HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

Financial and Compliance Report

June 30, 2020

C O N T E N T S

Arnett Carbis Toothman llp
CPAs & Advisors

actcpas.com

101 Washington Street, East
P.O. Box 2629
Charleston, WV 25329
304.346.0441 | 304.346.8333 fax
800.642.3601

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Directors
Hatfield-McCoy Regional Recreation Authority
Man, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Hatfield-McCoy Regional Recreation Authority (the Authority) as of and for the year ended June 30, 2020 and 2019, and the related footnotes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 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 financial position of the business-type activities of the Authority as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted 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.

Accounting principles generally accepted in the United States of America require that pension and other post-employment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as of and for the years ended June 30, 2020 and 2019, 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* (Uniform Guidance), for the year ended June 30, 2020, is presented for purposes of additional analysis and is not a required part of the 2020 financial statements. Also, the accompanying schedule of state awards for the year ended June 30, 2020, 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 2020 financial statements. The information has been subjected to the auditing procedures applied in the audits of the 2020 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 financial statements or to the 2020 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 in the accompanying supplementary schedules is fairly stated, in all material respects, in relation to the 2020 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 March 18, 2021 on our consideration of the Authority'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 for the year ended June 30, 2020. 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 Authority's internal control over financial reporting and compliance.

Arnett Carbis Toothman LLP

Charleston, West Virginia
March 18, 2021

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

STATEMENTS OF NET POSITION
June 30, 2020 and 2019

ASSETS		2020		2019
CURRENT ASSETS				
Cash and cash equivalents	$	**946,658**	$	1,326,530
Accounts receivable, net of allowance for bad debts of $16,163 in 2020 and $1,825 in 2019		**811,661**		283,732
Grants receivable		**7,901**		131,213
Prepaid expenses		**131,324**		16,833
Prepaid grant matching		**234,204**		220,766
Inventory		**73,865**		67,850
Total current assets		**2,205,613**		2,046,924
CAPITAL ASSETS, net of accumulated depreciation		**6,524,252**		4,787,275
Total assets	$	**8,729,865**	$	6,834,199
DEFFERRED OUTFLOWS				
Deferred outflows - pension	$	**104,828**	$	111,480
Deferred outflows - OPEB		**101,719**		121,715
Total deferred outflows		**206,547**		233,195
Total assets and deferred outflows	$	**8,936,412**	$	7,067,394
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$	**69,350**	$	72,013
Accrued expenses		**103,532**		111,949
Total current liabilities		**172,882**		183,962
LONG-TERM OBLIGATIONS				
Net pension liability		**137,170**		171,786
Net other post-employment benefits liability (OPEB)		**322,738**		412,542
Total liabilities	$	**632,790**	$	768,290
DEFFERRED INFLOWS				
Pension	$	**94,428**	$	101,514
OPEB		**117,093**		54,930
Total deferred inflows	$	**211,521**	$	156,444
NET POSITION				
Investment in capital assets	$	**6,524,252**	$	4,787,275
Unrestricted		**1,567,849**		1,355,385
Total net position		**8,092,101**		6,142,660
Total liabilities, deferred inflows, and net position	$	**8,936,412**	$	7,067,394

See Notes to Financial Statements

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Years Ended June 30, 2020 and 2019

	2020	2019
OPERATING REVENUES		
User permit sales	$ 2,124,895	$ 2,160,003
Marketing and promotional revenue	338,528	412,161
Bad debt expense	(15,993)	(8,283)
Total operating revenues	2,447,430	2,563,881
OPERATING EXPENSES		
Salaries and wages	1,251,817	1,266,427
Payroll taxes	129,131	138,821
Employee benefits	270,009	269,443
Travel and meetings	38,301	60,517
Office	163,463	151,513
Marketing and promotional	475,241	588,392
Trail permits	24,262	20,034
Rent and utilities	34,139	35,391
Legal and professional	323,720	385,691
Insurance	183,680	177,370
Depreciation	305,952	341,168
Trail development and maintenance	349,013	267,799
Building repairs and maintenance	54,092	16,702
Equipment and vehicle repairs and maintenance	218,712	212,067
Small tools and equipment	26,725	21,638
Gain on disposal of assets	(4,305)	(3,980)
Contract labor	374,993	303,290
Total operating expenses	4,218,945	4,252,283
Operating loss	(1,771,515)	(1,688,402)
NONOPERATING REVENUES (EXPENSES)		
Inter-governmental revenues	1,377,479	1,030,181
Grant revenues	1,499,317	3,142,531
Interest income	1,146	1,249
Other expense	(11,986)	(19,574)
Net nonoperating revenues	2,865,956	4,154,387
Change in net position before contributed capital	1,094,441	2,465,985
Capital contribution	855,000	-
Change in net position	1,949,441	2,465,985
NET POSITION		
Beginning of year	6,142,660	3,676,675
End of year	$ 8,092,101	$ 6,142,660

See Notes to Financial Statements

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other sources	**$ 2,029,375**	$ 2,538,218
Cash paid to employees	**(1,702,069)**	(1,704,371)
Cash paid to suppliers	**(2,389,510)**	(2,115,393)
Net cash (used in) operating activities	**(2,062,204)**	(1,281,546)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payment of noncapital contribution to affiliates	**(11,986)**	(19,574)
Net cash (used in) noncapital financing activities	**(11,986)**	(19,574)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	**(2,045,624)**	(2,702,621)
Proceeds from sale of capital assets	**7,000**	3,980
Contributions for acquisition of capital assets	**855,000**	-
State funds in aid of acquisitions	**2,876,796**	4,172,712
Net cash provided by capital and related financing activities	**1,693,172**	1,474,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	**1,146**	1,249
Net cash provided by investing activities	**1,146**	1,249
Net increase (decrease) in cash and cash equivalents	**(379,872)**	174,200
Cash and cash equivalents:		
Beginning of year	**1,326,530**	1,152,330
End of year	**$ 946,658**	$ 1,326,530
RECONCILIATION TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	**$ (1,771,515)**	$ (1,688,402)
Adjustments to reconcile operating (loss) to:		
Depreciation	**305,952**	341,168
Bad debt expense	**15,993**	8,283
(Gain) on disposal of equipment	**(4,305)**	(3,980)
(Increase) decrease in operating assets:		
Accounts and grants receivable	**(420,610)**	(95,656)
Inventory, prepaid expenses and other assets	**(120,506)**	110,624
Prepaid grant matching	**(13,438)**	61,710
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	**(11,080)**	18,107
Net pension liability, deferred outflows and deferred inflows	**47,109**	(22,356)
Other post-employment benefits	**(89,804)**	(11,044)
Net cash (used in) operating activities	**$ (2,062,204)**	$ (1,281,546)

See Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting entity: The Hatfield-McCoy Regional Recreation Authority (the Authority) is a public corporation and government instrumentality of the State of West Virginia established under Chapter 20, Article 14 of the West Virginia Code.

The Authority was created to enable and facilitate the development and operation of a system of trail-oriented recreation facilities to be used for motorcycles or all-terrain vehicles, bicycle riding, horseback riding, and hiking. The Authority has developed, and currently maintains, trail systems located throughout southern West Virginia. The Authority receives support through the sale of trail permits, intergovernmental revenues provided through state appropriations, and federal and state grants.

The accompanying financial statements present the Authority (primary government) only since the Authority does not have component units.

Basis of accounting: The Authority is accounted for as a special purpose government instrumentally engaged in business-type activities in accordance with accounting principles generally accepted in the United States of America. As such, the financial statements are prepared on the accrual basis of accounting, using the flow of economic resources measurement focus. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The Authority's net position is classified as follows:

- **Invested in capital assets, net of related debt** – This represents the Authority's total investment in capital assets, net of accumulated depreciation and reduced by any balances of any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The Authority had no debt related to its capital assets at June 30, 2020 and 2019.

- **Restricted net position, expendable** – This includes resources in which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties, including creditors, grantors or contributors. The Authority does not have any restricted expendable resources at June 30, 2020 and 2019.

- **Restricted net position, nonexpendable** – This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Authority does not have any restricted nonexpendable resources at June 30, 2020 and 2019.

- **Unrestricted net position** – This represents resources derived from other than capital assets or restricted resources. These resources are used for transactions relating to the general operations of the Authority, and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Cash and cash equivalents: Cash and cash equivalents include investments with original maturities of less than one month.

Inventory: Inventories which include retail and advertising merchandise are stated at the lower of cost or market using the last-in, first-out (LIFO) method.

Capital assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items) are reported at historical cost and include interest on funds borrowed to finance construction. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of one year. Contributed capital assets are valued at the approximate fair value at the date of contribution. Depreciation is computed using the straight-line method over a period of 5-39 years.

Net position: Net position is the difference between assets and liabilities. Net investment in capital assets consist of all capital assets, less accumulated depreciation. All remaining net position is considered unrestricted.

Operating revenues and expenses: Operating revenues and expenses are those that result from providing services and producing and delivering goods. It also includes all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

Use of 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 the reported amounts in the financial statements and accompanying notes. Actual results could differ from management's estimates. Significant estimates used in preparing these financial statements include those assumed in determining the allowance for uncollectible accounts and pension liabilities. It is at least reasonably possible that the significant estimates used will change within the next year.

Compensated absences: Employees fully vest in all earned but unused vacation and the Authority accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. In accordance with the State of West Virginia personnel policies, employees vest in any remaining unused sick leave only upon retirement, at which time such unused leave can be converted into employer paid premiums for post-retirement health care coverage or additional periods of credited service for purposes of determining retirement benefits.

Net pension liability: For purposes of measuring the net pension liability and deferred outflows/inflows of the resources related to pensions, and pension expense, information about the fiduciary net position of Hatfield-McCoy Regional Recreational Authority. Public Employee Retirement System (PERS) (referred to as the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB): For purposes of measuring the net OPEB liability and deferred outflows/inflows of the resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefits Trust Fund (RHBT) and additions to/deductions from the RHBT's fiduciary net position have been determined on the same basis as they are reported by the RHBT. RHBT recognized benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications: Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

Subsequent events: In preparing these financial statements, the Authority has evaluated all events and transactions subsequent to June 30, 2020, for potential recognition or disclosure through March 18, 2021, the date these financial statements were issued.

Significant Recently Issued Pronouncements:

On June 28, 2017, the GASB issued Statement No. 87, Leases. This statement established a single approach to accounting for leases where all leases are recognized by lessees on their balance sheet through a lease asset and corresponding lease liability, including today's operating leases. The standard also requires that governmental entities report in their financial statements the amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, the interest expense on the lease liability, and informative disclosures about the lease. Additionally, GASB Statement 87, requires government lessors to recognize a lease receivable and a deferred inflow of resources and continue to report the leased asset in its financial statements; and report in its financial statements lease revenue recognized over the term of the lease corresponding with the reduction of the deferred inflow, interest income on the receivable; and informative note disclosures about the lease. The requirements of the pronouncement are effective for reporting periods beginning after June 15, 2021. The Authority is currently evaluating the impact, if any, that adoption will have on its financial statements.

GASB No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018, establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. For financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. For financial statements prepared using the current financial resources measurement focus, interest incurred before the end of a construction period should continue to be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the pronouncement are effective for reporting periods beginning after December 15, 2020. The Authority is currently evaluating the impact, if any, that adoption will have on its financial statements.

Note 2. Cash and Cash Equivalents

At June 30, 2020 and 2019, the Authority had deposits in financial institutions reported as cash and cash equivalents with carrying balances of $941,854 and $1,321,726, respectively, and bank balances of $1,056,418 and $1,399,915, respectively. Of the bank balances, $250,000 was insured by federal depository insurance. The remaining balances were secured through letters of credit with FHLB Bank assigned to the Authority on behalf of United National Bank. In November 2018, the Authority adopted a policy requiring that the uninsured balance the Authority has on deposit with a financial institution be securitized. The Authority also had cash on hand of approximately $4,804 for both years ending June 30, 2020 and 2019.

Interest rate risk is the risk that changes in interest rates demanded by the market will adversely affect the fair value of an investment. Generally, the longer the duration of time to maturity of an investment is, the greater the sensitivity of its fair value is to changes in market interest rates. The Authority manages its exposure to interest rate risk by maintaining cash equivalent assets in interest bearing bank demand depository accounts that are less affected by changes in market rates as compared to long-term investments.

Note 3. Grants Receivable

Grants receivable from other governments at June 30, 2020 and 2019, consisted of:

	2020	2019
West Virginia Division of Highways	$ 7,901	$ 131,213

Note 4. Capital Assets

Capital asset additions, retirements and balances for the years ended June 30, 2020 and 2019, are as follows:

June 30, 2020	Beginning Balance	Additions / Transfers In	Retirements / Transfers Out	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Construction in process	$ 60,682	$ 55,038	$ (107,432)	$ 8,288
Land	2,455,461	1,510,611	-	3,966,072
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	105,569	-		105,569
Buildings	1,638,998	25,852	-	1,664,850
Equipment	1,583,210	325,077	-	1,908,287
Vehicles	1,247,651	175,797	(37,999)	1,385,449
Leasehold Improvements	475,091	60,681	(5,216)	530,556
Total capital assets being depreciated	5,050,519	587,407	(43,215)	5,594,711
Less accumulated depreciation for:				
Infrastructure	(87,961)	(7,038)	-	(94,999)
Buildings	(298,731)	(42,212)	-	(340,943)
Equipment	(1,055,504)	(150,537)	-	(1,206,041)
Vehicles	(1,117,484)	(75,540)	37,999	(1,155,025)
Leasehold improvements	(219,707)	(33,320)	5,216	(247,811)
Total capital assets being depreciated	(2,779,387)	(308,647)	43,215	(3,044,819)
Total capital assets being depreciated, net	2,271,132	278,760	-	2,549,892
Total capital assets, net	$ 4,787,275	$ 1,844,409	$ (107,432)	$ 6,524,252

June 30, 2019	Beginning Balance	Additions / Transfers In	Retirements / Transfers Out	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Construction in process	$ -	$ 120,518	$ (59,836)	$ 60,682
Land	-	2,455,461	-	2,455,461
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	105,569	-		105,569
Buildings	1,557,449	81,549	-	1,638,998
Equipment	1,556,886	26,324	-	1,583,210
Vehicles	1,201,297	78,605	(32,251)	1,247,651
Leasehold Improvements	475,091	-	-	475,091
Total capital assets being depreciated	4,896,292	186,478	(32,251)	5,050,519

June 30, 2019	Beginning Balance	Additions / Transfers In	Retirements / Transfers Out	Ending Balance
Less accumulated depreciation for:				
Infrastructure	(80,923)	(7,038)	-	(87,961)
Buildings	(258,293)	(40,438)	-	(298,731)
Equipment	(926,525)	(128,979)	-	(1,055,504)
Vehicles	(1,017,318)	(132,417)	32,251	(1,117,484)
Leasehold improvements	(187,411)	(32,296)	-	(219,707)
Total capital assets being depreciated	(2,470,470)	(341,168)	32,251	(2,779,387)
Total capital assets being depreciated, net	2,425,822	(154,690)	-	2,271,132
Total capital assets, net	$ 2,425,822	$ 2,421,289	$ (59,836)	$ 4,787,275

Note 5. Lease

In April 2011, the Authority entered into a twenty-year operating lease for central office space. Under the lease, the Authority paid $36,000 upon the execution of the lease and will incur monthly rental expense with escalating monthly rental payments starting at $600 in the initial year to $1,800 in the final year. Additionally, the Authority has made substantial leasehold improvements. Subsequent to June 30, 2020, the Authority entered into a purchase agreement, on September 30, 2020, with the lessor of the central office space to acquire the property outright. The purchase price of the office space was $212,000.

On October 15, 2015, the Authority entered into a five-year operating lease for office space, maintenance facility, and storage with annual payments of $1,125 expiring on September 30, 2019. This lease was renewed on October 1, 2019 for an additional five-year term. Upon execution of the renewal, the Authority will incur monthly rental expense of $1,300.

Annual lease payments for the remaining term of the leases are as follows:

Year ending June 30,	
2021	$ 15,600
2022	15,600
2023	15,600
2024	15,600
2025	3,900
Thereafter	-
Total	$ 66,300

Amounts charged to rent expense for the leases for 2020 and 2019 are $33,775 and $27,900, respectively.

Note 6. Pension Plan

Defined Benefit Pension Plan- West Virginia Employees Retirement System:

Plan Description, Contribution Information, and Funding Policies

The Authority participates in a state-wide, cost-sharing, multiple-employer defined benefit pension plan on behalf of employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

The Authority contributes to the Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS covers substantially all employees of the State and its component units, as well as employees of participating non-state governmental entities who are not participants of another state or municipal system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of State Legislature.

CPRB issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CPRB website at www.wvretirement.com. The following is a summary of eligibility factors, contribution methods and benefit provisions:

Public Employees Retirement System (PERS)

Eligibility to participate	All Authority full-time employees, except those covered by other pension plans.
Authority establishing contribution obligations and benefit provisions	State Statute
Plan Member's contribution rate	4.50% for members hired prior to July 1, 2015 and 6.00% for members hired after July 1, 2015
The Authority's contribution rate	10.00% for the year ended June 30, 2020 and 2019
Period required to vest	Five years prior to July 1, 2015 and ten years subsequent to July 1, 2015
Benefits and eligibility for distribution	Prior to July 1, 2015: A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit. Subsequent to July 1, 2015: A member who has attained age 62 and has earned 10 years or more of contributing service, or age 55 if sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death benefits	Yes

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

At June 30, 2020 and 2019, the Authority reported the following liability for its proportionate share of the net pension liabilities. The net pension liability as of June 30, 2020 was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and rolled forward to June 30, 2019 using the actuarial assumptions and methods described in the appropriate section of this note. The net pension liability as of June 30, 2019 was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, and rolled forward to June 30, 2018. The Authority's proportion of the net pension liabilities was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2020 and 2019, the Authority reported the following proportions and increase/(decrease) from its proportion measured as of June 30:

	2020	2019
Amount for proportionate share of net pension liability	$ 137,170	$ 171,786
Percentage for proportionate share of net pension liability	0.063796%	0.066519%
Increase/(decrease) % from prior proportion measured	(0.002723%)	0.000178%

For the year ended June 30, 2020 and 2019, the Authority recognized $62,215 and $48,207 as pension expense.

The Authority reported deferred outflows of resources and deferred inflows and resources related to pension from the following sources as of June 30, 2020 and 2019:

June 30, 2020:	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
CHANGE OF ASSUMPTIONS		
Net difference between projected and actual earnings on pension plan investments	$ -	$ (49,580)
Differences between expected and actual Experience	5,309	(11,980)
Changes of assumptions	-	(25,182)
Changes in proportion and differences between contributions and proportionate share of contributions	2,280	(7,686)
Contributions subsequent to the measurement date	97,239	-
	$ 104,828	$ (94,428)

June 30, 2019:	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
CHANGE OF ASSUMPTIONS		
Net difference between projected and actual earnings on pension plan investments	$ -	$ (101,089)
Differences between expected and actual Experience	8,522	(425)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,182	-
Contributions subsequent to the measurement date	93,776	-
	$ 111,480	$ (101,514)

The amount reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:	**PERS**
2021	$ (16,271)
2022	(74,676)
2023	(12,992)
2024	17,100
Total	$ (86,839)

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018, and rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

Public Employees Retirement System:

Actuarial assumptions:	
Inflation rate	3.00% as of June 30, 2019
Salary increases	3.10%-6.50%
Investment Rate of Return	7.50%
Mortality Rates	Healthy males – 108% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Healthy females – 122% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Disabled males – 118% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Disabled females – 118% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018

The total pension liability was determined by an actuarial valuation as of July 1, 2017 and rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement.

Public Employees Retirement System:

Actuarial assumptions:	
Inflation rate	3.00% as of June 30, 2018
Salary increases	3.00%-6.00%
Investment Rate of Return	7.50%
Mortality Rates	Healthy males – 110% of RP – 2000 Non-Annuitant, Scale AA fully generational Healthy females – 101% of RP – 2000 Non-Annuitant, Scale AA fully generational Disabled males – 96% of RP – 2000 Disabled Annuitant, Scale AA fully generational Disabled females – 107% of RP – 2000 Disabled Annuitant, Scale AA fully generational

The actuarial assumptions used in the July 1, 2018, Public Employees Retirement System (PERS) valuations were based on the results of an actuarial experience study for the period June 1, 2013, to June 30, 2018.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which estimates of expected real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Rates summarized in the following table as of June 30, 2019 and 2018 (measurement date) include the inflation component and were used for the following defined benefit plan:

As of June 30, 2019	Long-Term Expected Real Rate of Return	(PERS) Target Asset Allocation
INVESTMENT		
US Equity (Russell 3000)	5.8%	27.5%
International Equity (ACWI ex US)	7.7%	27.5%
Fixed Income	3.3%	15.0%
Real Estate	6.1%	10.0%
Private Equity	8.8%	10.0%
Hedge Funds	4.4%	10.0%
		100.0%

As of June 30, 2018	Long-Term Expected Real Rate of Return	(PERS) Target Asset Allocation
INVESTMENT		
US Equity (Russell 3000)	4.5%	27.5%
International Equity (ACWI ex US)	8.6%	27.5%
Fixed Income	3.3%	15.0%
Real Estate	6.0%	10.0%
Private Equity	6.4%	10.0%
Hedge Funds	4.0%	10.0%
		100.0%

Discount rate - The discount rate used to measure the total pension liability was 7.5% as of June 30, 2019 and 2018 (measurement dates). The projection of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position for each defined benefit pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities of each plan.

The following charts as of June 30, 2019 and 2018 (measurement dates), presents the sensitivity of the net pension liability to changes in the discount rate calculated using the discount rates as used in the actuarial evaluation, and what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

As of June 30, 2020	**1% Decrease**	**Current Discount Rate**	**1% Increase**
Authority's proportionate share of PERS's net Pension asset (liability)	$ (638,948)	$ (137,170)	$ 287,303

As of June 30, 2019	**1% Decrease**	**Current Discount Rate**	**1% Increase**
Authority's proportionate share of PERS's net Pension asset (liability)	$ (691,817)	$ (171,786)	$ 268,153

Pension plans' fiduciary net position - Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report available at the Consolidated Public Retirement Board's website at www.wvretirement.com. That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

Note 7. Grant Revenues

Grants revenues recognized during the years ended June 30, 2020 and 2019, consisted of the following:

	2020	2019
West Virginia Division of Highways – Recreational Trails Program	$ 87,249	$ 246,840
Appalachian Regional Commission	470,508	374,706
Abandoned Mine Land Reclamation Program – Ivy Branch	599,268	2,446,424
Abandoned Mine Land Reclamation Program – Triadelphia	-	48,500
Abandoned Mine Land Grant Ivy Phase II	53,100	-
Economic Adjustment Assistance Grant	269,626	-
Other	19,566	26,061
Total grant revenues	$ 1,499,317	$ 3,142,531

Note 8. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; employee health and life coverage and natural disasters. The Authority has purchased property and casualty insurance through the State of West Virginia's Board of Risk and Insurance Management (BRIM) and a commercial insurance carrier and employee health insurance and coverage for work-related accidents and injuries through commercial insurance carriers.

BRIM is a public risk pool that provides for general, property, medical malpractice, and automobile liability. Amounts paid to BRIM for the years ended June 30, 2020 and 2019 were $58,197 and $63,172.

In exchange for payment of premiums to BRIM and commercial insurance companies, the Authority has transferred its risks for property loss, employee health coverage and employee work related injuries.

Note 9. Post-Employment Benefits Other than Pension

The Authority participates in the West Virginia Other Post-Employment Benefit (OPEB) Plan of the West Virginia Retiree Health Benefit Trust Fund (RHBT), a cost sharing multiple-employer defined benefit post-employment healthcare plan for eligible employees administered by the West Virginia Public Employee Insurance Agency (PEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers.

The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the Finance Board to establish and amend benefit plans to the PEIA Board of Trustees. The PEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB plan. That report may be obtained by writing to West Virginia Public Employees Insurance Agency, 601 57th Street, Charleston, WV 25304, or from the PEIA website at www.peia.wv.gov. The Authority's required contributions for OPEB for fiscal years 2020 and 2019 were $40,773 and $39,786.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation of any estimate of future post-employment costs requires consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs option, changes in the investment rate of return and other matters increase the level of uncertainty of such estimates. As such, the estimate of post-employment program costs contains considerable uncertainty and variability and actual experience may vary significantly by the current estimated net OPEB liability.

The net OPEB liability as of June 30, 2020 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to June 30, 2019 using the actuarial assumptions and methods described in the appropriate section of this note. The net OPEB liability as of June 30, 2019 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018, and rolled forward to June 30, 2019. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the OPEB plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share as well as the OPEB expense:

	2020	2019
Amount for proportionate share of net pension liability	$ 322,738	$ 412,542
Percentage for proportionate share of net pension liability	0.0194522%	0.0192288%
Increase % from prior proportion measured	0.0002234%	0.0020028%

At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows and resources related to OPEB from the following sources:

	2020	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Change of assumptions	$ -	$ 65,454
Net difference between projected and actual earnings on plan investments	1,915	13,999
Differences between expected and actual experience	-	37,640
Changes in proportion and differences between contributions and proportionate share of contributions	59,031	-
Contributions subsequent to the measurement date	40,773	-
	$ 101,719	$ 117,093

	2019	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Change of assumptions	$ -	$ 41,192
Net difference between projected and actual earnings on plan investments	-	7,636
Differences between expected and actual experience	-	6,102
Changes in proportion and differences between contributions and proportionate share of contributions	81,929	-
Contributions subsequent to the measurement date	39,786	-
	$ 121,715	$ 54,930

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

Years Ending June 30:	
2021	$ (8,278)
2022	(12,717)
2023	(21,090)
2024	(14,062)
Total	$ (56,147)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 (measurement date), using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.75% as of June 30, 2019
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment Rate of Return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 20-year closed period
Mortality rates	Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS.
Inflation rate	2.75% as of June 30, 2018
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment Rate of Return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to health care trend rates pertaining to per capita claims beginning in 2022 to account for the Excise Tax.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 21-year closed period
Mortality rates	Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period 2010 - 2015.

The long-term rates of return on OPEB plan investments are determined using a building-block method in which estimates of expected future real rates of returns (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund, and 10% real estate invested for June 30, 2020 and 2019. Short-term assets used to pay current year benefits and expenses are invested with the West Virginia Board of Treasury Investments. Best estimates of long-term geometric rates are summarized in the following table:

As of June 30, 2020	**Long-Term Expected Real Rate of Return**
Global equity	4.8%
Core plus fixed income	2.1%
Core real estate	4.1%
Hedge fund	2.4%
Private equity	6.8%
Short-Term Fixed	0.3%

As of June 30, 2019	Long-Term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%

Discount rate

The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Sensitivity of the government's proportionate share of the net OPEB liability to changes in the discount rate - The following chart presents the sensitivity of the net OPEB liability to changes in the discount rate calculated using the discount rates as used in the actuarial evaluation, and what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

As of June 30, 2020	**1% Decrease**	**Current Discount Rate**	**1% Increase**
Net OPEB liability	$ 385,178	$ 322,738	$ 270,486

As of June 30, 2019	**1% Decrease**	**Current Discount Rate**	**1% Increase**
Net OPEB liability	$ 484,861	$ 412,542	$ 352,257

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher:

As of June 30, 2020	**1% Decrease**	**Healthcare Cost Trend Rate**	**1% Increase**
Net OPEB liability	$ 260,241	$ 322,738	$ 398,577

As of June 30, 2019	**1% Decrease**	**Healthcare Cost Trend Rate**	**1% Increase**
Net OPEB liability	$ 341,357	$ 412,542	$ 499,280

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report available at the West Virginia Public Employee Insurance Agency's website at peia.wv.gov. That information can also be obtained by writing to the West Virginia Public Employee Insurance Agency, 601 57th Street, Suite 2, Charleston, West Virginia 25304.

REQUIRED SUPPLEMENTARY INFORMATION

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
June 30, 2020, 2019, 2018, 2017 and 2016

Schedule of Proportionate Share of the Net Pension Liabilities (Assets)

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Authority's proportion of the net pension liability (percentage)	**0.063796 %**	0.066519 %	0.066341 %	0.065543 %	0.061989 %
Authority's proportionate share of the net pension liability	**$ 137,170**	$ 171,786	$ 286,356	$ 602,414	$ 346,149
Authority's covered-employee payroll	**$ 972,390**	$ 937,760	$ 919,073	$ 915,217	$ 906,519
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**14.11 %**	18.32 %	31.16 %	65.82 %	38.18 %
Plan fiduciary net position as a percentage of the total pension liability	**96.99 %**	96.33 %	93.67 %	86.11 %	91.29 %

Schedule of Pension Contributions

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually required contribution	**$ 97,239**	$ 93,776	$ 101,098	$ 109,826	$ 122,380
Contribution in relation to the contractually required contribution	**$ (97,239)**	$ (93,776)	$ (101,098)	$ (109,826)	$ (122,380)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	**$ 972,390**	$ 937,760	$ 919,073	$ 915,217	$ 906,519
Contributions as a percentage of covered-employee payroll	**10.00 %**	10.00 %	11.00 %	12.00 %	13.50 %

Note: These schedules are intended to present ten years of the proportionate share of the net pension liability and contributions. Currently, only those years with information available are presented.

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
June 30, 2020, 2019 and 2018

Schedule of Proportionate Share of the Net OPEB Liability

	June 30, 2020	June 30, 2019	June 30, 2018
Authority's proportion of the net OPEB liability (percentage)	**0.019452 %**	0.019229 %	0.017226 %
Authority's proportionate share of the net OPEB liability	**$ 322,738**	$ 412,542	$ 423,586
Authority's covered-employee payroll	**$ 833,914**	$ 724,588	$ 809,325
Authority's proportionate share of the net OPEB liaiblity as a percentage of its covered-employee payroll	**38.70 %**	56.93 %	52.34 %
Plan fiduciary net position as a percentage of the total OPEB liability	**39.69 %**	30.98 %	25.10 %

Schedule of OPEB Contributions

	June 30, 2020	June 30, 2019	June 30, 2018
Contractually required contribution	**$ 40,733**	$ 39,786	$ 44,424
Contribution in relation to the contractually required contribution	**$ (40,733)**	$ (39,786)	$ (44,424)
Contribution deficiency (excess)	**$ -**	$ -	$ -
Authority's covered-employee payroll	**$ 833,914**	$ 724,588	$ 809,325
Contributions as a percentage of covered-employee payroll	**4.88 %**	5.49 %	5.49 %

Note: These schedules are intended to present ten years of the proportionate share of the net OPEB liability and contributions. Currently, only those years with information available are presented.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Entity Identification Number	Passed Through to Subrecipient	Federal Expenditures
Appalachian Region Commission (ARC):				
Appalachian Regional Development	23.001	N/A	$ -	$ 445,814
U.S. Department of Commerce Economic Development Administration:				
Economic Adjustment Assistance	11.307	N/A	-	269,626
Total Direct Awards			-	715,440
U.S. Department of Transportation:				
Passed through the West Virginia Department of Transportation, Division of Highways:				
Recreational Trails Program	20.219	N/A	-	87,249
U.S. Department of Interior:				
Passed through the State of West Virginia Through the Office of Surface Mine Reclamation and Enforcement:				
Abandoned Mine Land Reclamation (AMLR) Program	15.252	N/A	-	770,525
Total Pass-Through Awards			-	857,774
Total Expenditures of Federal Awards			$ -	$ 1,573,214

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hatfield-McCoy Regional Recreation Authority (the Authority) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented 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 Authority it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Authority does not use the 10% de minimis indirect cost rate allowed under Uniform Guidance as the Federal programs administered by the Authority do not include charges for indirect costs.

actcpas.com

Arnett Carbis Toothman llp
CPAs & Advisors

101 Washington Street, East
P.O. Box 2629
Charleston, WV 25329
304.346.0441 | 304.346.8333 fax
800.642.3601

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Hatfield-McCoy Regional Recreation Authority
Man, West Virginia

We have audited, 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, the financial statements of the business-type activities of the Hatfield-McCoy Regional Recreation Authority (Authority), as of and for the years ended June 30, 2020 and 2019, and have issued our report thereon dated March 18, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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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Purpose of this Report

This report is intended 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 Authority's internal control or 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.

Arnett Carbis Toothman LLP

Charleston, West Virginia
March 18, 2021

actcpas.com

Arnett Carbis Toothman llp
CPAs & Advisors

101 Washington Street, East
P.O. Box 2629
Charleston, WV 25329
304.346.0441 | 304.346.8333 fax
800.642.3601

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

Board of Directors
Hatfield-McCoy Regional Recreation Authority
Man, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Hatfield-McCoy Regional Recreation Authority (Authority), in 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 Authority's major federal programs for the year ended June 30, 2020. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority'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 Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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, evidence about the Authority'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 basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Hatfield-McCoy Regional Recreation Authority 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 June 30, 2020.

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Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Authority'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.

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Arnett Carbis Toothman LLP

Charleston, West Virginia
March 18, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

Section I. – Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______yes __X__no
- Significant deficiency(ies) identified? ______yes __X__none reported

Noncompliance material to financial statements noted? ______yes __X__no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______yes __X__no
- Significant deficiency(ies) identified? ______yes __X__none reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ___yes __X no

Identification of major programs:

CFDA Number	Name of Federal program or Center	Amount Expended
15.252	Abandoned Mine Lands Pilots Grant – Ivy Branch	$ 770,525

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ___ yes __X__no

Section II. – Financial Statement Findings

No matters were reported.

Section III. – Findings and Questioned Costs for Federal Awards

No matters were reported.

AUDITEE'S SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

Financial Statement Findings:

No matters were reported.

Findings of Questioned Costs for Federal Awards:

No matters were reported