

**Independent Auditors' Report  
and Related Financial Statements**

**BERKELEY COUNTY FARMLAND PROTECTION BOARD**

**For the Year Ended June 30, 2013**

**Teed & Associates, PLLC  
3624 MacCorkle Avenue SE  
Charleston, West Virginia 25304  
304-925-8752**

# BERKELEY COUNTY FARMLAND PROTECTION BOARD

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# **BERKELEY COUNTY FARMLAND PROTECTION BOARD**

## **Board Officials**

**For the Year Ended June 30, 2013**

<u>Office</u>	<u>Appointive</u>
Chairman	Floyd Kursey
Vice Chairman	Steve Christian
Secretary	Susan Whalton
Treasurer	Carla Kitchen
Board Member	Mathew Barney
Board Member	Barbara Bratina
County Representative	Elaine Mauck

# Teed & Associates, PLLC

## Certified Public Accountants

Established 1992

Member, American Institute of Certified Public Accountants  
Member, West Virginia Society of Certified Public Accountants  
Member, Tennessee Society of Certified Public Accountants  
Member, Chartered Global Management Accountant

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## INDEPENDENT AUDITORS' REPORT

To the Board Members  
Berkeley County Farmland Protection Board  
Martinsburg, West Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Berkeley County Farmland Protection Board, West Virginia (Board), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board'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 respective financial position of the governmental activities and the major fund of the Berkeley County Farmland Protection Board, West Virginia, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 5 through 9 be presented to supplement the basic financial statements. Such 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board Members  
Berkeley County Farmland Protection Board  
Martinsburg, West Virginia  
Page 3

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2014, on our consideration of the Berkeley County Farmland Protection Board, West Virginia'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 report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Board's internal control over financial reporting and compliance.

*Reed & Associates, PLLC*

Charleston, West Virginia  
April 14, 2014

# **BERKELEY COUNTY FARMLAND PROTECTION BOARD**

## **Management's Discussion and Analysis – Unaudited**

**June 30, 2013**

Our discussion and analysis of the Berkeley County Farmland Protection Board's ("Board") financial statements provides an overview of the Board's financial activities for the year ended June 30, 2013 in comparison to the year ended June 30, 2012. This discussion and analysis should be read in conjunction with the Board's audited financial statements.

### **FINANCIAL HIGHLIGHTS**

The Board's mission is to secure perpetual conservation easements on farmland and open land in Berkeley County through the purchase or donation of easements from willing landowners, or through the fee simple acquisition of land. The funding for easement purchases and the related administrative costs comes from a real estate transfer tax of \$2.20 per \$1,000 of property transfer in Berkeley County, West Virginia. The Board also seeks to secure matching Federal funding from the U.S. Department of Agriculture and matching State funding from the West Virginia Agricultural Land Protection Authority. The number of acres put under easement annually depends upon the level of transfer tax receipts, the level of Federal and State matching funds and the Board's offering price for easements.

The Board makes commitments of funds annually for conservation easement acquisition and legal defense. The Board has no fixed debt other than amounts owed to another governmental entity as installments on the sale of certain real estate are received.

Real estate transfer tax revenues were \$848,507 in 2013 and \$678,966 in 2012. This represents an increase of \$169,541 or 25 percent from 2012 to 2013. U.S. Department of Agriculture grants were \$896,500 in 2013 as compared to \$754,500 in 2012. This represents an increase of \$142,000 or 19 percent from 2012 to 2013. West Virginia Agricultural Land Protection Authority grants were \$390,000 in 2013 as compared to \$266,000 in 2012. This represents an increase of \$124,000 or 17 percent from 2012 to 2013.

Capital outlays for conservation easements amounted to \$1,820,998 in 2013 as compared to \$1,626,791 in 2012. Costs necessary to close and record an easement are capitalized as part of the easement costs. Administrative costs for the

Board are relatively fixed, amounting to \$76,172 in 2013 and \$107,801 in 2012. Administrative costs have decreased from approximately 5 percent of program revenues for 2012 to 4 percent of program revenues for 2013.

The Board accepted an in-kind contribution of an easement from a property owner valued at \$272,000 during 2012.

## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

The Board's only fund is a governmental fund (general fund) using the modified accrual basis of accounting. The general fund's Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance are presented showing conservation easements as capital outlay expenditures, along with fund balance committed by the Board for easement purchases not yet completed and for legal defense. A Statement of Net Position is also presented where adjustments are made to capitalize easement costs and to eliminate the committed fund balance for easements and legal defense.

The Board is a component unit of the Berkeley County Council with a separate legal existence. As well as being a unit of government, the Board is an IRS section 501(c)(3) organization empowered both by West Virginia State Code as well as the Internal Revenue Service Code to be a conservation organization with the special ability to hold perpetual conservation easements.

## **CONDENSED FINANCIAL INFORMATION**

The assets of the Board typically consist of either cash or short-term investments, and capital assets in the form of conservation easements and fee simple acquisitions of property. For the fiscal years ended June 30, 2013 and June 30, 2012, the Board's policy was, to the extent possible, to commit available funds toward the purchase of conservation easements. While fee simple acquisitions of real estate can be sold by the Board, the conservation easements represent an expended value that is extinguished by the Board. Although conservation easements are recognized as a particular public benefit to Berkeley County, West Virginia, the State of West Virginia, and to the Federal Government, the development rights that give rise to the conservation easement are extinguished by the Board and are prohibited from being sold by West Virginia Code. Unlike cash, investments, and real estate, these conservation easements have no future cash value to the Board.



## GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,309,415	\$ 1,079,947
Transfer taxes receivable	77,520	56,656
Prepaid expenses	<u>592</u>	<u>1,721</u>
Total assets	<u>\$ 1,387,527</u>	<u>\$ 1,138,324</u>
<b>Liabilities</b>	<u>\$ 2,982</u>	<u>\$ 737</u>
<b>Fund Balance</b>		
Nonspendable	592	1,721
Committed for easement purchases	997,628	506,500
Committed for legal defense	30,402	30,402
Assigned for program purposes	<u>355,923</u>	<u>598,964</u>
Total fund balance	<u>\$ 1,384,545</u>	<u>\$ 1,137,587</u>
<b>Reconciliation to Statement of Net Position:</b>		
Total fund balance	\$ 1,384,545	\$ 1,137,587
Buildings	-	575,791
Land	-	1,684,945
Conservation easements	23,777,312	20,538,814
Long-term note receivable	492,000	-
Due to other government - long term	(164,000)	-
Deferred easement acquisition costs	8,089	16,729
Accrued easement acquisition costs	<u>-</u>	<u>(6,727)</u>
Total Net Position	<u>\$ 25,497,946</u>	<u>\$ 23,947,139</u>

Cash and cash equivalents increased by \$229,468 or 21 percent. This increase relates to the timing of easement closings. Capitalized easements increased by \$3,238,498. Conservation easements include expenditures required to close the easement (including survey, appraisal, baseline, and legal costs) and the appraised value of any easement donations. Two easements were closed during fiscal year 2013. Six easements were closed during fiscal year 2012. Unrestricted net position generally represents amounts not yet invested in easements or expended for administrative costs. Unrestricted net position increased by \$573,045 from 2012 to 2013.

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES**

	<u>2013</u>	<u>2012</u>
Program Revenues		
Transfer taxes	\$ 848,507	\$ 678,966
Capital grants and contributions	1,286,500	1,020,500
Rental income	<u>1,986</u>	<u>8,150</u>
Total program revenues	<u>2,136,993</u>	<u>1,707,616</u>
General Revenues (Expenditures)		
Net expenditure on sale of real estate	(261)	-
Contributions and investment earnings	<u>5,482</u>	<u>27,703</u>
Total general revenues	<u>5,221</u>	<u>27,703</u>
Total revenues	<u>\$ 2,142,214</u>	<u>\$ 1,735,319</u>
Expenditures		
Conservation easements	\$ 1,822,689	\$ 1,597,136
Farmland protection administration	<u>72,567</u>	<u>102,701</u>
Total expenditures	<u>1,895,256</u>	<u>1,699,837</u>
Excess of revenues over expenditures	<u>\$ 246,958</u>	<u>\$ 35,482</u>
	<u>2013</u>	<u>2012</u>
Reconciliation to Statement of Activities		
Excess of revenues over expenditures	\$ 246,958	\$ 35,482
Conservation easement expenditures	1,822,689	1,597,136
Expensing of unrecoverable easement acquisition costs	(3,605)	(5,100)
In-kind contributions	-	272,000
Book value of capital assets sold	(843,235)	-
Deferred real estate sales proceeds	492,000	-
Deferred cost of real estate sales	<u>(164,000)</u>	<u>-</u>
Change in net position	<u>\$ 1,550,807</u>	<u>\$ 1,899,518</u>

Federal income is primarily from the U.S. Department of Agriculture under the Federal Farm and Ranchlands Protection Program. Federal income is typically 50 percent match funding for either State or local easement funding. Awards under this program are recognized as revenue when the funds are utilized to purchase a conservation easement, regardless of the fiscal year the funds were awarded. USDA awards were \$896,500 in 2013 and \$754,500 in 2012.

State grant income is primarily from the West Virginia Agricultural Land Protection Authority. These grants have provided a 50 percent matching of funds to the 50 percent of funding being provided by the U.S. Department of Agriculture. State Agricultural Land Protection Authority awards were \$390,000 for 2013 and \$266,000 for 2012.

## **CONSERVATION EASEMENT ACQUISITION**

Under the Berkeley County Farmland Protection Program, easements are purchased in priority ranking according to a published criteria awards system. Such properties are funded based on the landowner's asking price as long as the price is not above the fair market value of the easement as determined by a certified appraiser retained by the Board and does not exceed \$6,500 per acre. The only exception to the ranking system is when 50 percent or more matching funds are awarded to an easement through USDA or other grants. During fiscal year 2013, two properties had USDA matching funds, one property had State matching funds, and no conservation easement was donated. During fiscal year 2012, five properties had USDA matching funds, one had State matching funds, and one conservation easement donation was accepted. For both 2013 and 2012, no properties were funded solely with local funds.

The average value of a purchased conservation easement was \$4,886 per acre in 2013 and \$3,666 per acre in 2012. The Board caps the payout per acre at \$6,500. In addition to the purchase price, the average amount expended in order to complete an easement (excluding staff time) was approximately \$13,500.

## **CONTACTING THE BOARD**

This financial report is designed to provide the citizens of Berkeley County, as well as our Federal and State funding sources, the Board's accountability for the funds it receives. If you have questions about this report or need additional information, contact the Board at (304) 260-9250 or write to us at P. O. Box 1243, Martinsburg, WV 25402.

# BERKELEY COUNTY FARMLAND PROTECTION BOARD

## Governmental Fund Balance Sheet and the Statement of Net Position

**June 30, 2013**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 1,309,415	\$ -	\$ 1,309,415
Transfer taxes receivable	77,520	-	77,520
Prepaid expenses and deposits	592	-	592
Note receivable (short term)	-	18,000	18,000
Total current assets	<u>1,387,527</u>	<u>18,000</u>	<u>1,405,527</u>
Capital assets:			
Conservation easements	-	23,777,312	23,777,312
Other assets:			
Note receivable (long term)	-	474,000	474,000
Deferred costs	-	8,089	8,089
Total other assets	<u>-</u>	<u>482,089</u>	<u>482,089</u>
Total assets	<u>\$ 1,387,527</u>	<u>\$ 24,277,401</u>	<u>\$ 25,664,928</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 315	\$ -	\$ 315
Due to other government (current)	2,667	6,000	8,667
Total current liabilities	<u>2,982</u>	<u>6,000</u>	<u>8,982</u>
Long-term liabilities:			
Due to other government (long term)	-	158,000	158,000
Total liabilities	<u>2,982</u>	<u>164,000</u>	<u>166,982</u>
<b>FUND BALANCE / NET POSITION:</b>			
Fund balance:			
Nonspendable	592	(592)	-
Committed	1,028,030	(1,028,030)	-
Assigned	355,923	(355,923)	-
Total fund balance	<u>1,384,545</u>	<u>(1,384,545)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,387,527</u>	<u>(1,220,545)</u>	<u>166,982</u>
Net position:			
Net investment in capital assets		23,777,312	23,777,312
Unrestricted		1,720,634	1,720,634
Total net position		<u>25,497,946</u>	<u>25,497,946</u>
Total liabilities and net position		<u>\$ 24,277,401</u>	<u>\$ 25,664,928</u>

The accompanying notes are an integral part of these financial statements.

# BERKELEY COUNTY FARMLAND PROTECTION BOARD

## Reconciliation of the Balance Sheet – Government Funds to the Statement of Net Position

June 30, 2013

Total Fund Balance in the governmental fund balance sheet \$ 1,384,545

Amounts reported for governmental activities in the Statement of  
Net Position are different because:

Purchases of capital assets are expensed in fund-level financial  
statements but reported at cost in the governmental-wide  
Statement of Net Position as follows:

Conservation easements 23,777,312

Easement pre-acquisition costs are expensed in fund-level  
financial statements but reported as deferred costs in  
government-wide Statement of Position 8,089

Long-term assets that are not available to pay for current period  
expenditures and therefore not reported in funds 492,000

Long-term liabilities that are not due and payable in the current  
period and therefore are not reported in the funds (164,000)

Total net position of governmental activities as reported in the  
Statement of Net Position \$ 25,497,946

The accompanying notes are an integral part of these financial statements.

# BERKELEY COUNTY FARMLAND PROTECTION BOARD

## Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities

For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Expenditures / Expenses:</b>			
Farmland protection administration	\$ 72,567	\$ 3,605	\$ 76,172
Capital outlays	<u>1,822,689</u>	<u>(1,822,689)</u>	<u>-</u>
<b>Total expenditures / expenses</b>	<u><b>1,895,256</b></u>	<u><b>(1,819,084)</b></u>	<u><b>76,172</b></u>
<b>Program revenues:</b>			
Transfer taxes	848,507	-	848,507
Capital grants and contributions:			
Federal	896,500	-	896,500
State	390,000	-	390,000
Rents	<u>1,986</u>	<u>-</u>	<u>1,986</u>
<b>Total program revenues</b>	<u><b>2,136,993</b></u>	<u><b>-</b></u>	<u><b>2,136,993</b></u>
<b>Net program revenue</b>	<u><b>241,737</b></u>	<u><b>1,819,084</b></u>	<u><b>2,060,821</b></u>
<b>General revenues (expenses):</b>			
Proceeds (expenditures) from sale of real estate, net (loss) on sale	(261)	(515,235)	(515,496)
Investment income	<u>5,482</u>	<u>-</u>	<u>5,482</u>
<b>Total general revenues (expenses)</b>	<u><b>5,221</b></u>	<u><b>(515,235)</b></u>	<u><b>(510,014)</b></u>
<b>Excess of revenues over expenditures / change in net position</b>	<b>246,958</b>	<b>1,303,849</b>	<b>1,550,807</b>
<b>Fund balance / net position at beginning of year</b>	<u><b>1,137,587</b></u>	<u><b>22,809,552</b></u>	<u><b>23,947,139</b></u>
<b>Fund balance / net position at end of year</b>	<u><b>\$ 1,384,545</b></u>	<u><b>\$ 24,113,401</b></u>	<u><b>\$ 25,497,946</b></u>

The accompanying notes are an integral part of these financial statements.

# BERKELEY COUNTY FARMLAND PROTECTION BOARD

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Government Funds to the Statement of Activities

For the Year Ended June 30, 2013

Excess of revenues over expenditures - governmental fund	\$ 246,958
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, the cost of these assets are capitalized and reported as assets in the Statement of Net Position	\$ 1,822,689
Capital Outlays	
Unrecoverable costs (general monitoring and inspection costs or costs related to unexecuted easements)	(3,605)
Book value of capital assets sold.	<u>(843,235)</u>
Amount capital outlays exceed unrecoverable costs and book value of capital assets sold for the current year	975,849
Expenses in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the governmental fund. Real estate sales proceeds payable to another government not requiring current financial resources.	(164,000)
Gain (loss) on the sale of real estate reported in the Statement of Activities that does not provide current financial resources is not reported as sale proceeds in the governmental fund. Sale of real estate with money purchase not financing	<u>492,000</u>
Change in net position of governmental activities	<u>\$ 1,550,807</u>

The accompanying notes are an integral part of these financial statements.

# **BERKELEY COUNTY FARMLAND PROTECTION BOARD**

## **Notes to the Financial Statements**

**For the Year Ended June 30, 2013**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Berkeley County Farmland Protection Board, West Virginia ("Board"), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies:

#### **Reporting Entity**

The Berkeley County Farmland Protection Board, a component unit of the Berkeley County Council, was created by West Virginia Code §8-24-72 with the primary purpose to acquire easements from land owners whereby the property is dedicated to preservation for future years.

The Board is governed by a seven-member board which consists of six members appointed by the Berkeley County Council and one representative from the Berkeley County Council. The Board received the majority of its funding from property transfer taxes provided by the Berkeley County Council and capital contributions.

The accompanying financial statements present the reporting entity as required by generally accepted accounting principles. In determining whether to include a governmental department, agency, commission, or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set forth by the Governmental Accounting Standards Board (GASB). There are no component units required to be reported as part of the Board's financial statements.

#### **Government-Wide and Fund Financial Statements**

For this single purpose government, combined government-wide, and fund financial statements are presented. The government-wide section of the financial statements (i.e., the Statement of Net Position and the Statement of Activities) reports information on all non-fiduciary activities of the primary government's *Governmental activities*, which normally are supported by taxes and intergovernmental revenues.



The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include; 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) property transfer taxes, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide sections, which consist of the Statement of Net Position and Statement of Activities, are reported using the *economic 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.

The governmental fund sections, which consist of the general fund balance sheet and general fund statement of revenues, expenditures, and changes in fund balance are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property transfer taxes associated with the current fiscal year are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year.

The government reports the following major governmental fund:

The *General Fund* is the Board's only operating fund. It accounts for all financial resources of the Board.

Amounts reported as *program revenues* include; 1) property transfer taxes received from the Berkeley County Council, 2) capital grants and contributions, and 3) rent received. Internally dedicated resources are reported as general revenues rather than as program revenues.

### **Restricted Assets**

Restricted assets are generally liquid assets generated from revenues that have third party limitations on their use. If restricted assets are available, the Board will typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project. There were no restricted assets at June 30, 2013.

### **Cash and Cash Equivalents**

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit.

### **Property Transfer Taxes Receivable**

Property transfer taxes receivable are considered fully collectible as they consist of amounts provided to the Board by the Berkeley County Council.

### **Estimates**

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

### **Fund Balances**

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Board classifies governmental fund balances within the following categories: Nonspendable fund balance, which includes amounts that cannot be spent because it is not in spendable form; restricted fund balance, which includes amounts constrained for specific purposes that are externally imposed by the resource providers; committed fund balance, which includes amounts constrained for specific purposes that are internally imposed through formal action of the Board; assigned fund balance, which includes amounts intended to be used for specific purposes that are neither restricted or committed, however, assigned by non-formal action of the Board; and unassigned fund balance, which is the residual classification for amounts in to the general fund that have not been classified within the other categories.

### **Capital Assets and Depreciation**

Capital assets are defined by the Board as assets with an initial, individual cost of \$25,000 or more and estimated to have a useful life in excess of one year.

Capital outlays are recorded as expenditures of the general fund and as assets in the government-wide financial statements. All of the Board's capital assets are deemed to be nondepreciable.

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

### **Deferred Costs**

Deferred costs represent appraisal, survey, baseline, and legal costs related to unexecuted conservation easements. These costs are transferred to capital assets once conservation easements are executed.

### **Accrued Costs**

Accrued costs represent expenses for conservation easement acquisition that relate to executed easements but are not yet due and payable.

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of any related debt.

### **Net Position**

Governmental equity is classified as net position (governmental activities) and displayed as follows:

Restricted net position – This amounts restricted by external creditors, granters, contributors, and laws or regulations of other governments.

Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

### **Nonexchange Transactions**

The Board follows GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (Statement 33), which establishes accounting and reporting guidelines for government entities that gives (or receives) value without directly receiving (or giving) equal value in return. The Board receives voluntary nonexchange transactions through various operating and capital grants from federal and state agencies.

## **NOTE 2. DEPOSITS AND INVESTMENTS**

### **Risks and Investment Limitations**

Custodial risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. As of June 30, 2013, the Board's cash and cash equivalents were either insured by Federal Depository Insurance or fully collateralized by the financial institutions.

State statutes authorize the Board 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 federal mortgage associations; indebtedness secured by first lien deeds of trust 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 SEC which have fund assets over three hundred million dollars. The Board has no investment policy that would further limit its investment choices.

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 Board has no policy that would further limit the amount that they may invest in any one issuer.

## **NOTE 3. NOTE RECEIVABLE**

On April 4, 2013, the Board sold certain real estate for \$500,000 with the Board assuming a purchase money note receivable for \$495,000. The note bears no interest and is for a 5-year term requiring \$1,500 monthly payments commencing on May 6, 2013, and continuing until April 6, 2018. All unpaid principal is due April 6, 2018.

Maturities of notes receivable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 18,000	\$ -	\$ 18,000
2015	18,000	-	18,000
2016	18,000	-	18,000
2017	18,000	-	18,000
2018	<u>420,000</u>	<u>-</u>	<u>420,000</u>
Total	<u>\$ 492,000</u>	<u>\$ -</u>	<u>\$ 492,000</u>

#### NOTE 4. BUDGET

The Board is not legally required to prepare an annual budget but elects to do so for internal control and monitoring purposes.

#### NOTE 5. CAPITAL ASSETS

Capital asset activity for governmental activities for the fiscal year ended June 30, 2013, was as follows:

	<u>Totals</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Totals</u> <u>June 30, 2013</u>
Capital assets not being depreciated				
Conservation easements	\$ 20,538,814	\$ 3,238,498	\$ -	\$ 23,777,312
Buildings	575,791	-	(575,791)	-
Land	<u>1,684,945</u>	<u>-</u>	<u>(1,684,945)</u>	<u>-</u>
Total capital assets not being depreciated	<u>22,799,550</u>	<u>3,238,498</u>	<u>(2,260,736)</u>	<u>23,777,312</u>
Total governmental activities capital assets	<u>\$ 22,799,550</u>	<u>\$ 3,238,498</u>	<u>\$ (2,260,736)</u>	<u>\$ 23,777,312</u>

### **Conservation Easements**

Conservation easements purchased by the Board are recorded in the Statement of Net Position at cost plus any additional costs incurred to acquire the easements. Easements donated to the Board are recorded at the fair market value of the easement plus any additional costs incurred to acquire the easements. According to the West Virginia State Code, these easements may never be sold or transferred by the Board except by eminent domain for public use.

### **NOTE 6. DUE TO OTHER GOVERNMENT**

By agreement between the Board and the City of Martinsburg; the City of Martinsburg is entitled to one third of the sales price from the Board's sale of certain real estate. On April 4, 2013, the Board sold this real estate for \$500,000 by assuming a purchase money note for \$495,000 and receiving \$5,000 in cash. The City of Martinsburg is to be paid \$166,667 based on the terms of the sale (see Note Receivable).

The amount due the City of Martinsburg at June 30, 2013, is \$2,667. The remaining \$164,000 is to be paid quarterly over a period of 4 years and 10 months.

Maturities of amounts due to other governments is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 6,000	\$ -	\$ 6,000
2015	6,000	-	6,000
2016	6,000	-	6,000
2017	6,000	-	6,000
2018	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Total	<u>\$ 164,000</u>	<u>\$ -</u>	<u>\$ 164,000</u>

### **NOTE 7. OTHER INFORMATION**

#### **Risk Management**

The Board is exposed to various risks of loss related to torts and theft for which the Board carries insurance for these various risks.

### **Commitments and Contingencies**

Amounts received or receivable from grantor agencies are subject to financial and/or compliance audits by the granters or their representatives. Any disallowed claims, including amounts already collected, may result in a liability to the Board.

#### **NOTE 8. IN-KIND CONTRIBUTIONS**

The Board is given office space at no charge by the Berkeley County Council. The value of the office space is not reflected in the financial statements.

#### **NOTE 9 SALE OF HISTORIC BOYDVILLE REAL ESTATE**

On April 4, 2013, the Board sold its real estate interest in a property commonly known as Historic Boydville. The loss on the sale of this property included in governmental activities is as follows:

Property sales price	<u>\$ 500,000</u>
Cost of sales	
Selling expenses	5,593
Estimated cost of land sold	628,908
Estimated cost of building sold	<u>214,328</u>
Total cost of sales	<u>848,829</u>
Loss before sales price proration	(348,829)
One third sales price due to the City of Martinsburg	<u>(166,667)</u>
Loss on sale of real estate	<u>\$ (515,496)</u>

The Historic Boydville property was conveyed subject to a conservation and preservation easement valued at an estimated \$1,417,500.

#### **NOTE 10. CHANGE IN ACCOUNTING PRINCIPLES**

For 2013, the Board has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Guidance

Contained in Pre-November 30, 1989, FASS and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No 62."

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASS and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the Board's financial statements.

GASB Statement No. 63, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the Statement of Net Position and related note disclosures. These changes were incorporated in the Board's 2013 financial statements; however, there was no effect in the beginning net position.

#### **NOTE 11. SUBSEQUENT EVENTS**

The Board has evaluated all subsequent events through March 20, 2014, the date the financial statements were available to be issued.

During the fiscal year ending June 30, 2013 through March 20, 2014, one additional easement was executed and three other easements have been approved but not yet executed. The committed local share for these easements approximates \$997,628.

#### **NOTE 12. GASB STATEMENTS 63 AND 65**

GASB Statements 63 and 65 concern the presentation and reclassification of certain assets and liabilities to now be presented and classified as deferred outflows or deferred inflows, respectively. The Berkeley County Farmlands Protection Board reported no deferred outflows or inflows for year ending June 30, 2013.



**REQUIRED SUPPLEMENTARY INFORMATION**