

BERKELEY COUNTY BUILDING COMMISSION

FINANCIAL STATEMENTS

June 30, 2009



BERKELEY COUNTY BUILDING COMMISSION

TABLE OF CONTENTS

June 30, 2009

	<u>Page</u>
Accountants' Report .....	3
<b><i>Financial Statements</i></b>	
Statement of Net Assets .....	4
Statement of Revenues, Expenses and Changes in Net Assets.....	5
Statement of Cash Flows.....	6
Selected Information - Substantially All Disclosures Required By Generally Accepted Accounting Principles Are Not Included.....	7-10



## ACCOUNTANTS' REPORT

Members of the  
Berkeley County Building Commission  
Martinsburg, West Virginia

We have compiled the accompanying basic financial statements of the Berkeley County Building Commission, a component unit of the Berkeley County Commission, as of and for the year ended June 30, 2009, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusion about the Building Commission's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Management has not presented the Management's Discussion and Analysis information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

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

*CoxHollidaPrice LLP*

Martinsburg, WV

September 16, 2009

Berkeley County Building Commission  
STATEMENT OF NET ASSETS  
June 30, 2009

**Assets**

Current assets:

Cash and cash equivalents	\$	161,226
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Restricted assets:

Investments		1,644,419
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Capital assets:

Land		1,889,399
Building and equipment, net of accumulated depreciation of \$2,228,977		31,426,849
Construction work in progress		4,443,772
Total capital assets		37,760,020

Other assets:

Unamortized debt issue expense, net of accumulated amortization of \$181,167		962,517
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Total Assets	\$	40,528,182
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**Liabilities**

Current liabilities:

Accounts payable	\$	1,950
Accounts payable - construction		283,550
Accrued interest		223,555
Current portion of long-term debt		3,909,892
Total current liabilities		4,418,947

Noncurrent liabilities:

Long-term debt		31,070,000
Long-term debt premium		9,970
Long-term debt discount		(132,179)
Total noncurrent liabilities		30,947,791

Total liabilities		35,366,738
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**Net Assets**

Invested in capital assets, net of related debt		5,225,723
Unreserved fund balance		(64,279)
Total net assets		5,161,444

Total liabilities and net assets	\$	40,528,182
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See accompanying notes and accountants' report.

Berkeley County Building Commission  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2009

Operating revenue:

Lease income	\$	2,167,664
Intergovernmental		
State		160,000
Local		28,900
		<u>2,356,564</u>

Operating expense:

Professional fees		13,000
Depreciation expense		<u>797,018</u>
Total operating expenses		<u>810,018</u>
Operating income		<u>1,546,546</u>

Other income (expenses):

Interest income		39,631
Amortization of debt issue expenses		(38,907)
Bank trustee fees		(3,800)
Gain on disposal of assets		129,832
Interest expense		<u>(1,433,597)</u>
Total other income (expense)		<u>(1,306,841)</u>

Increase in net assets before transfers out		239,705
Transfers out		<u>(195,000)</u>
Increase in net assets		44,705
Net assets at beginning of year		<u>5,116,739</u>
Net assets at end of year	\$	<u><u>5,161,444</u></u>

See accompanying notes and accountants' report.

Berkeley County Building Commission  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2009

Cash flows from operating activities:

Cash received for leases	\$	2,167,664
Cash received from intergovernmental contributions and grants		185,000
Cash paid to vendors		<u>(9,100)</u>
Total cash flows from operating activities		<u>2,343,564</u>

Cash flows from investing activities:

Investment income		<u>39,631</u>
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Cash flows provided (used) by capital and related financing activities:

Payments for land, buildings, and equipment		(2,243,810)
Proceeds from the sale of assets		195,000
Principal paid on notes payable		(705,000)
Decrease in restricted assets		2,001,198
Payments for bank trustee fees		(3,800)
Transfers to county		(195,000)
Interest paid on revenue bonds		<u>(1,316,481)</u>
Net cash flows used by capital and related financing activities		<u>(2,267,893)</u>

Net decrease in cash and cash equivalents		115,302
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Cash and cash equivalents - beginning of year		<u>45,924</u>
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Cash and cash equivalents - end of year	\$	<u><u>161,226</u></u>
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Reconciliation of operating income to cash flows from  
Operating activities:

Operating income	\$	1,546,546
Adjustments to reconcile:		
Depreciation		<u>797,018</u>
Net cash flows provided from operating activities	\$	<u><u>2,343,564</u></u>

Supplemental schedule of noncash investing and financing activities:

Amortization of bond issue costs	\$	<u>38,907</u>
Amortization of bond discounts costs	\$	<u>5,731</u>
Amortization of bond premium	\$	<u>378</u>
Construction work in progress financed through accounts payable	\$	<u><u>283,550</u></u>

See accompanying notes and accountants' report.

Berkeley County Building Commission  
SELECTED INFORMATION - Substantially All Disclosures Required By Generally Accepted Accounting  
Principles Are Not Included  
June 30, 2009

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**Note 1. Summary of Significant Accounting Policies**

**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 order entered in 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. 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 revenues bonds principal and interest.

The Building Commission, for financial statement purposes, is a component unit of the County Commission. The Building Commission is controlled by and is dependent on the County Commission of Berkeley County. The County Commission elects the Building Commission's board and provides intergovernmental revenue to pay certain Building Commission obligations.

**B. Deposits and Investments**

**Custodial Credit Risk - Deposits**

Custodial risk is the risk that in the event of a bank failure, the Building Commission's deposits may not be returned to it. As of June 30, 2009, \$161,226 of the Building Commission's bank deposits was covered by Federal Depository Insurance.

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

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Prime Obligations Fund	Daily	\$ <u>1,644,419</u>
Total investments		\$ <u><u>1,644,419</u></u>

**Interest Rate Risk**

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

**Credit Risk**

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 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 S.E.C. which have fund assets over three hundred million dollars. The Building Commission, has no investment policy that would further limit its investment choices.

Berkeley County Building Commission  
 SELECTED INFORMATION - Substantially All Disclosures Required By Generally Accepted Accounting  
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 June 30, 2009

**B. Deposits and Investments (continued)**

Concentration Risk

State statute limitations concerning the aforementioned investments include the following: at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporation nor can the portfolio have over twenty-five percent 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 nine percent of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than sixty percent 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 any one issuer.

**Note 2. Selected Notes on Financial Information**

**A. Capital Assets**

A summary of changes in general fixed assets for the fiscal year ended June 30, 2009 and the changes in capital assets values based on current and prior year depreciation allowances as follows:

	Balance at <u>7/1/08</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>6/30/09</u>
Land	\$ 1,954,567	\$ -	\$ 65,168	\$ 1,889,399
Buildings, improvements, and and equipment	33,655,826	-	-	33,655,826
Construction work in progress	<u>1,921,914</u>	<u>2,521,858</u>	<u>-</u>	<u>4,443,772</u>
Totals	<u>\$ 37,532,307</u>	<u>\$ 2,521,858</u>	<u>\$ 65,168</u>	<u>\$ 39,988,997</u>

*Capital Assets-Net of Depreciation*

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

	Balance at <u>6/30/09</u>	<u>Accumulated Depreciation</u>		Balance at <u>6/30/09</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Land	\$ 1,889,399	\$ -	\$ -	\$ 1,889,399
Buildings, improvements, and and equipment	33,655,826	1,431,959	797,018	31,426,849
Construction work in progress	<u>4,443,772</u>	<u>-</u>	<u>-</u>	<u>4,443,772</u>
Totals	<u>\$ 39,988,997</u>	<u>\$ 1,431,959</u>	<u>\$ 797,018</u>	<u>\$ 37,760,020</u>



Berkeley County Building Commission  
 SELECTED INFORMATION - Substantially All Disclosures Required By Generally Accepted Accounting  
 Principles Are Not Included  
 June 30, 2009

**B. Revenue Bonds**

The County had the following long-term debt outstanding at June 30, 2009:

2. 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 1, 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.	9,005,000
3. 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.	8,365,000
4. Series 2005 lease revenue bonds, original face value of \$9,000,000 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.	9,295,000
5. 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% of interest and concluding 2037, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	5,130,000
5. Series 2007 lease revenue bonds, original face value of \$3,185,000 with interest payable in quarterly installments at a annual interest rate of 3.10% and concluding with principal payment on June 1, 2010, issued to provide funding to purchase additional property to be used as part of the Judicial Center.	3,184,892
Total long term debt	\$ <u><u>34,979,892</u></u>

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, 2010	\$ 3,909,892	\$ 1,478,374	\$ 5,388,266
Due in fiscal year ending June 30, 2011	755,000	1,363,321	2,118,321
Due in fiscal year ending June 30, 2012	775,000	1,337,416	2,112,416
Due in fiscal year ending June 30, 2013	805,000	1,309,763	2,114,763
Due in fiscal year ending June 30, 2014	835,000	1,280,193	2,115,193
Due in fiscal years ending June 30, 2015-2019	3,670,000	4,785,190	8,455,190
Due in fiscal years ending June 30, 2020-2024	5,515,000	5,031,188	10,546,188
Due in fiscal years ending June 30, 2025-2029	6,870,000	3,644,572	10,514,572
Due in fiscal years ending June 30, 2030-2034	8,000,000	1,854,717	9,854,717
Due in fiscal years ending June 30, 2035-2038	3,845,000	307,808	4,152,808
Total	\$ <u><u>34,979,892</u></u>	\$ <u><u>22,392,542</u></u>	\$ <u><u>57,372,434</u></u>

Berkeley County Building Commission  
 SELECTED INFORMATION - Substantially All Disclosures Required By Generally Accepted Accounting  
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 June 30, 2009

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**B. Revenue Bonds (continued)**

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

	<u>Balance at</u> <u>6/30/2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/2009</u>
Notes payable				
2004 A series bonds	\$ 9,245,000	\$ -	\$ 240,000	\$ 9,005,000
2004 B series bonds	8,540,000	-	175,000	8,365,000
2005 Series Bonds	9,485,000	-	190,000	9,295,000
2006A Series Bonds	5,230,000	-	100,000	5,130,000
2007A Series Bonds	3,184,892	-	-	3,184,892
Totals	<u>\$ 35,684,892</u>	<u>\$ -</u>	<u>\$ 705,000</u>	<u>\$ 34,979,892</u>

**C. Supplemental Disclosure of Cash Flow Information**

The Building Commission capitalized \$229,507 of interest expense, net of \$36,237 of interest income, for the year ended June 30, 2009.