

**BERKELEY COUNTY  
BUILDING COMMISSION**

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

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**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**  
*RFP #20-248 (Berkeley County)*

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**BERKELEY COUNTY BUILDING COMMISSION  
BOARD OF DIRECTORS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<b>Board Member</b>	<b>Term Expires</b>
Steven M. Roach	09/04/23
Norwood Bentley, III	09/04/25
Chester Cole	09/05/22
M. Sharon Brown	09/04/21



**Tetrick & Bartlett, PLLC**

**Certified Public Accountants  
Consultants**

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## 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, 2020, 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 opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Berkeley County Building Commission, as of June 30, 2020, 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 year ended June 30, 2020, Berkeley County Building Commission adopted new accounting guidance, GASB 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. 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 9, 2020, 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.

*Julick : Backout, PA 1*

Clarksburg, West Virginia  
November 9, 2020

**BERKELEY COUNTY BUILDING COMMISSION**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

**Assets**

Restricted assets:

Investments	\$ <u>757,788</u>
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Capital assets:

Land	1,889,399
Building and equipment, net of accumulated depreciation of \$12,778,214	29,866,210
Construction work in progress	<u>4,159,208</u>
Total capital assets	<u>35,914,817</u>

Total assets	\$ <u><u>36,672,605</u></u>
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**Liabilities**

Current liabilities:

Accounts payable	\$ 1,800
Accrued interest	127,725
Current portion of long-term debt	<u>1,724,411</u>
Total current liabilities	<u>1,853,936</u>

Noncurrent liabilities:

Long-term debt	27,065,887
Unamortized bond premium	464,976
Less: unamortized bond discount	<u>(35,073)</u>
Total noncurrent liabilities	<u>27,495,790</u>

Total liabilities	<u>29,349,726</u>
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**Net Position**

Invested in capital assets	6,566,891
Restricted	757,788
Unrestricted	<u>(1,800)</u>
Total net position	<u>7,322,879</u>

Total liabilities and net position	\$ <u><u>36,672,605</u></u>
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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, 2020**

<b>Operating Revenue</b>	
Lease income	\$ 2,657,746
Intergovernmental:	
Local	<u>22,258</u>
Total operating revenue	<u>2,680,004</u>
<b>Operating Expense</b>	
Professional fees	22,258
Depreciation expense	<u>1,091,830</u>
Total operating expenses	<u>1,114,088</u>
Operating income	<u>1,565,916</u>
<b>Other Income (Expenses)</b>	
Interest income	8,056
Bank trustee fees	(8,546)
Interest expense	<u>(940,746)</u>
Total other income (expense)	<u>(941,236)</u>
Increase in net position	624,680
Net position at beginning of year	<u>6,698,199</u>
Net position at end of year	<u>\$ 7,322,879</u>

See accompanying notes and independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<b>Cash Flows Provided (Used) By Operating Activities</b>	
Cash received for leases	\$ 2,657,746
Cash received from intergovernmental contributions and grants - local	22,258
Cash paid to vendors	<u>(22,258)</u>
Net cash flows provided by operating activities	<u>2,657,746</u>
<b>Cash Flows Provided (Used) By Investing Activities</b>	
Investment income	8,056
Increase in restricted assets	(2,315,421)
Decrease in restricted assets	2,292,993
Net cash flows (used) by investing activities	<u>(14,372)</u>
<b>Cash Flows Provided (Used) By Capital and Related Financing Activities</b>	
Principal paid on bonds payable	(1,650,498)
Payments for bank trustee fees	(8,546)
Interest paid on revenue bonds	<u>(984,330)</u>
Net cash flows (used) by capital and related financing activities	<u>(2,643,374)</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>
<b>Reconciliation of operating income to net cash flows from operating activities:</b>	
Operating income	\$ 1,565,916
<b>Adjustments to reconcile operating income to net cash flows provided by operating activities:</b>	
Depreciation	<u>1,091,830</u>
Net cash flows provided by operating activities	<u>\$ 2,657,746</u>
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>	
Amortization of bond discount costs	<u>\$ (3,056)</u>
Amortization of bond premium	<u>\$ 39,244</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, 2020**

**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.

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, 2020**

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, 2020, the Commission adopted the following GASB statements:

***GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance*** – The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of the following pronouncements are postponed by one year, GASB Statement 83 – *Certain Asset Retirement Obligations*, GASB Statement 84 – *Fiduciary Activities*, GASB Statement 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, GASB Statement 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement 90 – *Majority Equity Interests*, GASB Statement 91 – *Conduit Debt Obligations*, GASB Statement 92 – *Omnibus 2020*, GASB Statement 93 – *Replacement of Interbank Offered Rates*. The effective dates of the following pronouncements are postponed by 18 months, GASB Statement 87 – *Leases*. The requirements of this Statement are effective immediately.

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, 2020**

The following are recent GASB Pronouncements for which the Commission has not adopted as of June 30, 2020:

**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 June 15, 2021.

**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, 2020.

**GASB 90 – *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*** – This Statement's objective is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. 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 (CONTD)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**GASB 91 – *Conduit Debt Obligations*** – This Statement's objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement is effective for reporting periods beginning after December 15, 2021.

**GASB 92 – *Omnibus 2020*** – The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions regarding the effective date of GASB Statement 87, *Leases* and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; The applicability of GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68*; the applicability of certain requirements of GASB Statement 84, *Fiduciary Activities*; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. The effective dates of this Statement are as follows, the requirements related to GASB Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; the requirements related to intra-entity transfers of assets and those related to the applicability of GASB Statement 73, GASB Statement 74, GASB Statement 84 are effective for fiscal years beginning after June 15, 2021.

**GASB 93 – *Replacement of Interbank Offered Rates*** – Some government's have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement is effective for reporting periods ending after December 31, 2021.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTD)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

***GASB 94 – Public – Private and Public – Public Partnerships and Availability Payment Arrangements*** – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This Statement is effective for fiscal years beginning after June 15, 2022.

***GASB 96 – Subscription-Based Information Technology Arrangements*** – This Statement provides guidance on the accounting and financial reporting for subscription-based technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This Statement is effective for fiscal years beginning after June 15, 2022.

***GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*** – The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits through those plans. This Statement is effective for fiscal years beginning after June 15, 2021.

**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.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020**

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, 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.

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

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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. 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.

**5. Equity classification**

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

- a. Invested 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.
- 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.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTD)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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 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	\$ 757,788	AAA 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.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

*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, 2020:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
U.S. Treasury – Mutual Fund	\$ <u>757,788</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTD)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**B. Capital Assets**

A summary of changes in Capital Assets for the fiscal year ended June 30, 2020 and the changes in Capital Assets values based on current and prior year depreciation allowances are as follows:

	<u>Balance at June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2020</u>
Land	\$ 1,889,399	\$ -0-	\$ -0-	\$ 1,889,399
Buildings, improvements, and equipment	42,644,424	-0-	-0-	42,644,424
Construction work in progress	<u>4,159,208</u>	<u>0-</u>	<u>-0-</u>	<u>4,159,208</u>
Totals	<u>\$ 48,693,031</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 48,693,031</u>

*Capital Assets-Net of Depreciation*

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

	<u>Balance at June 30, 2019</u>	<u>Accumulated Depreciation</u>		<u>Balance at June 30, 2020</u>
		<u>Prior Years</u>	<u>Current Years</u>	
Land	\$ 1,889,399	\$ -0-	\$ -0-	\$ 1,889,399
Buildings, improvements, and equipment	42,644,424	11,686,384	1,091,830	29,866,210
Construction work in progress	<u>4,159,208</u>	<u>-0-</u>	<u>-0-</u>	<u>4,159,208</u>
Totals	<u>\$ 48,693,031</u>	<u>\$ 11,686,384</u>	<u>\$ 1,091,830</u>	<u>\$ 35,914,817</u>

**C. Long-Term Debt – Lease Revenue Bonds**

- Series 2015 lease revenue bonds, original face value of \$9,340,000, with interest payable in semiannual 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. \$ 7,545,000

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTD)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

2. Series 2017 lease revenue bonds, original face value of \$4,210,000, with interest payable in semiannual 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.	\$ 3,710,000
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.	4,135,298
4. Series 2014A lease revenue bonds, original face value of \$7,290,000, with interest payable in semiannual 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.	5,815,000
5. Series 2014B lease revenue bonds, original face value of \$7,365,000, with interest payable in semiannual 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.	5,205,000
6. Series 2014C lease revenue bonds, original face value of \$3,000,000, with interest payable in semiannual 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.	<u>2,380,000</u>
Total long-term debt	\$ <u>28,790,298</u>

All bonds are secured by real estate and improvements.

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, 2021	\$ 1,724,411	\$ 920,030	\$ 2,644,441
Due in fiscal year ending June 30, 2022	1,756,407	875,699	2,632,106
Due in fiscal year ending June 30, 2023	1,818,635	823,941	2,642,576
Due in fiscal year ending June 30, 2024	1,871,104	766,634	2,637,738
Due in fiscal year ending June 30, 2025	1,923,823	706,815	2,630,638
Due in fiscal years ending June 30, 2026 – 2030	10,449,234	2,523,882	12,973,116
Due in fiscal years ending June 30, 2031 – 2035	8,019,768	850,674	8,870,442
Due in fiscal years ending June 30, 2036 – 2039	<u>1,226,916</u>	<u>230,233</u>	<u>1,457,149</u>
Total	\$ <u>28,790,298</u>	\$ <u>7,697,908</u>	\$ <u>36,488,206</u>

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTD)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

	<u>Balance at</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>June 30, 2020</u>
2011 Series Bonds	\$ 4,320,796	\$ -0-	\$ ( 185,498)	\$ 4,135,298
2014A Series Bonds	6,135,000	-0-	( 320,000)	5,815,000
2014B Series Bonds	5,650,000	-0-	( 445,000)	5,205,000
2014C Series Bonds	2,505,000	-0-	( 125,000)	2,380,000
2015 Series Bonds	7,950,000	-0-	( 405,000)	7,545,000
2017 Series Bonds	<u>3,880,000</u>	<u>-0-</u>	<u>( 170,000)</u>	<u>3,710,000</u>
Totals	\$ <u>30,440,796</u>	\$ <u>-0-</u>	\$ <u>(1,650,498)</u>	\$ <u>28,790,298</u>

**D. Subsequent Events**

The Commission's management has considered all subsequent events through August 20, 2020, the date the financial statements were made available.

**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 lease that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting bases on the foundation principle that lease are financings of the rights and use of underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. This statement effective date was extended for eighteen months to reporting period beginning after June 30, 2021.

In August 2020, the Building commission issued lease revenue improvement and refunding bonds, Series 2020 A for public safety and day report center projects. Total issuance amount is expected to be \$8.14 million. This bond discharged Series 2011 Bank Loan in the amount \$4.11 million and funded a construction reserve in the amount \$3.80 million. The remaining \$0.23 million is associated with cost of issuance. Interest rate associated with bonds range between 1% to 2.25% with an average bond yield of about 2% over the twenty five year life of the bonds.

See independent auditor's report.

**BERKELEY COUNTY BUILDING COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

In October 2020 the Building Commission approved the second reading of a bond ordinance authorizing the Commission to issue bonds of not more than \$20,000,000 to effectuate the refunding of all or a portion of the following bonds and to pay issuance and other costs in connection with the reissuance of the Building Commission's Lease Revenue Bonds (Berkeley County Judicial Center Project) Series 2014A issued on August 1, 2014 in the original aggregate principal amount of \$7,290,000, the Building Commission's Lease Revenue Refunding Bonds (Berkeley County Judicial Center Project) Series 2014B issued on December 12, 2014 in the original aggregate principal amount of \$7,365,000 and the Building Commission's Lease Revenue Refund Bonds (Berkeley County Judicial Center Project) Series 2015 issued on October 22, 2015 in the original aggregate principal amount of \$9,340,000.

During 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from international, federal, state, and local authorities requiring forced closures of various schools, businesses, and other facilities and organizations. In response to this, the U.S. Government has allocated and sent trillions of dollars in economic aid. Should these trends continue, the impact could have a material adverse effect on the Authority's financial position results of operations, and cash flows.

See independent auditor's report.



***Tetrick & Bartlett, PLLC***

**Certified Public Accountants  
Consultants**

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**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, 2020, 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 9, 2020.

**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.

*T. Patrick Bartlett, Ph.D.*

Clarksburg, West Virginia  
November 9, 2020