

Roane County

RFP# 20-427

Roane County Farmland Protection Board

Financial Statements and Independent Auditor's Report

For the Fiscal Year Ended June 30, 2021

Ferrari & Associates, PLLC

616 Schubert Place | Morgantown, WV 26505

**ROANE COUNTY FARMLAND PROTECTION BOARD
SCHEDULE OF FUNDS INCLUDED IN REPORT
For the Fiscal Year Ended June 30, 2021**

GOVERNMENTAL FUND TYPE

MAJOR FUND

General

ROANE COUNTY FARMLAND PROTECTION BOARD
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For the Fiscal Year Ended June 30, 2021

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Introductory Section

**ROANE COUNTY FARMLAND PROTECTION BOARD
BOARD OFFICIALS
For the Fiscal Year Ended June 30, 2021**

| OFFICE | NAME | TERM ENDS |
|--------|------|-----------|
|--------|------|-----------|

Board Officials:

| | | |
|---|---------------------|----------------------|
| County Commissioner: (non-voting) | Merlin Shamblin | 12/31/2021 |
| Executive Director EDA: | Mark Whitley | Term does not expire |
| Farmer County Resident - President: | Joseph Painter | 12/31/2021 |
| Conservation District - Vice President: | Sam Sheets | 12/31/2021 |
| Farmer County Resident: | Jimmy Hays | 12/31/2024 |
| County Resident: | Holly Smith-Terrell | 12/31/2024 |
| County Resident: | Dotty Hersman | 12/31/2021 |

Appointed by Board:

| | | |
|----------------------------|-------------------|--|
| Treasurer: (non-voting) | Kim Davis | |
| Secretary: (non-voting) | Jennifer Randolph | |

Financial Section

Ferrari & Associates, PLLC

616 Schubert Place | Morgantown, WV 26505

Independent Auditor's Report

Honorable Members of the Board
Roane County Farmland Protection Board
Spencer, West Virginia 25276

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Roane County Farmland Protection Board (Board), a component unit of the Roane County Commission, as of and for the year ended June 30, 2021, 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 Roane County Farmland Protection Board, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ferrari & Associates, PLLC

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Other Matters

Required Supplementary Information

The Board's management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Board's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021, on our consideration of the Board'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.

Ferrari & Associates, PLLC

**Morgantown, West Virginia
September 20, 2021**

ROANE COUNTY FARMLAND PROTECTION BOARD
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET POSITION
June 30, 2021

| | General | Adjustments (Note II) | Statement of Net Position |
|--|--------------------------|--------------------------|------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 399,649 | \$ - | \$ 399,649 |
| Certificate of deposit | 258,088 | - | 258,088 |
| Accounts receivable: | | | |
| Taxes | 12,511 | - | 12,511 |
| Interest | 257 | - | 257 |
| Total current assets | <u>670,505</u> | <u>-</u> | <u>670,505</u> |
| Capital assets: | | | |
| Easements | - | 96,000 | 96,000 |
| Total capital assets | <u>-</u> | <u>96,000</u> | <u>96,000</u> |
| Total assets | <u>\$ 670,505</u> | <u>\$ 96,000</u> | <u>\$ 766,505</u> |
| LIABILITIES | | | |
| Current liabilities payable from current assets: | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE / NET POSITION | | | |
| Fund balance: | | | |
| Unassigned | 670,505 | (670,505) | - |
| Total fund balance | <u>670,505</u> | <u>(670,505)</u> | <u>-</u> |
| Total liabilities and fund balance | <u>\$ 670,505</u> | <u>(670,505)</u> | <u>-</u> |
| Net position: | | | |
| Net investment in capital assets | | 96,000 | 96,000 |
| Unrestricted | | 670,505 | 670,505 |
| Total net position | | <u>766,505</u> | <u>766,505</u> |
| Total liabilities and net position | | <u>\$ 96,000</u> | <u>\$ 766,505</u> |

ROANE 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, 2021

| | General | Adjustments (Note II) | Statement of Net Position |
|--|-------------------|--------------------------|------------------------------|
| EXPENDITURES / EXPENSES | | | |
| Audit costs | \$ 1,080 | \$ - | \$ 1,080 |
| Dues and subscriptions | 200 | - | 200 |
| Total expenditures / expenses | 1,280 | - | 1,280 |
| PROGRAM REVENUES | | | |
| Property transfer taxes | 82,037 | - | 82,037 |
| Total program revenues | 82,037 | - | 82,037 |
| GENERAL REVENUES | | | |
| Interest | 2,014 | - | 2,014 |
| Total general revenues | 2,014 | - | 2,014 |
| Net change in fund balance | 82,771 | - | |
| Change in net position | | | 82,771 |
| Fund balance / net position beginning of the year | 587,734 | 96,000 | 683,734 |
| End of the year | \$ 670,505 | \$ 96,000 | \$ 766,505 |

ROANE COUNTY FARMLAND PROTECTION BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the presentation of the financial report of Roane County Farmland Protection Board (Board) have been designed to conform to generally accepted accounting principles as applicable to government units, in accordance with the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The Roane County Farmland Protection Board was created by the Roane County Commission by resolution dated July 22, 2008, pursuant to West Virginia Code § 8A-12-2, to provide persons and other entities an opportunity to voluntarily protect agricultural land and woodland in Roane County by the voluntary placement of conservation or preservation easements on farmland. The Board is a component unit of the Roane County Commission. The Board consists of seven members appointed by the county commission, each serving a four-year term. The board is comprised of one county commissioner, the executive director of the county development authority, one farmer who is a county resident and also a member of the county farm bureau, one farmer who is a county resident and also a member of a conservation district, one farmer who is a county resident, and two county residents who are not members of any of the foregoing organizations. The Board has no employees.

B. Government-Wide and Fund Financial Statements

For this special purpose government, combined government-wide and fund financial statements are presented. The government-wide sections of the financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all the activities of the 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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Interest and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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 government considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property transfer taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

ROANE COUNTY FARMLAND PROTECTION BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

The *General fund* is the Board's primary operating fund. It accounts for all financial sources of the general government.

D. Assets, Liabilities, and Net Position / Fund Balance

1. Deposits and Investments

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

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

2. Receivables and Payables

All accounts receivable are shown at the gross amount due and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Accounts payable are shown at the gross amount due.

3. Capital Assets and Depreciation

Capital assets are defined by the Board as assets with an initial, individual cost of \$5,000 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 the assets or materially extend asset lives are not capitalized.

4. Net Position / Fund Balance

Net Position is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislature.
- c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

The Board has adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of net position classification, expenses are to be paid from restricted net position first, and then unrestricted net position.

**ROANE COUNTY FARMLAND PROTECTION BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021**

Fund Balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

| | |
|--------------|---|
| Nonspendable | The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. |
| Restricted | A fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. |
| Committed | The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action by the Board's Council. The formal action that is required to be taken to establish, modify or rescind a fund balance commitment is through an ordinance. |
| Assigned | Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as restricted or committed. |
| Unassigned | Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. |

The Board Members are the government's highest level of decision-making authority. The Board Members would take formal action to establish, and modify or rescind, a fund balance commitment or to assign fund balance amounts to a specific purpose.

For fiscal year 2021, all of the Board's fund balance was classified as unassigned.

5. Estimates

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

NOTE II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Adjustments Shown on the Governmental Fund Balance Sheet / Statement of Net Position

The governmental fund balance sheet / statement of net position includes an adjustment between the governmental fund balance total and the governmental activities net position as reported in the statement of net position. Capital assets and long-term liabilities are not reported on the governmental fund level, but are reported in net position. The details of this difference are as follows:

| | |
|--|------------------------------|
| Fund balance – total governmental fund | \$ 670,505 |
| Capital assets | <u>96,000</u> |
| Total net position | \$ <u>766,505</u> |

**ROANE COUNTY FARMLAND PROTECTION BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021**

NOTE III – DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial Credit Risk

At year end, the Board's carrying amount of deposits and bank balances was \$657,737, which was entirely covered by Federal Deposit Insurance Corporation coverage and collateral security coverage provided by the bank.

B. Receivables

The Board receives money from the Roane County Commission from a share of the county property transfer taxes, as authorized by West Virginia Code §8A-12-21. Receivables at year end for the Board relating to these receivables were \$12,511. Accrued interest receivable on the certificate of deposit was \$257 at year end.

C. Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2021 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Easements | \$ 96,000 | \$ - | \$ - | \$ 96,000 |
| Total capital assets not being depreciated: | <u>96,000</u> | <u>-</u> | <u>-</u> | <u>96,000</u> |
| Total governmental activities capital assets | <u>\$ 96,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 96,000</u> |

NOTE IV – OTHER INFORMATION

A. Risk Management

The Board is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the government carries insurance for these various risks.

Liabilities are reported when it is probable a loss has occurred, and the amount of the loss can be reasonably estimated.

B. Contingent Liabilities

It is the opinion of the Board's management that there are no material pending lawsuits or unasserted claims against the Board.

ROANE COUNTY FARMLAND PROTECTION BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE V – SUBSEQUENT EVENTS

The spread of the novel coronavirus (COVID-19) has severely impacted many local economies around the world. In many countries, businesses and organizations are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and financial institutions have responded with monetary and fiscal interventions to try to stabilize economic conditions. The Board has determined that these events are non-adjusting subsequent events. Accordingly, the financial net position and changes in net position as of and for the year ended June 30, 2021 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and financial responses remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial net position and results of the Board for future periods.

The Board's management has evaluated the effect that subsequent events would have on the Board's financial statements through September 20, 2021, which is the date the financial statements were available to be released.

Accompanying Information

Ferrari & Associates, PLLC

616 Schubert Place | Morgantown, WV 26505

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Members of the Board
Roane County Farmland Protection Board
Spencer, West Virginia 25276

We have audited, in accordance with the 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, the accompanying financial statements of the governmental activities and the major fund of the Roane County Farmland Protection Board, (Board) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency. See finding 2021-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Ferrari & Associates, PLLC

616 Schubert Place | Morgantown, WV 26505

Board's Response to Findings

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Board's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ferrari & Associates, PLLC

**Morgantown, West Virginia
September 20, 2021**

ROANE COUNTY FARMLAND PROTECTION BOARD
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2021

2021-01 Segregation of Duties

Condition – It was noted that the responsibilities for approving, executing, and recording transactions and custody of the resulting asset arising from the transactions were not assigned to different individuals.

Criteria – Proper internal control dictates responsibility for approving, executing, and recording transactions should rest with different individuals. Custody of resulting assets should also be assigned to individuals with no responsibilities in the above areas. To the extent possible with limited personnel, different individuals should open bank statements, prepare checks, sign checks, approve bank reconciliations, prepare the daily cash reports, and make deposits.

Cause – Due to the size of the Board's staff, the Board has does not have enough personnel to fully segregate duties.

Effect – Internal control structure elements do not reduce to a relatively low level the risk that errors and irregularities, in amounts that would be material in relation to the financial statements, may occur and not be detected in a timely manner.

Recommendation – Responsibilities of approval, execution, recording and custody should be distributed among the Board's officials to the best degree possible.

Board's Response – The Board will segregate duties to the extent that is economically feasible.

**ROANE COUNTY FARMLAND PROTECTION BOARD,
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2021**

Status of Prior Year Audit Findings

| <u>Finding Number</u> | <u>Title</u> | <u>Status</u> |
|---------------------------|-----------------------|---------------|
| 2020-1 | Segregation of Duties | Not resolved |