

Morgan County

RFP# 22-049

Morgan County Parks and Recreation

Financial Statements and Independent Auditor's Report

For the Fiscal Year Ended June 30, 2021

Ferrari & Associates, PLLC

616 Schubert Place | Morgantown, WV 26505

**MORGAN COUNTY PARKS AND RECREATION
SCHEDULE OF FUNDS INCLUDED IN REPORT
For the Fiscal Year Ended June 30, 2021**

Proprietary Fund Type

Major Fund

Parks and Recreation

**MORGAN COUNTY PARKS AND RECREATION
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For the Fiscal Year Ended June 30, 2021**

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Introductory Section

**MORGAN COUNTY PARKS AND RECREATION
BOARD MEMBERS
For the Fiscal Year Ended June 30, 2021**

OFFICE	NAME	TERM ENDS
Board Members:	Joel Tuttle	06/30/2021
	Jason Didawick	01/01/2024
	Aaron Close	06/30/2021
	Ryan Fincham	01/30/2022
	Spencer Shives	06/30/2023
	Joe Anderton	06/30/2024
	Melissa Bartley	06/30/2022
	Spencer Shives	06/30/2023
	Any Omps	04/30/2023

Financial Section

Ferrari & Associates, PLLC

616 Schubert Place | Morgantown, WV 26505

Independent Auditor's Report

Honorable Members of the Board
Morgan County Parks and Recreation
Berkeley Springs, WV 25411

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Morgan County Parks and Recreation (the Parks), a component unit of the Morgan County Commission, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Parks 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Morgan County Parks and Recreation as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

The Parks 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, 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 basic financial statements of the Morgan County Parks and Recreation. The introductory section 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 October 19, 2022, on our consideration of the Parks' 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 Parks' internal control over financial reporting and compliance.

Ferrari & Associates, PLLC

**Morgantown, West Virginia
October 19, 2022**

MORGAN COUNTY PARKS AND RECREATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2021

ASSETS

Current assets:

Cash and cash equivalents \$ 36,788

Total assets \$ 36,788

LIABILITIES

Current liabilities:

Accounts payable \$ 3,770

Total liabilities 3,770

NET POSITION

Unrestricted 33,018

Total net position 33,018

Total liabilities and net position \$ 36,788

**MORGAN COUNTY PARKS AND RECREATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2021**

Operating revenues	
Sales and services to customers	\$ 2,137
Rental income	4,826
	6,963
Operating expenses	
Culture and recreation	17,651
Administrative and general	23,213
	40,864
Total operating revenues	6,963
Total operating expenses	40,864
Operating income (loss)	(33,901)
Nonoperating revenues (expenses)	
Intergovernmental	39,778
Contributions received	12,083
	51,861
Total nonoperating revenues (expenses)	51,861
Change in net position	17,960
Net position - beginning of year	15,058
Net position - end of year	\$ 33,018

**MORGAN COUNTY PARKS AND RECREATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2021**

Cash flows from operating activities:	
Cash received from customers	\$ 7,437
Cash paid for goods and services	<u>(37,154)</u>
Net cash provided (used) by operating activities	<u>(29,717)</u>
Cash flows from noncapital financing activities:	
Intergovernmental	39,778
Contributions received	<u>12,083</u>
Net cash provided (used) by noncapital financing activities	<u>51,861</u>
Net increase (decrease) in cash and cash equivalents	<u>22,144</u>
Cash and cash equivalents, June 30, 2020	<u>14,644</u>
Cash and cash equivalents, June 30, 2021	<u><u>\$ 36,788</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (33,901)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	474
Increase (decrease) in accounts payable	<u>3,710</u>
Net cash provided by operations	<u><u>\$ (29,717)</u></u>

MORGAN COUNTY PARKS AND RECREATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Morgan County Parks and Recreation (the Parks) 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 Parks is governed by board members equally appointed by the county commission, the county school board, and the Town of Bath council. The Parks is a multigovernmental entity created for the purpose of establishing, improving, developing, administering, operating and maintaining a county public parks and recreation system and public recreational systems. The Parks is a legally separate organization for which elected officials of the primary government are financially accountable. The Parks is a discretely presented component unit of the primary government based upon the criteria stipulated in the Governmental Accounting Standards Board Statement No. 14 (as amended by GASB Statement No. 39 and GASB Statement No. 61).

B. Financial Statements

The financial statements of the Parks have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Parks also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

The financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in net position) report information on all the activities of the government. Business-type activities rely to a significant extent on fees and charges for support. The statement of revenues, expenses and changes in net position 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. Revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided.

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

The 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Parks are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary fund:

The *Parks and Recreation* fund consists of the entire operations of Parks in their purpose of promoting recreational facilities within Morgan County, West Virginia.

MORGAN COUNTY PARKS AND RECREATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

D. Assets, Liabilities, and Net Assets

1. Deposits and Investments

The Parks' 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. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

2. Receivables and Payables

All accounts receivable and accounts payable, if any, are shown at the gross amount due and recorded on the accrual basis of accounting.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Capital Assets and Depreciation

Capital assets, which include property, plant equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are not reported due to the ownership of all Morgan County Parks and Recreation capital assets resting with the County Commission. The Parks has not implemented a capitalization policy that outlines the capitalization dollar threshold, states the useful life of the assets or the method of depreciation used for depreciation of those assets at this point due to not having any capital assets. Capital assets should be capitalized if the useful life is believed to be more than one year. Capital assets should be recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets should be recorded at estimated fair market value at the date of donation. The Parks plans to begin a capitalization policy when capital assets are purchased.

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

5. Net Position

Equity is classified as net position and displayed in three components:

- a. Invested in noncurrent capital assets, net of related debt – 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, constructions, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net position that does not meet the definition of “restricted” or “invested in noncurrent capital assets, net of related debt”.

The Parks 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, if any, first, and then unrestricted net position.

**MORGAN COUNTY PARKS AND RECREATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021**

6. 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 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk

For deposits, the government could be exposed to risk in the event of a bank failure where the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the Parks' carrying amount of their bank balance was \$36,788, which was fully insured by the FDIC.

NOTE III – OTHER INFORMATION

A. Risk Management

The Parks 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 Parks carries general liability insurance coverage 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 Parks' management that there are no material pending lawsuits or unasserted claims against the Parks.

C. Employee Retirement System and Plans

The Parks does not participate in any employee retirement system.

NOTE IV – SUBSEQUENT EVENTS

The Parks' management has evaluated the effect that subsequent events would have on the financial statements through October 19, 2022, 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
Morgan County Parks and Recreation
Berkeley Springs, West Virginia 25411

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 financial statements of the business-type activities of the Morgan County Parks and Recreation (the Parks) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Parks' basic financial statements and have issued our report thereon dated October 19, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Parks' 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 Parks' internal control. Accordingly, we do not express an opinion on the effectiveness of the Parks' 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 as item 2021-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Parks' 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*.

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Parks' Response to Findings

The Parks' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Parks' 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
October 19, 2022**

**MORGAN COUNTY PARKS AND RECREATION
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.

Cause – The size of the entity does not permit adequate segregation of 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 – The Parks should distribute the duties of approving, executing, and recording transactions to the extent as being economically practicable.

Parks' Response – The Parks has segregated duties to the extent of being economically practicable by utilizing board members to provide oversight of operations.

**MORGAN COUNTY PARKS AND RECREATION
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>
2020-01	Segregation of Duties	Not resolved