

Date Received

SEP 17 2020

DHHR - Finance

For the Fiscal Years Ended December 31, 2019 and December 31, 2018

FINANCIAL STATEMENTS

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.

AUDIT REPORT OF

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
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**WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
BOARD OFFICIALS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Office	Name
President	Mike McNulty
Vice President	Jason Myers
Secretary / Treasurer	Porter Robertson
NRWA Director	Alan Haught
Member	Eric Bennett
Member	Valli Davis
Member	Dina Foster
Member	Curtis Keller
Member	Barry Milam
Member	S.E. "Ed" Moats
Member	Jeff Ray
Member	Brian Shade



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Virginia Rural Water Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of West Virginia Rural Water Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of as of December 31, 2019 and December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 financial position of West Virginia Rural Water Association, Inc. as of December 31, 2019 and December 31, 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 14, 2020, on our consideration of the West Virginia Rural Water Association, Inc.'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 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 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 West Virginia Rural Water Association, Inc.'s internal control over financial reporting and compliance.

Lowe & Associates, PLLC
Certified Public Accountants
Milton, West Virginia
May 14, 2020

DHHR - Finance

SEP 17 2020

Date Received

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND DECEMBER 31, 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and Cash Equivalents	\$ 590,112	\$ 598,618
Other Receivables	3,139	19,659
Grants Receivable	491,239	413,616
Prepaid Expenses	1,112	1,473
Total Current Assets	<u>1,085,602</u>	<u>1,033,366</u>
Noncurrent Assets		
Capital Assets		
Land and Land Rights	80,000	80,000
Buildings and Equipment	531,849	533,717
(Less: Accumulated Depreciation)	(189,529)	(182,661)
Total Noncurrent Assets	<u>422,320</u>	<u>431,056</u>
TOTAL ASSETS	<u>\$ 1,507,922</u>	<u>\$ 1,464,422</u>

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Accounts Payable	\$ 2,776	\$ 6,453
Accrued Taxes	3,085	2,671
Accrued Compensated Absences	73,486	65,912
Accrued Other Liabilities	-0-	4,550
Deferred Grant Income	272,732	271,382
Notes Payable - Current Portion	9,782	9,428
Total Current Liabilities	<u>361,861</u>	<u>360,396</u>
Noncurrent Liabilities		
Notes Payable - Net of Current Portion	18,990	30,077
Total Noncurrent Liabilities	<u>18,990</u>	<u>30,077</u>
Total Liabilities	<u>380,851</u>	<u>390,473</u>
Net Assets		
Without Donor Restrictions	1,127,071	1,073,949
Total Net Assets	<u>1,127,071</u>	<u>1,073,949</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,507,922</u>	<u>\$ 1,464,422</u>

See the accompanying notes and independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions		
Support and Revenue:		
Grants and Contracts	\$ 952,706	\$ 905,625
In-Kind Contributions	22,098	17,482
Conference Income	132,623	56,872
Membership Dues	298,413	258,274
Training Income	4,349	2,791
Advertising	14,310	17,460
Miscellaneous	19,149	9,338
Gain (Loss) on Disposal of Assets	(607)	-0-
Interest Income	386	895
Total Support and Revenue	<u>1,443,427</u>	<u>1,268,737</u>
Expenses:		
Program Services:		
Circuit Rider	385,695	384,233
EPA	99,976	55,133
Waste Water	144,797	139,683
Source Water	96,955	124,554
2% SDWA	212,069	184,950
WV Waste Water	96,443	84,135
Supporting Services:		
Management and General	354,370	329,826
Total Expenses	<u>1,390,305</u>	<u>1,302,514</u>
Change in Net Assets	53,122	(33,777)
Net Assets - Beginning of Year	<u>1,073,949</u>	<u>1,107,726</u>
Net Assets - End of Year	<u>\$ 1,127,071</u>	<u>\$ 1,073,949</u>

See the accompanying notes and independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 53,122	\$ (33,777)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation and Amortization	16,109	15,951
Gain (Loss) on Disposal of Assets	607	-
Decrease (Increase) in:		
Accounts Receivable - Other	16,520	(837)
Grants Receivable	(77,623)	20,733
Prepaid Expenses	361	(11,131)
Increase (Decrease) in:		
Accounts Payable	(3,678)	3,560
Accrued Taxes	414	(1,811)
Accrued Compensated Absences	7,574	(1,184)
Other Accrued Liabilities	(4,550)	4,550
Deferred Revenues	1,350	(8,667)
Total Adjustments	(42,916)	21,164
Net Cash Provided (Used) by Operating Activities	\$ 10,206	\$ (12,613)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(7,979)	-
Notes Payable Repayments	(10,733)	(9,107)
Net Cash Provided (Used) by Capital & Related Financing Activities	(18,712)	(9,107)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption of Certificates of Deposit	-	20,357
Net Cash Provided (Used) by Investing Activities	-	20,357
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,506)	(1,363)
Cash and Cash Equivalents, Beginning of Year	598,618	599,981
Cash and Cash Equivalents, End of Year	\$ 590,112	\$ 598,618
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year	249	\$ 983
Interest Paid	\$ 249	\$ 983

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	<u>Internal</u>	<u>Indirect</u>	<u>Total</u>
Salaries	\$ 31,527	\$ 178,652	\$ 210,179
Fringe Benefits	7,815	44,287	52,102
Taxes	2,486	14,087	16,573
Travel	20,370	-0-	20,370
Publications/Training Materials	28,592	-0-	28,592
Office Expenses	(3,571)	43,361	39,790
Professional Services	22,436	10,275	32,711
Board Travel & Meeting Expenses	2,564	25,735	28,299
Utilities and Phone	-0-	15,883	15,883
Depreciation	16,109	-0-	16,109
Equipment Lease & Maintenance	6,943	-0-	6,943
Conference Expenses	84,470	-0-	84,470
Dues	21,242	-0-	21,242
Interest & Real Estate Taxes	-0-	3,875	3,875
Building Maintenance	620	-0-	620
Miscellaneous	38,709	-0-	38,709
Retirement Fees	-0-	3,259	3,259
Computer & Interest Expenses	-0-	3,793	3,793
Grant Expense	5,500	-0-	5,500
Allocated Indirect Costs	68,558	(343,207)	(274,649)
TOTAL EXPENSES	<u>\$ 354,370</u>	<u>\$ -0-</u>	<u>\$ 354,370</u>

See the accompanying notes and independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	<u>Internal</u>	<u>Indirect</u>	<u>Total</u>
Salaries	\$ 29,553	\$ 167,466	\$ 197,019
Fringe Benefits	7,583	42,972	50,555
Taxes	2,311	13,093	15,404
Travel	14,644	74	14,718
Publications/Training Materials	29,631	-0-	29,631
Office Expenses	4,489	39,895	44,384
Professional Services	25,853	11,590	37,443
Board Travel & Meeting Expenses	-0-	19,180	19,180
Utilities and Phone	-0-	15,525	15,525
Depreciation	15,951	-0-	15,951
Equipment Lease & Maintenance	7,699	-0-	7,699
Conference Expenses	74,272	-0-	74,272
Dues	21,449	-0-	21,449
Interest & Real Estate Taxes	-0-	4,618	4,618
Miscellaneous	28,426	-0-	28,426
Retirement Fees	-0-	2,634	2,634
Computer & Interest Expenses	-0-	3,802	3,802
Allocated Indirect Costs	67,965	(320,849)	(252,884)
TOTAL EXPENSES	<u>\$ 329,826</u>	<u>\$ -0-</u>	<u>\$ 329,826</u>

See the accompanying notes and independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The West Virginia Rural Water Association, Inc. ("the Association") is a statewide affiliate of National Rural Water Association, Inc. Both associations are private, not-for-profit corporations that are exempt from federal income tax under Internal Revenue Code Sections 501(c)(6) and 501(c)(3), respectively. The organization provides on-site assistance to members handling both potable water and waste water, provides information to water and waste water system operators, offers training publishes a quarterly magazine, makes presentations to local governments, and provides member support in seeking funding for water and waste water projects from federal and state agencies. The Association also provides information and technical assistance in setting water and waste water system maintenance programs, operating budgets, billing rates, and in finding needed supplies.

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

West Virginia Rural Water Association, Inc. prepares its financial statements on the accrual basis of accounting, whereby support and revenue are recognized when earned as opposed to when received, and expenses and the purchase of assets are recognized when the obligation is incurred as opposed to when paid. Also, all contributions are considered available for unrestricted use unless specifically restricted by the donor.

In its statement of activities, the Association includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, earned in excess of the Association's aggregate authorized spending amount, and contributions to temporarily and permanently restricted net assets are recognized as nonoperating support, revenues, gains, and losses.

The Association prepares its financial statements on the accrual basis of accounting. The accounts are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. The funds used by the Association include unrestricted funds and restricted funds. The restricted funds contain the federal grants which may be used only in accordance with the terms of the contracts between West Virginia Rural Water Association, Inc. and the National Rural Water Association, Inc.

C. Cash and Cash Equivalents

Cash Flows, restricted assets may be considered cash equivalents based on liquidity. All cash accounts for the various programs are held in separate accounts.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unrestricted Cash	\$ 442,223	\$ 521,320
Restricted Cash		
Debt Reserves	950	3,780
Circuit Rider	64,341	30,424
EPA	22,718	4,558
Waste Water	25,551	21,022
Source Water	26,354	5,438
2% SDWA	5,676	6,383
WV Waste Water	2,299	5,693
Total Cash and Cash Equivalents	<u>\$ 590,112</u>	<u>\$ 598,618</u>

See the accompanying independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Grants Receivable

Grants Receivable represents funds owed to the Association from federal programs at year-end. Historically, all amounts have been collected.

E. Prepaid Expenses

This account consists of insurance premiums and service agreements for policy periods extending past year-end of each applicable year that were paid prior to year-end.

F. Inventories

The Association expenses inventory purchases at the time of acquisition which does not materially misstate the Association's statement of financial position.

G. Capital Assets and Depreciation

It is the Association's policy to capitalize all individual property items (including but not limited to equipment, furniture, software, vehicles, major improvements to buildings and equipment, buildings and vacant land), acquired for investment or used in operations with an estimated economic useful life of greater than one year and a cost of \$500. All individual items below this threshold are to be expensed at the time of purchase. However, multiple quantities of the same item that when aggregated exceed \$500, may be combined and capitalized as one item.

Buildings & Improvements	15 – 39
Office Furniture & Equipment	5 – 10

H. Compensated Absences

Compensated absences are those for which employees have a right to receive consideration for expected future absences. For funds presented in accordance with generally accepted accounting principles, compensated absences should be accounted for in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 43 without modification.

Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Association. Generally, employees are entitled to all accrued vacation leave upon termination. Compensated absences are reported as accrued in the proprietary financial statements. Vacation and sick pay are accrued monthly and deposits are made with the internal fund to pay obligations for these fringe benefits. Compensated absences have been accrued at the employees' hourly rate in the following amounts:

	December 31, 2019	December 31, 2018
Accrued Vacation	\$ 9,920	\$ 6,620
Accrued Sick Leave	63,566	59,292
Total Accrued Compensated Absences	\$ 73,486	\$ 65,912

See the accompanying independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interfund Accounts

The interfund receivables and payables result from the unrestricted funds charging the restricted funds for indirect costs and payrolls. The unrestricted funds have also made advances to the restricted funds which are to be repaid. Interfund advances do not bear interest.

J. Membership Dues and Advertising Income

Membership dues are recognized as revenue based on the Association year in which they are received.

Advertising income is recognized as revenue based upon the publication dates covered. Net advertising income is subject to federal and state income taxes.

K. Restricted Resources - Grants

Monies received that are restricted by the grantor or other outside party for particular purposes are deemed to be earned and reported as revenue of the respective funds based upon program years designated by the grantor.

L. In-Kind Contributions

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Association benefited from donated facilities and equipment which were valued at \$22,098 and \$17,482 during the years ended December 31, 2019 and December 31, 2018, respectively. These amounts have been reported as both in-kind contribution revenue and in-kind advertising expense on the statements of activities

M. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

N. Contributed Services

Numerous volunteers have donated significant amounts of time to the Association's fundraising activities and program services; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

See the accompanying independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Advertising

Advertising costs are expensed as incurred for both direct-response and non-direct-response types of advertising. During the years ended December 31, 2019 and 2018 the Association incurred advertising costs of \$3,450 and \$3,988, respectively.

P. Functional Allocation of Expenses

The costs of providing the programs and other activities of the Association have been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association.

Q. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

R. Income Taxes

The Association is not subject to Federal income taxes since it is a not-for-profit corporation under Internal Revenue Code Section 501(c)(6). The Association is classified by the Internal Revenue Service as an other than a private foundation. Therefore, no provision for income taxes has been recorded. The Association's federal Organization Exempt From Income Tax Returns (Form 990) for 2018, 2017 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

S. Net Assets

Equity is classified as net assets and displayed in two components:

a. Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the organization. These net assets may be used at the discretion of the Association's management and board of directors.

b. Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Association currently does not have net assets with restrictions that are perpetual in nature.

See the accompanying independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Recently Issued and Adopted Accounting Pronouncements

FASB ASU 2016-14: Presentation of Financial Statements of Not-for-Profit Entities – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Not-for-Profit Entities (Topic 958)*. The ASU address the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to the prior period presented.

NOTE 2. RESTRICTED CASH AND INVESTMENTS

These accounts represent amounts that are restricted in their use:

Program Funds:

Each program's cash and cash equivalents are considered restricted.

Debt Reserves Fund:

The Association is required to set aside, on a monthly basis, \$90 until such time as an amount equal to \$10,680 has been accumulated.

NOTE 2. DEPOSITS AND INVESTMENTS

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association limits its exposure by maintaining funds at separate banks. The non-pooled deposits are categorized to give an indication of the level of risk assumed by the Association at fiscal year end. The F.D.I.C. currently insures up to \$250,000 of interest bearing and non-interest bearing deposits on hand with a financial institution.

For investments, the Association could be exposed to risk in the event of the failure of the counterparty where the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association does not have a deposit policy for custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of the investment. The Association does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

See the accompanying independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

A reconciliation of balances at financial institutions and cash and investments as shown on the Statement of Financial Position is as follows:

Depository Accounts	December 31, 2019 Bank Balance	December 31, 2018 Bank Balance
Insured	\$ 259,552	\$ 618,862
Collateralized by securities held by Pledging bank's Trust Department in the Association's name	-0-	-0-
Uninsured and Uncollateralized	346,870	38,385
Cash on Hand	200	200
Deposits (Disbursements) in Transit	(16,510)	(58,829)
Total Deposits	\$ 590,112	\$ 598,618
Statement of Net Position:		
Cash & Cash Equivalents	\$ 590,112	\$ 598,618
Total Statement of Net Position	\$ 590,112	\$ 598,618

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Association's financial assets at December 31, 2019 and December 31, 2018, reduced by the amounts that are not available to meet general expenditures within one year of the financial statement date because of internal board designations or donor-imposed restrictions.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial Assets at Year-End:		
Cash	\$ 590,112	\$ 598,618
Accounts Receivable - Other	3,139	19,659
Grants Receivable	491,239	413,616
Total Financial Assets	1,084,490	1,031,893
Less: Assets Unavailable for General Expenditure Within One Year:		
Amounts Reserved For Debt Service	(950)	(3,780)
Financial Assets Available to Meet General Expenditures Over The Next Twelve Months	\$ 1,083,540	\$ 1,028,113

See the accompanying independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

NOTE 4. RECEIVABLES

Receivables consisted of the following:

	December 31, 2019	December 31, 2018
Employee Receivables & Reimbursements	\$ 3,139	\$ 19,659
Less: Allowance for Doubtful Accounts	-0-	-0-
Accounts Receivable, Net of Allowance for Doubtful Accounts	\$ 3,139	\$ 19,659

NOTE 5. INTERFUND ACCOUNTS RECEIVABLE / PAYABLE

A schedule of net interfund accounts receivable / payable at December 31, 2019, is as follows:

Unrestricted	Restricted	Purpose	Amount
Internal	Circuit Rider	Operations	\$ 56,758
	EPA	Operations	11,656
	Waste Water	Operations	44,516
	Source Water	Operations	21,706
	2% SDWA	Operations	99,356
	WV Wastewater	Operations	13,358
			\$ 247,350

A schedule of net interfund accounts receivable / payable at December 31, 2018, is as follows:

Unrestricted	Restricted	Purpose	Amount
Internal	Circuit Rider	Operations	\$ 70,815
	EPA	Operations	29,182
	Waste Water	Operations	38,585
	Source Water	Operations	14,225
	2% SDWA	Operations	27,994
	WV Wastewater	Operations	19,051
			\$ 199,852

See the accompanying independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

NOTE 6. CAPITAL ASSETS

Capital assets are classified as follows:

	December 31, 2018	Additions	Deletions	December 31, 2019
Capital Assets Not Depreciated:				
Land & Land Rights	\$ 80,000	\$ -0-	\$ -0-	\$ 80,000
Capital Assets Depreciated:				
Building & Improvements	489,788	-0-	-0-	489,788
Office Furniture & Equipment	43,929	7,979	(9,847)	42,061
Total Capital Assets Depreciated	533,717	7,979	(9,847)	531,849
Accumulated Depreciation	(182,661)	(16,109)	9,241	(189,529)
Net Capital Assets	\$ 431,056	\$ (8,130)	\$ (606)	\$ 422,320

Depreciation expense for the year ending December 31, 2019, was \$16,109.

	December 31, 2017	Additions	Deletions	December 31, 2018
Capital Assets Not Depreciated:				
Land & Land Rights	\$ 80,000	\$ -0-	\$ -0-	\$ 80,000
Capital Assets Depreciated:				
Building & Improvements	489,788	-0-	-0-	489,788
Office Furniture & Equipment	43,929	-0-	-0-	43,929
Total Capital Assets Depreciated	533,717	-0-	-0-	533,717
Accumulated Depreciation	(166,710)	(15,951)	-0-	(182,661)
Net Capital Assets	\$ 447,007	\$ (15,951)	\$ -0-	\$ 431,056

Depreciation expense for the year ending December 31, 2018, was \$15,951.

NOTE 7. OTHER LIABILITIES

During the year ended December 31, 2018, the Association was to act as a fiduciary for the Meadowbrook Homeowners Association ("Meadowbrook"). Meadowbrook was awarded a grant in the amount of \$14,533 from the Greenbrier County Commission ("Commission") to make repairs to their treatment facilities, however, the Commission would not allow Meadowbrook to receive the grant directly, therefore, the Association was given the grant and asked to reimburse the expenses as incurred by Meadowbrook. During the year-ended December 31, 2018, expenses totaled \$9,983, which results in a remaining \$4,550 available to Meadowbrook for expenses. In 2019, the remaining \$4,550 was paid.

See the accompanying independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

NOTE 8. LONG TERM DEBT

Notes Payable:

USDA 2015 Note

The Association entered into a loan agreement in the amount of \$90,000 from United States Department of Agriculture at 3.250% interest for a term of ten (10) years. The note requires monthly principal and interest payments in the amount of \$963. Proceeds from this note were used to finance upgrades and repairs to the Association's facilities.

Summary of Long-Term Debt at December 31, 2019:

Notes Payable:

Description	Maturity Date	Interest Rate	December 31, 2018			December 31, 2019		Due Within One Year
			Balance	Additions	Retirements	Balance		
USDA - 2015	2025	3.250%	\$ 39,505	\$ -0-	\$ 10,733	\$ 28,772	\$ 9,782	
Total Notes Payable			\$ 39,505	\$ -0-	\$ 10,733	\$ 28,772	\$ 9,782	

Summary of Long-Term Debt at December 31, 2018:

Notes Payable:

Description	Maturity Date	Interest Rate	December 31, 2017			December 31, 2018		Due Within One Year
			Balance	Additions	Retirements	Balance		
USDA - 2015	2025	3.250%	\$ 48,612	\$ -0-	\$ 9,107	\$ 39,505	\$ 9,428	
Total Notes Payable			\$ 48,612	\$ -0-	\$ 9,107	\$ 39,505	\$ 9,428	

Summary of estimated debt principal and interest maturities at December 31, 2019:

Year	Principal	Interest	Payment
2020	\$ 9,782	\$ 775	\$ 10,557
2021	11,136	420	11,556
2022	6,855	77	6,932
Total	\$ 28,772	\$ 1,272	\$ 29,045

See the accompanying independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

NOTE 9. EMPLOYEES RETIREMENT SYSTEM

The West Virginia Rural Water Association, Inc. contributes to a defined contribution benefit pension plan administered by Fidelity.

Plan Description, Contribution Information and Funding Policies

Fidelity

The following is a summary of eligibility factors, contribution methods, and benefit provisions:

Eligibility to participate	All employees over age 21 who have completed more than one year of service.
Plan member's contribution rate	2.0 - 15%
Entity's contribution rate	2.0 - 9.5% - Programs
Period required to vest	9.50%
Benefits and eligibility for distribution	Sliding scale at 20% per year over five years.
Plan Insured?	Benefits payable on retirement, death or disability are based upon the amount of contributions, plus or minus investment results.
Contributions dependent upon Association profitability?	No

Trend Information

Fidelity

Fiscal Year	Employee Amount	Rate	Employer Amount	Rate	Percentage Contributed
December 31, 2019	\$ 57,914	Varies	\$ 54,882	9.50%	100%
December 31, 2018	\$ 48,387	Varies	\$ 50,142	9.50%	100%
December 31, 2017	\$ 53,292	Varies	\$ 51,332	9.50%	100%

Fidelity provides a financial report that includes financial statements and required supplementary information upon request.

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

The Association does not accrue a liability for other post employment benefits (OPEB). The Association has opted out of the OPEB plan administered through PEIA and does not offer any other post employment benefits to its employees. The Association must continue to pay the RHBT portion.

See the accompanying independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

NOTE 11. SPECIAL EVENTS

The Association holds an annual conference. The revenue and expenses related to the conference are noted below:

December 31, 2019

<u>Event</u>	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
Annual Conference	\$ 132,623	\$ 84,470	\$ 48,153
Total	\$ 132,623	\$ 84,470	\$ 48,153

December 31, 2018

<u>Event</u>	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
Annual Conference	\$ 56,872	\$ 74,272	\$ (17,400)
Total	\$ 56,872	\$ 74,272	\$ (17,400)

NOTE 12. ECONOMIC DEPENDENCY

Grant revenue for program services is obtained by West Virginia Rural Water Association, Inc. under contracts with National Rural Water Association, Inc. West Virginia Rural Water Association, Inc. is a "sub-recipient" of funding from the United States government passed through the National Rural Water Association, Inc. West Virginia Rural Water Association, Inc. shares a network of automated records with national Rural Water Association, Inc. National Rural Water Association, Inc. retains review or rejection capacity and authority for any and all transactions of West Virginia Rural Water Association, Inc. affecting program funding.

West Virginia Rural Water Association, Inc.'s existence is dependent upon the continued support of the contracts with National Rural Water Association, Inc. In the event of any interruption or significant reduction in federal funding for rural water projects, or in the event of any interruption of the affiliation contracts with National Rural Water Association, Inc., there would be substantial doubt about the ability of West Virginia Rural Water Association, Inc. to continue as a going concern.

NOTE 13. RELATED PARTY TRANSACTIONS

During the year-end ended December 31, 2019 the Association established a separate 501(c)(3) organization, West Virginia Water Matters, Inc.. The purpose of this organization is to operate the WV WARN program; assist with obtaining donations for scholarships; and to provide training and education to the general public regarding utility operations and practices. WV Water Matters, Inc. will have the same board of directors as the Association, but will have different officers. During the 2019 year the Association contributed \$5,500 to WV Water Matters, Inc. to pay for startup costs.

See the accompanying independent auditor's report

**WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018**

NOTE 14. RISK MANAGEMENT

The Association 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 Association carries general liability insurance for these various risks. Amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 15. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 14, 2020 which is the date the financial statements were available to be issued. The Association is not aware of any events occurring subsequent to December 31, 2019 up until the date of this report that would have a material impact, financially or otherwise, on these financial statements.

See the accompanying independent auditor's report

SUPPLEMENTAL INFORMATION

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION BY PROGRAM
DECEMBER 31, 2019

ASSETS

	<u>Circuit Rider</u>	<u>EPA</u>	<u>Waste Water</u>	<u>Source Water</u>	<u>2% SDWA</u>	<u>WV WW</u>	<u>Total</u>
ASSETS							
Cash and Cash Equivalents	\$ 64,341	\$ 22,718	\$ 25,551	\$ 26,354	\$ 5,676	\$ 2,299	\$ 146,939
Accounts Receivable From Other Funds	(56,758)	(11,656)	(44,516)	(21,706)	(99,356)	(13,358)	(247,350)
Grants Receivable	60,000	11,656	98,387	28,861	278,977	13,358	491,239
Prepaid Expenses	-0-	-0-	-0-	-0-	-0-	(438)	(438)
TOTAL ASSETS	<u>\$ 67,583</u>	<u>\$ 22,718</u>	<u>\$ 79,422</u>	<u>\$ 33,509</u>	<u>\$ 185,297</u>	<u>\$ 1,861</u>	<u>\$ 390,390</u>

LIABILITIES AND NET ASSETS

	<u>Circuit Rider</u>	<u>EPA</u>	<u>Waste Water</u>	<u>Source Water</u>	<u>2% SDWA</u>	<u>WV WW</u>	<u>Total</u>
LIABILITIES							
Deferred Grant Income	\$ -0-	\$ -0-	\$ 68,871	\$ 28,861	\$ 175,000	\$ -0-	\$ 272,732
Accounts Payable and Accrued Expenses	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL CURRENT LIABILITIES	<u>-0-</u>	<u>-0-</u>	<u>68,871</u>	<u>28,861</u>	<u>175,000</u>	<u>-0-</u>	<u>272,732</u>
TOTAL LIABILITIES	<u>-0-</u>	<u>-0-</u>	<u>68,871</u>	<u>28,861</u>	<u>175,000</u>	<u>-0-</u>	<u>272,732</u>
NET ASSETS							
WITH DONOR RESTRICTIONS	<u>67,583</u>	<u>22,718</u>	<u>10,551</u>	<u>4,648</u>	<u>10,297</u>	<u>1,861</u>	<u>117,658</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 67,583</u>	<u>\$ 22,718</u>	<u>\$ 79,422</u>	<u>\$ 33,509</u>	<u>\$ 185,297</u>	<u>\$ 1,861</u>	<u>\$ 390,390</u>

See the accompanying notes and independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION BY PROGRAM
DECEMBER 31, 2018

ASSETS

	<u>Circuit Rider</u>	<u>EPA</u>	<u>Waste Water</u>	<u>Source Water</u>	<u>2% SDWA</u>	<u>WV WW</u>	<u>Total</u>
ASSETS							
Cash and Cash Equivalents	\$ 30,424	\$ 4,558	\$ 21,022	\$ 5,438	\$ 6,383	\$ 5,693	\$ 73,518
Accounts Receivable From Other Funds	(70,815)	(29,182)	(38,585)	(14,225)	(27,994)	(19,051)	(199,852)
Grants Receivable	60,000	6,488	86,812	28,861	218,097	13,358	413,616
Other Receivables	-0-	16,305	-0-	-0-	-0-	-0-	16,305
	<u>19,609</u>	<u>(1,831)</u>	<u>69,249</u>	<u>20,074</u>	<u>196,486</u>	<u>-0-</u>	<u>303,587</u>
TOTAL ASSETS							

LIABILITIES AND NET ASSETS

	<u>Circuit Rider</u>	<u>EPA</u>	<u>Waste Water</u>	<u>Source Water</u>	<u>2% SDWA</u>	<u>WV WW</u>	<u>Total</u>
LIABILITIES							
Deferred Grant Income	\$ -0-	\$ -0-	\$ 67,521	\$ 28,861	\$ 175,000	\$ -0-	\$ 271,382
	<u>-0-</u>	<u>-0-</u>	<u>67,521</u>	<u>28,861</u>	<u>175,000</u>	<u>-0-</u>	<u>271,382</u>
TOTAL CURRENT LIABILITIES							
	<u>-0-</u>	<u>-0-</u>	<u>67,521</u>	<u>28,861</u>	<u>175,000</u>	<u>-0-</u>	<u>271,382</u>
TOTAL LIABILITIES							
	<u>-0-</u>	<u>-0-</u>	<u>67,521</u>	<u>28,861</u>	<u>175,000</u>	<u>-0-</u>	<u>271,382</u>
NET ASSETS							
WITH DONOR RESTRICTIONS	<u>19,609</u>	<u>(1,831)</u>	<u>1,728</u>	<u>(8,787)</u>	<u>21,486</u>	<u>-0-</u>	<u>32,205</u>
TOTAL LIABILITIES AND NET ASSETS							
	<u>\$ 19,609</u>	<u>\$ (1,831)</u>	<u>\$ 69,249</u>	<u>\$ 20,074</u>	<u>\$ 196,486</u>	<u>\$ -0-</u>	<u>\$ 303,587</u>

See the accompanying notes and independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
STATEMENT OF ACTIVITIES BY PROGRAM
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	Circuit <u>Rider</u>	EPA	Waste <u>Water</u>	Source <u>Water</u>	2% SDWA	WV WW	Total
REVENUES							
Federal Grants and Contracts	\$ 360,000	\$ 74,958	\$ 119,102	\$ 102,766	\$ 200,880	\$ 95,000	\$ 952,706
In-Kind Contributions	-0-	22,098	-0-	-0-	-0-	-0-	22,098
TOTAL REVENUES	<u>360,000</u>	<u>97,056</u>	<u>119,102</u>	<u>102,766</u>	<u>200,880</u>	<u>95,000</u>	<u>974,804</u>
EXPENSES							
Program Services:							
Personnel Wages	149,580	22,110	54,056	39,227	85,719	45,706	396,398
Personnel Benefits	46,099	2,360	13,813	10,699	25,746	5,351	104,068
Taxes	13,055	1,931	4,804	3,455	7,251	3,878	34,374
Travel	62,208	12,631	25,191	15,576	23,790	12,040	151,436
Training Materials	9,392	18,803	7,757	3,354	10,447	3,160	52,913
In-Kind Contributions	-0-	22,098	-0-	-0-	-0-	-0-	22,098
Indirect Expenses	105,361	20,043	39,176	24,644	59,116	26,308	274,648
TOTAL EXPENSES	<u>385,695</u>	<u>99,976</u>	<u>144,797</u>	<u>96,955</u>	<u>212,069</u>	<u>96,443</u>	<u>1,035,935</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>(25,695)</u>	<u>(2,920)</u>	<u>(25,695)</u>	<u>5,811</u>	<u>(11,189)</u>	<u>(1,443)</u>	<u>(61,131)</u>
TRANSFERS FROM OTHER FUNDS	<u>73,669</u>	<u>27,469</u>	<u>34,518</u>	<u>7,624</u>	<u>-0-</u>	<u>3,304</u>	<u>146,584</u>
CHANGE IN NET ASSETS	47,974	24,549	8,823	13,435	(11,189)	1,861	85,453
NET ASSETS, BEGINNING	<u>19,609</u>	<u>(1,831)</u>	<u>1,728</u>	<u>(8,787)</u>	<u>21,486</u>	<u>-0-</u>	<u>32,205</u>
NET ASSETS, ENDING	<u>\$ 67,583</u>	<u>\$ 22,718</u>	<u>\$ 10,551</u>	<u>\$ 4,648</u>	<u>\$ 10,297</u>	<u>\$ 1,861</u>	<u>\$ 117,658</u>

See the accompanying notes and independent auditor's report

**WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
STATEMENT OF ACTIVITIES BY PROGRAM
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

	Circuit	EPA	Waste Water	Water Source	2% SDWA	WV WW	Total
REVENUES							
Federal Grants and Contracts	\$ 353,550	\$ 37,652	\$ 116,387	\$ 115,443	\$ 198,458	\$ 84,135	\$ 905,625
In-Kind Contributions	-0-	17,482	-0-	-0-	-0-	-0-	17,482
TOTAL REVENUES	353,550	55,134	116,387	115,443	198,458	84,135	923,107
EXPENSES							
Program Services:							
Personnel Wages	146,000	10,138	52,821	48,881	81,627	44,600	384,067
Personnel Benefits	53,108	1,736	14,821	20,153	20,738	4,633	115,189
Taxes	12,768	857	4,615	4,233	7,098	3,832	33,403
Travel	57,598	13,879	23,273	16,044	23,582	7,212	141,588
Training Materials	10,918	1,104	6,478	1,410	7,141	1,026	28,077
Telephone	-0-	17,480	-0-	-0-	-0-	-0-	17,480
Indirect Expenses	103,841	9,939	37,675	33,833	44,764	22,832	252,884
TOTAL EXPENSES	384,233	55,133	139,683	124,554	184,950	84,135	972,688
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(30,683)	1	(23,296)	(9,111)	13,508	-0-	(49,581)
TRANSFERS FROM OTHER FUNDS	32,355	(1,862)	14,419	4,027	-0-	-0-	48,939
CHANGE IN NET ASSETS	1,672	(1,861)	(8,877)	(5,084)	13,508	-0-	(642)
NET ASSETS, BEGINNING	17,937	30	10,605	(3,703)	7,978	-0-	32,847
NET ASSETS, ENDING	\$ 19,609	\$ (1,831)	\$ 1,728	\$ (8,787)	\$ 21,486	\$ -0-	\$ 32,205

See the accompanying notes and independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS BY PROGRAM
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	Circuit Rider	EPA	Waste Water	Source Water	2% SDWA	WV WW	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Change in Net Assets	\$ 47,974	\$ 24,549	\$ 8,823	\$ 13,435	\$ (11,189)	\$ 1,861	\$ 85,453
Adjustments to reconcile the change in net assets to net cash provided by operating activities:							
Decrease (Increase) in:							
Grants Receivable	-0-	(5,168)	(11,575)	-0-	(60,880)	-0-	(77,623)
Prepaid Expenses	-0-	16,305	-0-	-0-	-0-	438	16,743
Increase (Decrease) in:							
Interfund	(14,057)	(17,526)	5,931	7,481	71,362	(5,693)	47,498
Deferred Revenues	-0-	-0-	1,350	-0-	-0-	-0-	1,350
Total Adjustments	(14,057)	(6,389)	(4,294)	7,481	10,482	(5,255)	(12,032)
Net Cash Provided (Used) by Operating Activities	33,917	18,160	4,529	20,916	(707)	(3,394)	73,421
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,917	18,160	4,529	20,916	(707)	(3,394)	73,421
Cash and Cash Equivalents, Beginning	30,424	4,558	21,022	5,438	6,383	5,693	73,518
Cash and Cash Equivalents, Ending	\$ 64,341	\$ 22,718	\$ 25,551	\$ 26,354	\$ 5,676	\$ 2,299	\$ 146,939

See the accompanying notes and independent auditor's report

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS BY PROGRAM
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	Circuit Rider	EPA	Waste Water	Source Water	2% SDWA	WV WW	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Change in Net Assets	\$ 1,672	\$ (1,861)	\$ (8,877)	\$ (5,084)	\$ 13,508	\$ -0-	\$ (642)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:							
Decrease (Increase) in:							
Grants Receivable	(1,290)	(2,641)	-0-	-0-	16,665	7,999	20,733
Prepaid Expenses	-0-	(16,305)	-0-	-0-	-0-	-0-	(16,305)
Increase (Decrease) in:							
Interfund	8,940	10,800	9,153	5,286	(16,167)	(2,695)	15,317
Accounts Payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Deferred Revenues	-0-	-0-	-0-	-0-	(8,667)	-0-	(8,667)
Total Adjustments	<u>7,650</u>	<u>(8,146)</u>	<u>9,153</u>	<u>5,286</u>	<u>(8,169)</u>	<u>5,304</u>	<u>11,078</u>
Net Cash Provided (Used) by Operating Activities	<u>9,322</u>	<u>(10,007)</u>	<u>276</u>	<u>202</u>	<u>5,339</u>	<u>5,304</u>	<u>10,436</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,322	(10,007)	276	202	5,339	5,304	10,436
Cash and Cash Equivalents, Beginning	21,102	14,565	20,746	5,236	1,044	389	63,082
Cash and Cash Equivalents, Ending	<u>\$ 30,424</u>	<u>\$ 4,558</u>	<u>\$ 21,022</u>	<u>\$ 5,438</u>	<u>\$ 6,383</u>	<u>\$ 5,693</u>	<u>\$ 73,518</u>

See the accompanying notes and independent auditor's report



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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*

To the Board of Directors
West Virginia Rural Water Association, Inc.

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Virginia Rural Water Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Virginia Rural Water Association, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Virginia Rural Water Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of West Virginia Rural Water Association, Inc.'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Virginia Rural Water Association, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provision 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

West Virginia Rural Water Association, Inc.'s Response to Findings

West Virginia Rural Water Association, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. West Virginia Rural Water Association, Inc.'s response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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.



Lowe & Associates, PLLC
Certified Public Accountants
Milton, West Virginia
May 14, 2020



Lowe & Associates, PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
West Virginia Rural Water Association, Inc.

Report on Compliance for Each major Federal Program

We have audited the West Virginia Rural Water Association, Inc.'s (the Association) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended December 31, 2019. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable test for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of West Virginia Rural Water Association, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, West Virginia Rural Water Association, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of West Virginia Rural Water Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered West Virginia Rural Water Association, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Virginia Rural Water Association, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lowe & Associates, PLLC
Certified Public Accountants
Milton, West Virginia
May 14, 2020

DHHR - Finance

SEP 17 2020

Date Received

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

<u>Grantor</u>	<u>Grant Number</u>	<u>Award Amount</u>	<u>Under (Over) Expended Beginning of Year</u>	<u>Total Current Year Revenues</u>	<u>Total Current Year Expenditures</u>	<u>Under (Over) Expended End of Year</u>
West Virginia Department of Environmental Protection						
West Virginia Waste Water Program	1004786673	\$ 95,000	\$ -0-	\$ 95,000	\$ 95,000	\$ -0-
Total West Virginia Department of Environmental Protection		<u>95,000</u>	<u>-0-</u>	<u>95,000</u>	<u>95,000</u>	<u>-0-</u>
TOTAL STATE AWARDS		<u>\$ 95,000</u>	<u>\$ -0-</u>	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ -0-</u>

See the accompanying notes and independent auditor's report

**WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Identification Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
<i>Passed Through National Rural Water Association, Inc.</i>			
Technical Assistance and Training Grant			
Waste Water Program	10.761	N/A	\$ 119,102
Circuit Rider Program	10.XXX	N/A	360,000
Source Water Program	10.XXX	N/A	102,766
			<hr/>
Total U.S. Department of Agriculture			581,868
U.S. Department of Environmental Protection			
<i>Passed Through National Rural Water Association, Inc.</i>			
Capitalization Grants for Drinking Water State Revolving Funds			
2% SDWA Program	66.468	G180607	200,880
Surveys, Studies, Investigations, Demonstrations, and Training			
Grants - Section 1442 of the Safe Drinking Water Act			
EPA Program	66.424	N/A	74,958
			<hr/>
Total U.S. Department of Environmental Protection			275,838
			<hr/> <hr/>
Total Federal Expenditures			\$ 857,706
			<hr/> <hr/>

WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards includes the Federal award activity of the West Virginia Rural Water Association, Inc. (the Association) , under programs of the federal government for the year ended December 31, 2019 in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Association.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

B. Indirect Cost Rate

The Association has elected not to use the 10% de minimis indirect cost rate.

**WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Section I - Summary of Auditor's Results

SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditor's report issued? Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? Yes

Federal Awards:

Type of auditor's report issued on compliance for major programs? Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Any audit findings disclosed that are required to be reported in Accordance with 2 CFR 200.516(a) of the Uniform Guidance? No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.XXX	Circuit Rider - Technical Assistance and Training Grant
10.XXX	Source Water - Source Water Plan Technical Assistance
66.468	2% SDWA - Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Auditee qualified as a low-risk auditee? Yes

**WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Section II - Financial Statement Findings

2019 - 001 Debt Service Reserves

CONDITION

The Association has withdrawn funds to cover operating expenses and these amounts were not replaced prior to year-end.

CRITERIA

Bond covenants relating to the Association's notes require that the Association establish a reserve account and to fund such accounts until the sum of \$10,680 is accumulated in the account. The Association's debt reserves are underfunded.

CAUSE

The Association transferred funds out of the account to cover operating expenses.

EFFECT

The Association is in noncompliance with the terms of its debt covenants.

REPEAT FINDING

NO

PRIOR YEAR FINDING NUMBER

N/A

RECOMMENDATION

We recommend the Association immediately transfer funds into the debt reserve account so that the debt reserve is currently funded at the appropriate levels.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

See Corrective Action Plan

**WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Section III - Federal Awards Findings and Questioned Costs

Federal Award Findings and Questioned Costs

None noted.

**WEST VIRGINIA RURAL WATER ASSOCIATION, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

<u>Finding</u>	<u>Title</u>	<u>Status</u>
#2018-001	Reconciliation of Bank Statements	Corrected

Status of Prior Year Single Audit Findings

No Prior Year Single Audit Findings

Subsequent to year-end the Association has transferred the required funds back into the debt reserve account.
Corrective Action Planned to be Taken

Anticipated Completion Date	Contact Person	Title of Finding	Finding #
Immediately	Amy Swann	Debt Service Reserves	2019-001

Financial Statement Findings:

CORRECTIVE ACTION PLAN

