

Morgan County

RFP# 23-315

Morgan County Parks and Recreation

Financial Statements and Independent Auditor's Report

For the Fiscal Year Ended June 30, 2023

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, 2023**

Proprietary Fund Type

Major Fund

Parks and Recreation

**MORGAN COUNTY PARKS AND RECREATION
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For the Fiscal Year Ended June 30, 2023**

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Introductory Section

**MORGAN COUNTY PARKS AND RECREATION
BOARD MEMBERS
For the Fiscal Year Ended June 30, 2023**

OFFICE	NAME	TERM ENDS
Board Members:	Joel Tuttle	06/30/2023
	Jason Didawick	06/30/2024
	Aaron Close	06/30/2024
	Ryan Fincham	06/30/2025
	Matt Pennington	06/30/2025
	Joe Anderton	06/30/2024
	Spencer Shives	06/30/2023
	Andy Omps	06/30/2023
	Zach Rider	06/30/2024

Financial Section

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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, West Virginia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Parks' basic financial statements as listed in the table of contents.

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 Parks as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Parks and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Parks' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Parks' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Parks' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

The Parks' 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023, 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 solely 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 the effectiveness of the Parks' 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
December 4, 2023**

MORGAN COUNTY PARKS AND RECREATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$	83,251
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Total assets	\$	83,251
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LIABILITIES

Current liabilities:

Accounts payable	\$	4,292
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Total liabilities		4,292
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NET POSITION

Unrestricted		78,959
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Total net position		78,959
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Total liabilities and net position	\$	83,251
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**MORGAN COUNTY PARKS AND RECREATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2023**

Operating revenues	
Sales and services to customers	\$ 18,347
Rental income	6,900
	25,247
Total operating revenues	
Operating expenses	
Culture and recreation	38,939
Administrative and general	26,472
	65,411
Total operating expenses	
Operating income (loss)	
	(40,164)
Nonoperating revenues (expenses)	
Intergovernmental	35,000
Contributions received	24,613
	59,613
Total nonoperating revenues (expenses)	
Change in net position	
	19,449
Net position - beginning of year	
	59,510
Net position - end of year	
	\$ 78,959

**MORGAN COUNTY PARKS AND RECREATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2023**

Cash flows from operating activities:	
Cash received from customers	\$ 25,247
Cash paid for goods and services	<u>(65,064)</u>
Net cash provided (used) by operating activities	<u>(39,817)</u>
Cash flows from noncapital financing activities:	
Intergovernmental	35,000
Contributions received	<u>24,613</u>
Net cash provided (used) by noncapital financing activities	<u>59,613</u>
Net increase (decrease) in cash and cash equivalents	<u>19,796</u>
Cash and cash equivalents, June 30, 2022	<u>\$ 63,455</u>
Cash and cash equivalents, June 30, 2023	<u><u>\$ 83,251</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (40,164)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Increase (decrease) in accounts payable	<u>347</u>
Net cash provided by operations	<u><u>\$ (39,817)</u></u>

MORGAN COUNTY PARKS AND RECREATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

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, 2023

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, 2023**

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 \$83,251, 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 December 4, 2023, 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, 2023, and the related notes to the financial statements, which collectively comprise the Parks' basic financial statements and have issued our report thereon dated December 4, 2023.

Report on 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) as a basis for designing 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 2023-001 that we consider to be a significant deficiency.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Parks' response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Parks' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
December 4, 2023**

**MORGAN COUNTY PARKS AND RECREATION
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2023**

2023-001 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, 2023**

Status of Prior Year Audit Findings

<u>Finding Number</u>	<u>Title</u>	<u>Status</u>
2022-001	Segregation of Duties	Not resolved