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AUDIT REPORT OF
BERKELEY COUNTY FARMLAND AND PROTECTION BOARD
REGULAR AUDIT

For the Year Ended June 30, 2015
Fiscal Year Audited Under GAGAS: 2015

**BERKELEY COUNTY FARMLAND PROTECTION BOARD
SCHEDULE OF FUNDS INCLUDED IN THE REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General

**BERKELEY COUNTY FARMLAND PROTECTION BOARD
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

TITLE	PAGE
Introductory Section	
Board Members.....	1
Financial Section	
Independent Auditor's Report	2
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Governmental Funds Balance Sheet / Statement of Net Position	8
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	9
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance / Statement of Activities	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	11
Notes to the Financial Statements	12
Accompanying Information	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	18

INTRODUCTORY SECTION

**BERKELEY COUNTY FARMLAND PROTECTION BOARD
BOARD MEMBERS
For the Fiscal Year Ended June 30, 2015**

OFFICE	NAME
	<u>Appointive:</u>
President:	Floyd Kursey
Vice President:	Daniel Lewis
Secretary:	Susan Whalton
Treasurer:	Carla Kitchen
Board Members:	Barbara Bratina
	Steve Christian
County Council Representative:	Elaine Mauck
Executive Director	F. Mark Schiavone

FINANCIAL SECTION



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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Berkeley County Farmland Protection Board
Berkeley County, West Virginia
400 West Stephen Street, Suite 300
P. O. Box 1243
Martinsburg, West Virginia 25401-1243

To the Members of the Board:

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, Berkeley County, West Virginia (the Board), as of and for the year ended June 30, 2015 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' Government Auditing Standards. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

bhs

Circleville

Piketon

Worthington

Huntington

Opinion

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, Berkeley County, West Virginia, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with the 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 this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Huntington, West Virginia
February 19, 2016

Berkeley County Farmland Protection Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2015
(Unaudited)

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, 2015 in comparison to the year ended June 30, 2014. This discussion and analysis should be read in conjunction with the Board's basic 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 \$986,002 in 2015 and \$871,651 in 2014. This represents an increase of \$114,351 or 13 percent from 2014 to 2015. U.S. Department of Agriculture grants were \$448,500 in 2015 as compared to \$172,000 in 2014. This represents a increase of \$276,500 or 161 percent from 2014 to 2015. There were no West Virginia Agricultural Land Protection Authority grants in 2015 and 2014.

The Board acquired a conservation easement by donation during 2015 having a fair market value of \$239,000. No donated conservation easements were acquired during 2014.

Capital outlays for conservation easements amounted to \$984,064 in 2015 as compared to \$367,445 in 2014. 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 \$71,619 in 2015 and \$93,657 in 2014. Administrative costs have decreased from approximately 9 percent of program revenues for 2014 to 5 percent of program revenues for 2015.

The Board expects the availability of federal and state matching funds to be significantly limited in 2016 which will constrain Board easement acquisition.

GOVERNMENTAL AND 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 present other long-term assets and liabilities.

Berkeley County Farmland Protection Board
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the year ended June 30, 2015
 (Unaudited)

GOVERNMENTAL AND FUND FINANCIAL STATEMENTS (continued)

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, 2015 and June 30, 2014, 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>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$2,237,749	\$1,906,462
Transfer taxes receivable	155,716	83,866
Prepaid expenses	<u>-</u>	<u>549</u>
Total Assets	<u>\$2,393,465</u>	<u>\$1,990,877</u>
Liabilities	<u>\$ 2,357</u>	<u>\$ 1,395</u>
Fund Balance		
Non-spendable	\$ -	\$ 549
Committed for easement purchases	1,158,950	1,211,167
Committed for legal defense	30,463	30,433
Assigned for program purposes	<u>1,201,695</u>	<u>747,333</u>
Total fund balance	<u>\$2,391,108</u>	<u>\$1,989,482</u>
Reconciliation to Statement of Net Position:		
Total fund balance	\$ 2,391,108	\$ 1,989,482
Conservation easements	25,368,110	24,135,087
Long-term note receivable	456,000	474,000
Due to other government – long-term	(152,000)	(158,000)
Accrued easement acquisition costs	(2,500)	-
Deferred easement acquisition costs	<u>17,759</u>	<u>17,759</u>
Total net position	<u>\$28,060,718</u>	<u>\$26,458,328</u>

Berkeley County Farmland Protection Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2015
(Unaudited)

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION (continued)

Cash and cash equivalents increased by \$331,287 or 17 percent. This increase primarily relates to the timing of easement closings and availability of matching funds. Capitalized easements increased by \$1,233,023. Conservation easements include expenditures required to close the easement (including survey, appraisal, baseline, and legal costs) and the appraised value of any easement donations. Three easements was closed during fiscal year 2015. One easement were closed during fiscal year 2014. Unrestricted net position generally represents amounts not yet invested in easements or expended for administrative costs. Unrestricted net position increased by \$369,367 from 2014 to 2015.

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

	<u>2015</u>	<u>2014</u>
Program revenues		
Transfer taxes	\$ 986,002	\$ 871,651
Capital grants and contributions	<u>448,500</u>	<u>172,000</u>
Total program revenues	<u>1,434,502</u>	<u>1,043,651</u>
General Revenues (Expenditures)		
Investment earnings and other income	<u>22,807</u>	<u>22,388</u>
Total general revenues	<u>22,807</u>	<u>22,388</u>
Total revenues	<u>1,457,309</u>	<u>1,066,039</u>
Expenditures		
Conservation easements	984,064	367,445
Farmland protection administration	<u>71,619</u>	<u>93,657</u>
Total expenditures	<u>1,055,683</u>	<u>461,102</u>
Excess of revenues over expenditures	<u>\$ 401,626</u>	<u>\$ 604,937</u>
Reconciliation to Statement of Activities		
Excess of revenues over expenditures	\$ 401,626	\$604,937
Conservation easement expenditures	984,064	367,445
In-kind contribution of easement	239,000	-
Unrecoverable deferred easement cost	(10,300)	-
Deferred (realized) real estate sales proceeds	(18,000)	(18,000)
Realized (deferred) cost of real estate sales	<u>6,000</u>	<u>6,000</u>
Change in net position	<u>\$1,602,390</u>	<u>\$ 960,382</u>

Berkeley County Farmland Protection Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2015
(Unaudited)

GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE/STATEMENT OF ACTIVITIES (continued)

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 \$448,500 in 2015 and \$172,000 in 2014.

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. There were no State Agricultural Land Protection Authority awards in 2015 and 2014.

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 2015, one property had USDA matching funds, one conservation easement was donated, and one conservation easement was acquired solely with local funds. During fiscal year 2014, one property had USDA matching funds, and no conservation easements were donated or were funded solely with local funds.

The average value of a purchased conservation easement was \$6,388 per acre in 2015 and \$3,276 per acre in 2014. 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 \$14,053 in fiscal year 2015 and \$13,775 in fiscal year 2014.

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 Funds Balance Sheet / Statement of Net Position
 As of June 30, 2015

	General	Adjustments Page 10	Statement of Net Position
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 2,237,749	\$ -	\$ 2,237,749
Transfer taxes receivable	155,716	-	155,716
Note receivable	-	18,000	18,000
Total current assets	<u>2,393,465</u>	<u>18,000</u>	<u>2,411,465</u>
Capital assets:			
Conservation easements	-	25,368,110	25,368,110
Other assets:			
Note receivable (less current portion above)	-	438,000	438,000
Total other assets	<u>-</u>	<u>438,000</u>	<u>438,000</u>
<i>Total Assets</i>	<u>\$ 2,393,465</u>	<u>\$ 25,824,110</u>	<u>\$ 28,217,575</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 857	\$ -	\$ 857
Accrued easements costs	-	2,500	2,500
Due to other government (current)	1,500	6,000	7,500
Total current liabilities	<u>2,357</u>	<u>8,500</u>	<u>10,857</u>
Long-term liabilities:			
Due to other government (less current portion above)	-	146,000	146,000
<i>Total Liabilities</i>	<u>2,357</u>	<u>154,500</u>	<u>156,857</u>
FUND BALANCE:			
Committed	1,189,413	(1,189,413)	-
Assigned	1,201,695	(1,201,695)	-
<i>Total Fund Balance</i>	<u>2,391,108</u>	<u>(2,391,108)</u>	<u>-</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 2,393,465</u>	<u>\$ (2,236,608)</u>	<u>156,857</u>
NET POSITION:			
Net investment in capital assets		25,368,110	25,368,110
Unrestricted		2,692,608	2,692,608
<i>Total Net Position</i>		<u>28,060,718</u>	<u>28,060,718</u>
<i>Total Liabilities and Net Position</i>		<u>\$ 28,215,218</u>	<u>\$ 28,217,575</u>

The notes to the basic financial statements are an integral part of this statement.

BERKELEY COUNTY FARMLAND PROTECTION BOARD
Reconciliation of the Balance Sheet - Governmental Funds to
the Statement of Net Position
June 30, 2015

Total Governmental Fund Balance	\$ 2,391,108
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Conservation easements	25,368,110
Long-term assets that are not available to pay for current period expenditures and therefore not reported in the funds.	456,000
Easement post-acquisition accrued costs that are not due and payable in the current period and therefore are not reported in the funds	(2,500)
Long-Term Liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(152,000)</u>
Net Position of Governmental Activities	<u><u>\$ 28,060,718</u></u>

The notes to the basic financial statements are an integral part of this statement.

BERKELEY COUNTY FARMLAND PROTECTION BOARD
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	<u>General</u>	<u>Adjustments Page 12</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES:			
Current:			
Farmland protection administration	\$ 71,619	\$ 10,300	\$ 81,919
Capital outlays	984,064	(984,064)	-
<i>Total Expenditures/expenses</i>	<u>1,055,683</u>	<u>(973,764)</u>	<u>81,919</u>
PROGRAM REVENUES:			
Transfer taxes	986,002	-	986,002
Capital grants and contributions			
Federal	448,500	-	448,500
In-kind	-	239,000	239,000
<i>Total Program Revenues</i>	<u>1,434,502</u>	<u>239,000</u>	<u>1,673,502</u>
<i>Net Program Revenues</i>	<u>378,819</u>	<u>1,212,764</u>	<u>1,591,583</u>
GENERAL REVENUES:			
Proceeds from seller note receivable	12,000	(12,000)	-
Interest and Investment Earnings	10,807	-	10,807
<i>Total General Revenues</i>	<u>22,807</u>	<u>(12,000)</u>	<u>10,807</u>
Net Change in Fund Balance	401,626	1,200,764	-
Change in Net Position			1,602,390
<i>Fund Balance/Net Position at Beginning of Year</i>	<u>1,989,482</u>	<u>24,468,846</u>	<u>26,458,328</u>
<i>Fund Balances/Net Position at End of Year</i>	<u>\$ 2,391,108</u>	<u>\$ 25,669,610</u>	<u>\$ 28,060,718</u>

The notes to the basic financial statements are an integral part of this statement.

BERKELEY COUNTY FARMLAND PROTECTION BOARD
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance - Total Governmental Funds	\$	401,626
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However the cost of those assets are capitalized and reported as assets in the Statement of Net Position.

Capital outlays	\$	984,064	
In-kind contribution of easement		239,000	
Unrecoverable costs (costs related to unexecuted easements)		<u>(10,300)</u>	1,212,764

Proceeds from seller note receivable are shown as revenues in the governmental fund financial statements but are a principal reduction in note receivable in the Statement of net Position.		<u>(12,000)</u>
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Net Change in Net Position of Governmental Activities	\$	<u>1,602,390</u>
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The notes to the basic financial statements are an integral part of this statement.

Berkeley County Farmland Protection Board
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Berkeley County Farmland Protection Board ("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

Berkeley County Farmland Protection Board
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 funds:

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 property transfer taxes received from the Berkeley County Council, and capital grants and contributions. 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, 2015.

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 the general fund that have not been classified within the other categories.

Berkeley County Farmland Protection Board
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 non-depreciable.

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 Position

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

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

Restricted net position - This amount is 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."

Non-exchange Transactions

The Board follows GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange 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 non-exchange transactions through various operating and capital grants from federal and state agencies.

Berkeley County Farmland Protection Board
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015, 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 May 6, 2013 and continuing until April 6, 2018. All unpaid principal is due April 6, 2018.

Maturities of notes receivable are as follows:

Year	<u>Principal</u>
2016	\$ 18,000
2017	18,000
2018	<u>420,000</u>
Total	<u>\$ 456,000</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.

Berkeley County Farmland Protection Board
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 5 - CAPITAL ASSETS

Capital Asset activity for governmental activities for the fiscal year ended June 30, 2015 was as follows:

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2015</u>
Capital assets not being depreciated:				
Conservation easements	\$24,135,087	\$1,233,023	\$0	\$25,368,110
Total capital assets not being depreciated	<u>24,135,087</u>	<u>1,233,023</u>	<u>0</u>	<u>25,368,110</u>
Total governmental activities Capital Assets	<u>\$24,135,087</u>	<u>\$1,233,023</u>	<u>\$0</u>	<u>\$25,368,110</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 WV 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, 2015 is \$153,500 and is to be paid on a quarterly basis.

Maturities of amounts due to other governments is as follows:

Year	Principal
<u> </u>	<u> </u>
2016	\$ 7,500
2017	6,000
2018	<u>140,000</u>
Total	<u>\$153,500</u>

Berkeley County Farmland Protection Board
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 grantors or their representatives. Any disallowed claims, including amounts already collected, may result in a liability to the Board.

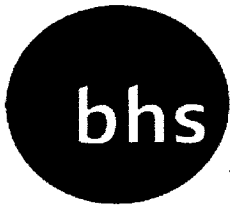
NOTE 8 - IN-KIND CONTRIBUTIONS

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 - SUBSEQUENT EVENTS

The Board has evaluated all subsequent events through February 19, 2016, the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Berkeley County Farmland Protection Board
Berkeley County, West Virginia
400 West Stephen Street, Suite 300
P. O. Box 1243
Martinsburg, West Virginia 25401-1243

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the major fund of the Berkeley County Farmland Protection Board, Berkeley County, West Virginia (the Board) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated February 19, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of the Board
Berkeley County Farmland Protection Board
Berkeley County, West Virginia
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by Government Auditing Standards
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under Government Auditing Standards.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Huntington, West Virginia
February 19, 2016