807	\$ -0-	\$ (208,580)	\$ 4,518,227
2014A Series Bonds	6,740,000	-0-	(300,000)	6,440,000
2014B Series Bonds	6,530,000	-0-	(440,000)	6,090,000
2014C Series Bonds	2,755,000	-0-	(125,000)	2,630,000
2015 Series Bonds	8,745,000	-0-	(400,000)	8,345,000
2017 Series Bonds	<u>4,210,000</u>	<u>-0-</u>	<u>(165,000)</u>	<u>4,045,000</u>
Totals	\$ <u>33,706,807</u>	\$ <u>-0-</u>	\$ <u>(1,638,580)</u>	\$ <u>32,068,227</u>

D. Subsequent Events

The Commission's management has considered all subsequent events through November 26, 2018, the date the financial statements were made available.

See independent auditor's report.



Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

**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 fiscal year ended June 30, 2018, 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 November 26, 2018.

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.

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.

Justin A. Barthel, PA, CA

Clarksburg, West Virginia
November 26, 2018