BERKELEY COUNTY BUILDING COMMISSION

FINANCIAL STATEMENTS

June 30, 2013

CoxHollidaPrice LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

BERKELEY COUNTY BUILDING COMMISSION
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ACCOUNTANT'S COMPILATION REPORT

Members of the
Berkeley County Building Commission
Martinsburg, West Virginia

We have compiled the accompanying financial statements of the business-type activities of the Berkeley County Building Commission, component unit of the Berkeley County Commission, as of and for the year ended June 30, 2013, which collectively comprised the Berkeley County Building Commission's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The Building Commission is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the Building Commission in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has omitted the management's discussion and analysis information that is required to be presented for purposed of additional analysis. 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

CoxHollidaPrice LLP

Martinsburg, WV

September 13, 2013

Berkeley County Building Commission
STATEMENT OF NET ASSETS
June 30, 2013

Assets		
Current assets:		
Cash and cash equivalents	$	2,176
Restricted assets:		
Investments		709,568
Construction reserve		743,180
Total restricted assets		1,452,748
Capital assets:		
Land		1,889,399
Building and equipment, net of accumulated depreciation of $5,652,536		29,103,991
Construction work in progress		8,447,285
Total capital assets		39,440,675
Other assets:		
Unamortized debt issue expense, net of accumulated amortization of $333,583		896,016
Total Assets	$	41,791,615
Liabilities		
Current liabilities:		
Accounts payable	$	900
Accounts payable construction		435,982
Accrued interest		218,304
Current portion of long-term debt		1,051,372
Total current liabilities		1,706,558
Noncurrent liabilities:		
Long-term debt		34,457,534
Long-term debt premium		8,461
Long-term debt discount		(140,206)
Total noncurrent liabilities		34,325,789
Total liabilities		36,032,346
Net Assets		
Invested in capital assets, net of related debt		4,523,549
Restricted		1,452,748
Unreserved fund balance		(217,029)
Total net assets		5,759,268
Total liabilities and net assets	$	41,791,615

See accompanying notes and accountant's compilation report.

Berkeley County Building Commission
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2013

Operating revenue:		
Lease income	$	2,519,213
Intergovernmental		
Local		12,450
		2,531,663
Operating expense:		
Professional fees		9,450
Depreciation expense		874,783
Total operating expenses		884,233
Operating income		1,647,430
Other income (expenses):		
Interest income		34
Amortization of debt issue expenses		(43,082)
Bank trustee fees		(4,800)
Interest expense		(1,383,268)
Total other income (expense)		(1,431,116)
Increase in net assets		216,313
Net assets at beginning of year		5,542,955
Net assets at end of year	$	5,759,268

See accompanying notes and accountant's compilation report.

Berkeley County Building Commission
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

Cash flows from operating activities:		
Cash received for leases	$	2,519,213
Cash received from intergovernmental contributions and grants - local		12,450
Cash paid to vendors		(12,450)
Total cash flow from operating activities		2,519,213
Cash flows from investing activities:		
Investment income		34
Payments for land, buildings, and equipment		(1,688,489)
Increase in restricted assets		(758,185)
		(2,446,640)
Cash flows provided (used) by capital and related financing activities:		
Proceeds from note payable		2,240,167
Principal paid on notes payable		(931,093)
Payments for bank trustee fees		(4,800)
Interest paid on revenue bonds		(1,376,840)
Net cash flows used by capital and related financing activities		(72,566)
Net increase in cash and cash equivalents		7
Cash and cash equivalents - beginning of year		2,169
Cash and cash equivalents - end of year	$	2,176
Reconciliation of operating income to cash flows from Operating activities:		
Operating income	$	1,647,430
Adjustments to reconcile:		
Depreciation		874,783
Decrease in accounts payable		(3,000)
Net cash flows provided from operating activities	$	2,519,213
Supplemental schedule of noncash investing and financing activities:		
Amortization of bond issue costs	$	43,082
Amortization of bond discounts costs	$	(7,601)
Amortization of bond premium	$	377

See accompanying notes and accountant's compilation report.

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

The Building Commission, for financial statement purposes, is a component unit of the County 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 assets

1. Deposits and investments

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

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

C. Assets, liabilities and net assets (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 new amount due. Since all lease revenue comes from the Berkeley County Council or the Blue Ridge Community and Technical College, no allowance has been made for uncollectible as there is minimal risk that these lease payments will not be received.

3. Capital Assets

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

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. $191,501 of the total interest of $1,574,769 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:

Assets:	Years
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. 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.

C. Assets, liabilities and net assets (Continued)

4. Construction Work in Process (Continued)

The Building Commission is in the planning stage of converting the property located at 510 S. Raleigh Street. The project is expected to be completed in December 2013 with construction cost about $3 million. Building Commission issued a 2011 bond in the amount of $5.5 million to pay for the construction and refinance the property acquisition loan. The competed facility will house the sheriff's department.

5. Equity Classification

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

a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

b. Restricted net assets - Consists of net assets with constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

<u>Note 2. Detailed notes on all funds</u>

A. Deposits and investments

At year end, the Building Commission's bank balance of deposits was $2,176, which was entirely covered by federal depository insurance.

Custodial Credit Risk - Deposits

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

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

A. Deposits and investments (Continued)

Investments	Maturities	Quoted Prices in Active Markets for Identical Assets Fair Value	Credit rating
Federated U.S. Treasury Cash Reserves	Daily	$ 709,568	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.

Concentration Risk

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

Custodial Credit Risk Deposits and Investments

Custodial credit risk is the risk that in the event of a bank or counterparty failure, the Commission will not be able to recover the value of its deposits, investments, or collateral securities that are in possession of an outside party. The Commission does not have a formal deposit policy for custodial risk. As of June 30, 2013, $1,204,924 of the Commission's bank balance of $1,454,924 was exposed to custodial credit risk. $250,000 of the bank balance was covered by Federal Deposit Insurance (FDIC), and $1,204,924 was collateralized with securities held by pledging financial institution in the Berkeley County Building Commission's name.

B. Capital Assets

A summary of changes in Capital Assets for the fiscal year ended June 30, 2013 and the changes in Capital Assets values based on current and prior year depreciation allowances are as follows:

	Balance at 7/1/2012	Additions	Deductions	Balance at 6/30/2013
Land	$ 1,889,399	$ -	$ -	$ 1,889,399
Buildings, improvements, and and equipment	34,756,527		-	34,756,527
Construction work in progress - capitalized interest	261,557	191,501	-	453,058
Construction work in progress	6,448,952	1,545,275	-	7,994,227
Totals	$ 43,356,435	$ 1,736,776	$ -	$ 45,093,211

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 6/30/13	Accumulated Depreciation Prior Years	Accumulated Depreciation Current Year	Balance at 6/30/13
Land	$ 1,889,399	$ -	$ -	$ 1,889,399
Buildings, improvements, and and equipment	34,756,527	4,777,753	874,783	29,103,991
Construction work in progress - capitalized interest	453,058	-	-	453,058
Construction work in progress	7,994,227	-	-	7,994,227
Totals	$ 45,093,211	$ 4,777,753	$ 874,783	$ 39,440,675

C. Long-term Debt - Lease Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2013:

1.	Series 2004A lease revenue bonds, original face value of $9,995,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning December 1, 2004 at 1.45% increasing to 4.95% interest and concluding December 31, 2031, issued to refinance a $9,995,000 lease revenue bond and to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	$ 7,975,000
2.	Series 2004B lease revenue bonds, original face value of $9,000,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning March 1, 2005 at 3.75% increasing to 5% interest and concluding September 1, 2034, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	7,600,000
3.	Series 2005 lease revenue bonds, original face value of $9,800,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning December 1, 2005 at 3.25% increasing to 5.55% interest and concluding December 1, 2035, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	8,465,000
4.	Series 2006 lease revenue bonds, original face value of $5,300,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning 2007 at 4.77% interest and concluding 2037, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	4,695,000
5.	Series 2009 lease revenue bonds, original face value of $1,500,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning December 1, 2010 at 4.75% increasing to 5.50% interest and concluding December 1, 2029, issued to provide additional funding for the buildings know as the Blue Ridge Outlet Center.	1,350,000
6.	Series 2011 lease revenue bond, in the original principal amount of $5,500,000, with interest and principal payable monthly at interest rate currently 3.29% concluding November 1, 2035. The bond refunded Series 2007 bond and provided financing of public safety building.	5,423,907
	Total long term debt	$ 35,508,907

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

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

	Principal	Interest	Total
Due in fiscal year ending June 30, 2014	1,051,372	1,525,995	2,577,367
Due in fiscal year ending June 30, 2015	1,091,929	1,486,656	2,578,585
Due in fiscal year ending June 30, 2016	1,132,671	1,444,846	2,577,517
Due in fiscal year ending June 30, 2017	1,173,606	1,400,884	2,574,490
Due in fiscal year ending June 30, 2018	1,229,738	1,353,146	2,582,884
Due in fiscal years ending June 30, 2019-2023	6,928,092	5,942,143	12,870,235
Due in fiscal years ending June 30, 2024-2028	8,580,217	4,262,602	12,842,819
Due in fiscal years ending June 30, 2029-2033	9,680,751	2,129,289	11,810,040
Due in fiscal years ending June 30, 2034-2037	4,640,531	340,996	4,981,527
Total	$ 35,508,907	$ 19,886,557	$ 55,395,464

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

	Balance at 6/30/2012	Additions	Deductions	Balance at 6/30/2013
2004A Series Bonds	8,245,000	-	(270,000)	7,975,000
2004B Series Bonds	7,800,000	-	(200,000)	7,600,000
2005 Series Bonds	8,685,000	-	(220,000)	8,465,000
2006 Series Bonds	4,810,000	-	(115,000)	4,695,000
2009 Series Bonds	1,400,000	-	(50,000)	1,350,000
2011 Series Bonds	3,259,832	2,240,168	(76,093)	5,423,907
Totals	$ 34,199,832	$ 2,240,168	$ (931,093)	$ 35,508,907

D. Subsequent Event

The Commission is in the planning phase of converting certain property known as the “Kimco Property” to provide current and future space requirements for the Berkeley County Sheriff’s Department. With the proximity of the location to the Judicial Center and other county offices, the Commission believes that the Sheriff’s Department is the proper fit.

The Commission was also awarded several smaller grants totaling approximately $76,092 from federal, West Virginia and private entities for the public safety building project. These grants are matching grants for items such as flooring, trees and office equipment.