



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

RFP# 17-210
Berkeley County

AUDIT REPORT OF
BERKELEY COUNTY FARMLAND PROTECTION BOARD
BERKELEY COUNTY, WEST VIRGINIA
REGULAR AUDIT

For the Year Ended June 30, 2018
Fiscal Year Audited Under GAGAS: 2018

**BERKELEY COUNTY FARMLAND PROTECTION BOARD
SCHEDULE OF FUNDS INCLUDED IN THE REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General

**BERKELEY COUNTY FARMLAND PROTECTION BOARD
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FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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INTRODUCTORY SECTION

**BERKELEY COUNTY FARMLAND PROTECTION BOARD
BOARD MEMBERS
For the Fiscal Year Ended June 30, 2018**

OFFICE	NAME
President:	<u>Appointive:</u> J. Bradford Langdon
Vice President/County EDA Representative:	Sandra Hamilton
Secretary:	Barbara Bratina
Treasurer:	Carla Kitchen
Board Members:	Laura Riggs Tom Gleason
County Council Representative:	Elaine Mauck
Executive Director	F. Mark Schiavone

FINANCIAL SECTION



Independent Auditor's Report

Berkeley County Farmland Protection Board
Berkeley County, West Virginia
229 East Martin Street
Suite 300
Martinsburg, West Virginia 25401

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the government wide activities and major fund of the Berkeley County Farmland Protection Board (the Board), a component unit of Berkeley County, West Virginia as of June 30, 2018, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Berkeley County Farmland Protection Board, Berkeley County, West Virginia, and the changes in net position, thereof, 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 this presentation to include Management's discussion and analysis and schedules of net pension liabilities and contributions 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 have applied certain limited procedures to the required supplementary information in accordance with the 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.

Supplementary and Other Information

Our audit was conducted to opine on the Board's basic financial statements taken as a whole.

The introductory section presents additional analysis and is not required part of the basic financial statements.

We did not subject the introductory section to the auditing procedures applied to the basic financial statements and, accordingly, we express no opinion or any other assurance on it.

Board of Directors
Berkeley County Farmland Protection Board
Berkeley County, West Virginia
Independent Auditor's Report
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, 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.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc
Huntington, West Virginia
November 9, 2018

Berkeley County Farmland Protection Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2018
(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, 2018 in comparison to the year ended June 30, 2017. 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 \$3.30 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.

Real estate transfer tax revenues were \$1,402,676 in 2018 and \$1,314,902 in 2017. This represents an increase of \$87,774 or 7 percent from 2017 to 2018. There were no U.S. Department of Agriculture grants in 2018 as compared to \$138,828 in 2017. There was one West Virginia Agricultural Land Protection Authority grant in 2018 in the amount \$72,610 and there were none in 2017.

In 2018, the Board collected \$420,000 of note proceeds that related to a real estate sale in prior years, fully extinguishing the note. The City of Martinsburg share of the note proceeds amounting to \$140,000 was paid to the City in 2018.

The Board had no donated conservation easements during 2018 and 2017.

Capital outlays for conservation easements amounted to \$988,682 in 2018 as compared to \$914,324 in 2017. 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 \$109,636 in 2018 and \$94,219 in 2017. Administrative costs have increased from approximately 7 percent of program revenues for 2017 and 2018.

The Board anticipates the availability of federal and state matching funds to be limited in 2018 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, 2018
(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, transfer taxes receivable, and capital assets in the form of conservation easements and fee simple acquisitions of property. For the fiscal years ended June 30, 2018 and June 30, 2017, the Board's policy was, to the extent possible, to commit or assign 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, transfer taxes receivable, and real estate, these conservation easements have no future cash value to the Board.

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 4,500,180	\$ 3,824,129
Transfer taxes receivable	132,406	141,463
Prepaid expenses	952	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 4,633,538</u>	<u>\$ 3,965,592</u>
Liabilities	<u>\$ 3,806</u>	<u>\$ 15,090</u>
Fund Balance		
Nonspendable	\$ 952	\$ -
Committed for easement purchases	1,912,321	1,534,530
Committed for legal defense	30,555	30,524
Assigned for program purposes	2,685,904	2,385,478
	<u> </u>	<u> </u>
Total fund balance	<u>\$ 4,629,732</u>	<u>\$ 3,950,502</u>

Berkeley County Farmland Protection Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2018
(Unaudited)

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

	2018	2017
Reconciliation to Statement of Net Position:		
Total fund balance	\$ 4,629,732	\$ 3,950,502
Conservation easements	27,272,828	26,298,029
Deferred easement acquisition costs	27,037	17,841
Long-term note receivable	-	420,000
Due to other government - long-term	-	(140,000)
Accrued compensated absences	(2,754)	(2,754)
Deferred outflows and inflows, net	14,283	28,163
Collective net pension liability	(15,010)	(25,763)
Total net position	\$ 31,926,116	\$ 30,546,018

Cash and cash equivalents increased by \$676,050 or 17 percent. This increase primarily relates to the timing of easement closings and availability of matching funds. Capitalized easements increased \$974,799 or 4 percent. 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 were closed during fiscal year 2018. Four easements were closed during fiscal year 2017. Assigned net position generally represents amounts not yet invested in or committed for easements or expended for administrative costs. Assigned net position increased by \$300,426 from 2017 to 2018.

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

	2018	2017
Program Revenues		
Transfer taxes	\$ 1,402,676	\$ 1,314,902
Capital grants and contributions	72,610	138,828
Total program revenues	1,475,286	1,453,730
General Revenues (Expenditures)		
Investment earnings and other income	302,262	31,323
Total general revenues	302,262	31,323
Total revenues	1,777,548	1,485,053

Berkley County Farmland Protection Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2018
(Unaudited)

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

	2018	2017
Expenditures		
Conservation easements	988,682	914,324
Farmland protection administration	109,636	94,219
Total expenditures	1,098,318	1,008,543
Excess of revenues over expenditures	\$ 679,230	\$ 476,510
	2018	2017
Reconciliation to Statement of Activities		
Excess of revenues over expenditures	\$ 679,230	\$ 476,510
Conservation easement expenditures	988,682	914,324
Unrecoverable deferred easement cost	(4,687)	(18,889)
Pension expense in excess of pension expenditures	(3,127)	(2,815)
Deferred (realized) real estate sales proceeds	(420,000)	(18,000)
Realized (deferred) cost of real estate sales	140,000	6,000
Decrease in accrued compensated absences	1	(1,287)
Change in net position	\$ 1,380,099	\$ 1,355,843

Federal income is primarily from the U.S. Department of Agriculture under the Agricultural Conservation Easements Program. Federal income is typically a percentage 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 \$0 in 2018 and \$138,828 in 2017.

State grant income is primarily from the West Virginia Agricultural Land Protection Authority. These grants have provided matching of funds being provided by the U.S. Department of Agriculture. There was one State Agricultural Land Protection Authority award in 2018 for \$72,610 and there were no awards in 2017.

Berkeley County Farmland Protection Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2018
(Unaudited)

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 2018, three easements were acquired with no USDA matching funds and one a state grant. During fiscal year 2017, four easements were acquired with two having USDA matching funds.

The Board placed 293 acres under easement during 2018. The average value of a purchased conservation easement was \$3,168 per acre in 2018. 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 \$12,772 in fiscal year 2018.

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, 2018

	General	Adjustments Page 11	Statement of Net Position
ASSETS:			
Current assets:			
Cash and Cash Equivalents	\$ 4,500,180	\$ -	\$ 4,500,180
Transfer Taxes Receivable	132,406	-	132,406
Security Deposits	952	-	952
Total Current Assets	<u>4,633,538</u>	<u>-</u>	<u>4,633,538</u>
Capital assets:			
Conservation Easements	-	27,272,828	27,272,828
Other assets:			
Deferred Costs	-	27,037	27,037
Total Other Assets	<u>-</u>	<u>27,037</u>	<u>27,037</u>
<i>Total Assets</i>	<u>\$ 4,633,538</u>	<u>\$ 27,299,865</u>	<u>\$ 31,933,403</u>
DEFERRED OUTFLOWS			
Related to Pension	<u>\$ -</u>	<u>\$ 18,744</u>	<u>\$ 18,744</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 1,878	\$ -	\$ 1,878
Compensation Liabilities	1,928	-	1,928
Total Current Liabilities	<u>3,806</u>	<u>-</u>	<u>3,806</u>
Long-Term Liabilities:			
Accrued Compensated Absences	-	2,754	2,754
Net Pension Liability	-	15,010	15,010
Total Long-term Liabilities	<u>-</u>	<u>17,764</u>	<u>17,764</u>
<i>Total Liabilities</i>	<u>3,806</u>	<u>17,764</u>	<u>21,570</u>
DEFERRED INFLOWS			
Related to Pension	<u>-</u>	<u>4,461</u>	<u>4,461</u>
FUND BALANCE:			
Nonspendable	952	(952)	-
Committed	1,942,876	(1,942,876)	-
Assigned	2,685,904	(2,685,904)	-
<i>Total Fund Balance</i>	<u>4,629,732</u>	<u>(4,629,732)</u>	<u>-</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 4,633,538</u>	<u>(4,607,507)</u>	<u>26,031</u>
NET POSITION:			
Net Investment in Capital Assets		27,272,828	27,272,828
Unrestricted		4,653,288	4,653,288
<i>Total Net Position</i>		<u>31,926,116</u>	<u>31,926,116</u>
<i>Total Liabilities, Deferred Inflows, and Net Position</i>		<u>\$ 27,318,609</u>	<u>\$ 31,952,147</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, 2018

Total Governmental Fund Balance	\$	4,629,732
<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		27,272,828
Long-term assets that are not available to pay for current period expenditures and therefore not reported in the funds.		
Easement pre-acquisition accrued costs are expensed in fund-level financial statements but reported as deferred costs in the government-wide Statement of Net Position		27,037
Long-Term Liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued compensated absences		(2,754)
Deferred inflows, deferred outflows, and net pension liability related to pension activity are not required to be reported in the funds but are required to be reported at the government-wide level.		
Deferred outflows		18,744
Deferred inflows		(4,461)
Net pension liability		(15,010)
Net Position of Governmental Activities	\$	31,926,116

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, 2018

	<u>General</u>	<u>Adjustments Page 13</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES:			
Current:			
Farmland Protection Administration	\$ 109,636	\$ 7,843	\$ 117,479
Easement Acquisition/Capital Outlays	988,682	(988,682)	-
<i>Total Expenditures/Expenses</i>	<u>1,098,318</u>	<u>(980,839)</u>	<u>117,479</u>
PROGRAM REVENUES:			
Transfer Taxes	1,402,676	-	1,402,676
Capital Grants			
State	72,610	-	72,610
<i>Total Program Revenues</i>	<u>1,475,286</u>	<u>-</u>	<u>1,475,286</u>
<i>Net Program Revenues</i>	<u>376,968</u>	<u>980,839</u>	<u>1,357,807</u>
GENERAL REVENUES:			
Proceeds from Seller Note Receivable	280,000	(280,000)	-
Interest and Investment Earnings	21,755		21,755
Other	507	30	537
<i>Total General Revenues</i>	<u>302,262</u>	<u>(279,970)</u>	<u>22,292</u>
Net Change in Fund Balance	679,230	700,869	
Change in Net Position			1,380,099
<i>Fund Balance/Net Position at Beginning of Year</i>	<u>3,950,502</u>	<u>26,595,515</u>	<u>30,546,017</u>
<i>Fund Balances/Net Position at End of Year</i>	<u>\$ 4,629,732</u>	<u>\$ 27,296,384</u>	<u>\$ 31,926,116</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, 2018

Net Change in Fund Balance - Total Governmental Funds		\$ 679,230
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report easement acquisition costs as expenditures. However, the cost of those assets are either capitalized or deferred and reported as assets in the Statement of Net Position.		
Capital outlays	\$ 974,799	
Deferred easement acquisition costs, net of unrecoverable	9,196	983,995
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.		
		(280,000)
Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB 68		
Amount of pension expenditures at fund level PERS	5,251	
Amount of pension expenses recognized at government-wide level PERS	(8,378)	(3,127)
Expenses in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. Accrued compensated absences increased by this amount in the current period.		
		1
Net Change in Net Position of Governmental Activities		\$ 1,380,099

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, 2018

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 §8-12 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.

Berkeley County Farmland Protection Board
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 collectable 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 funds:

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

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, 2018.

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.

Compensated Absences

The Board's policy is to permit employees to accumulate earned but unused vacation benefits. The Board fully recognizes the liability related to compensated absences in the government-wide financial statements. Accrued compensated absences are not reported in the fund financial statements because they do not require the use of current financial resources. Accrued compensated absences amounted to \$2,754 at June 30, 2018.

Berkeley County Farmland Protection Board
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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."

Berkeley County Farmland Protection Board
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2018, 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 was collected on May 30, 2018.

Berkeley County Farmland Protection Board
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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, 2018 was as follows:

	Balance at June 30, 2017	Additions	Disposals	Balance at June 30, 2018
Capital assets not being depreciated:				
Conservation easements	\$26,298,029	\$974,799	\$0	\$27,272,828
 Total capital assets not being depreciated	 26,298,029	 974,799	 0	 27,272,828
 Total governmental activities Capital Assets	 \$26,298,029	 \$974,799	 \$0	 \$27,272,828

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. The easements can be transferred to a comparable conservation organization if the Berkeley County Farmland Protection Board is dissolved by the Berkeley County Council. The transfer must be approved by the Berkeley County Circuit Court.

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 City of Martinsburg was paid in full as of May 30, 2018.

NOTE 7 – LEASES

The Board entered into a lease agreement with the City of Martinsburg to lease office space at the Caperton Train Station effective October 1, 2017 through September 30, 2018. The lease provides renewal options annually. Annual rent expense is \$8,244.

Berkeley County Farmland Protection Board
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 8 – PENSION PLAN

Board employee participate in the West Virginia Public Employees Retirement System (PERS). This plan is a cost sharing multiple-employer public employee retirement system created by the State of West Virginia.

All eligible full-time employees must participate. Among those employees not eligible for plan membership are members and retirees of other state retirement systems. Employees hired before July 1, 2015 may retire with full benefits at age 60 with a minimum of 5 years of credited service or when the member’s age plus his/her years of service is equal to or greater than 80 provided that the employee has reached age 55. An individual with 5 or more consecutive years of service who terminates employment prior to retirement can choose to leave contributions with the system and will be eligible for retirement benefits at age 62. Members are entitled to a yearly retirement benefit of 2% of their highest averaged salary over 3 consecutive years out of the last 10 years of earnings multiplied by the years of service. Payments are made monthly to the retiree and the retiree can choose from 3 retirement options.

In accordance with Chapter 5, Article 10 of the West Virginia State Code, employees hired prior to July 1, 2015 are required to contribute 4.5% of their annual salary to PERS with the Board contributing 13.5%. Employees hired after July 1, 2015 are required to contribute 6.0% of their annual salary with the Board contributing 13.5%.

Year	Employer Contributions	Percentage Contributed
2018	\$ 5,251	100%
2017	\$ 5,729	100%
2016	\$ 5,214	100%

Further benefit, trend and other information regarding this plan is presented in the PERS annual financial report, which may be obtained by writing to the Public Employees’ Retirement System, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At fiscal year-end, the Board reported the following liabilities for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension liabilities were determined by the actuarial assumptions and methods described in the appropriate section of this note. The Board’s proportion of the net pension liabilities was based on a projection of the Board’s long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. Fiscal year 2017 was the first year the board joined the Public Employee Retirement Service, so no increase or decrease in proportion measured is reported.

	<u>PERS</u>
Amount for proportionate share of net pension liability	\$15,010
Percentage for proportionate share of net pension liability	0.003477%
Increase/(decrease)% from prior proportion measured	0.000674%

For the year ended June 30, 2018, the Board recognized the following pension expenses:

	<u>PERS</u>
Pension Expense	<u>\$8,408</u>

Berkeley County Farmland Protection Board
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 8 – PENSION PLAN (continued)

The Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,336	\$ 33
Differences between expected and actual earnings on plan investments	-	3,649
Changes in proportion and differences between government contributions and proportionate share of contributions	12,157	-
Differences in assumptions	-	779
Contributions subsequent to the measurement date	5,251	-
	\$ 18,744	\$ 4,461

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2019	\$4,368
2020	4,601
2021	747
2022	(684)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017 for all plans, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation Rate	3.00%
Salary Increases	3.00% – 6.00%
Investment Rate of Return	7.50%

Mortality rates for non-disabled participants were based on the 1983 Group Annuity Mortality Table for males and the 1971 Group annuity Table for females, as appropriate. Mortality rates for disabled participants were based on the 1983 Group annuity Mortality Table for Males and Revenue Ruling 96-7 for Females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

Berkeley County Farmland Protection Board
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 8 – PENSION PLAN (continued)

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate rates of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class included are summarized in the following chart:

Investment	Long-term Expected Real Rate of Return	Target Asset Allocation
U.S. Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High Yield Fixed Income	5.5%	7.5%
Real Estate	5.6%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
		100.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent for PERS. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that the government contributions to all plans will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability.

The following chart presents the sensitivity of the net pension liability to changes in the discount rate, calculated using the discount rate as used in the actuarial evaluation, and what the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower or 1 – percentage point higher than the current rate:

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Board's proportionate share of the net pension liability (asset)	\$41,554	\$15,010	(\$7,432)

Berkeley County Farmland Protection Board
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - 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 10 - SUBSEQUENT EVENTS

The Board has evaluated all subsequent events through November 9, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BERKELEY COUNTY FARMLAND PROTECTION BOARD
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

Public Employees Retirement System

	2017	2016
Board's proportion of the net position liability (asset) (percentage)	0.003477%	0.002803%
Board's proportionate share of the net pension liability	\$ 15,010	\$ 25,763
Board's covered-employee payroll	\$ 47,741	\$ 47,741
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.44%	53.96%
Plan fiduciary net position as a percentage of the total net pension liability	93.67%	86.11%

*Information for years prior to 2016 was not available

BERKELEY COUNTY FARMLAND PROTECTION BOARD
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

Public Employees Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 5,251	\$ 5,729	\$ 5,214
Contributions in relation to the contractually related contributions	<u>5,251</u>	<u>5,729</u>	<u>5,214</u>
Contribution deficit (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 47,741	\$ 47,742	\$ 38,622
Contributions as a percentage of covered- employee payroll	11.00%	12.00%	13.50%

*Information prior to 2016 is not available

ACCOMPANYING INFORMATION



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

**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
229 East Martin Street
Martinsburg, West Virginia 25401

To the Board of Directors:

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 government wide activities and major fund of the Berkeley County Farmland Protection Board, Berkeley County, West Virginia (the Board), a component unit of Berkeley County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated November 9, 2018.

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 a 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 preceding paragraph 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 deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Directors
Berkeley County Farmland Protection Board
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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.

BHM CPA Group

BHM CPA Group, Inc
Huntington, West Virginia
November 9, 2018