

LOUISIANA RURAL WATER ASSOCIATION, INC.

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT

Year Ended June 30, 2020

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3-4
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-16
SUPPLEMENTAL INFORMATION	
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES	18
SCHEDULE OF INDIRECT EXPENSES	19
SCHEDULE OF FUNCTIONAL ALLOCATION OF EXPENSES	20
OTHER INFORMATION	
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER	22
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	23
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	24-25
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	26-27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	28-29

INDEPENDENT AUDITORS' REPORT

March 19, 2021

To the Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, LA

Report on the Financial Statements

We have audited the accompanying statement of financial position of Louisiana Rural Water Association, Inc. (a nonprofit organization), as of June 30, 2019, and the related statements of activities and cash flows for the year 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.

Auditors' 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 of 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 auditors' 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 assessing the accounting principles used and significant 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 opinion.

To the Board of Directors
Louisiana Rural Water Association, Inc.
March 19, 2021
Page Two

The prior year summarized comparative information has been derived from Louisiana Rural Water Association, Inc.'s 2019 financial statements and, in our report dated October 10, 2019; we expressed an unmodified opinion on those financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Rural Water Association, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information and other information 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 October 15, 2019 on our consideration of Louisiana Rural Water Association, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Louisiana Rural Water Association, Inc.'s internal control over financial reporting and compliance.

Shagon, Casiday, Skillery

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Financial Position

June 30, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash	\$ 190,238	\$ 336,855
Investments	428,770	427,424
Accounts receivable	351,824	271,702
Prepaid expenses	9,179	28,661
Total Current Assets	<u>980,011</u>	<u>1,064,642</u>
Fixed assets, at cost (net of accumulated depreciation of \$1,035,425 for 2020)	<u>592,095</u>	<u>554,482</u>
TOTAL ASSETS	<u><u>\$ 1,572,106</u></u>	<u><u>\$ 1,619,124</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 116,854	\$ 120,490
Deferred income	141,229	273,468
Vacation and sick leave payable	368,399	347,609
Total Current Liabilities	<u>626,482</u>	<u>741,567</u>
Net Assets		
Unrestricted	<u>945,624</u>	<u>877,557</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,572,106</u></u>	<u><u>\$ 1,619,124</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Activities

Year Ended June 30, 2020

	Unrestricted	Donor restricted	Totals	
			2020	2019
REVENUES AND RECLASSIFICATIONS				
Grants	\$ 1,625,970	\$ -	\$ 1,639,614	\$ 1,353,807
Contributions - In-kind	11,124	-	11,124	21,561
Membership fees	296,431	-	296,431	303,896
Conference	340,347	-	340,347	310,532
Training	85,632	-	85,632	110,755
Advertising	33,174	-	33,174	35,108
Interest	13,326	-	13,326	13,992
Other - federal programs	91,975	-	91,975	115,820
Miscellaneous	72,071	-	58,427	72,619
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	-	-	-	-
Total Revenues and Reclassifications	<u>2,570,050</u>	<u>-</u>	<u>2,570,050</u>	<u>2,338,090</u>
EXPENSES				
General and administrative	700,778	-	700,778	809,548
Federal program subsidies	91,975	-	91,975	109,922
Program services:				
LA - WARN	9,459	-	9,459	(1,309)
E.P.A.	101,198	-	101,198	102,133
Circuit rider - National Rural Water	384,477	-	384,477	401,606
Wastewater - National Rural Water	254,871	-	254,871	147,654
Energy	467,212	-	467,212	497,279
Drinking water - USDA	119,201	-	119,201	134,948
Energy Efficiency	114,091	-	114,091	-
Apprenticeship	82,422	-	82,422	-
Pre-Apprenticeship/Youth	16,575	-	16,575	-
DEQ - Homeowner sewer maintenance	60,000	-	60,000	60,000
Community Development Block Grant	53,477	-	53,477	20,000
Capacity Development training	46,247	-	46,247	48,499
Total Expenses	<u>2,501,983</u>	<u>-</u>	<u>2,501,983</u>	<u>2,330,280</u>
INCREASE (DECREASE) IN NET ASSETS	68,067	-	68,067	7,810
NET ASSETS - BEGINNING OF YEAR	<u>877,557</u>	<u>-</u>	<u>877,557</u>	<u>869,747</u>
NET ASSETS - END OF YEAR	<u>\$ 945,624</u>	<u>\$ -</u>	<u>\$ 945,624</u>	<u>\$ 877,557</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Cash Flows

Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 68,067	\$ 7,810
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	48,865	42,392
Unrealized (gain) loss on investments	(6,150)	(10,840)
(Increase) decrease in assets		
Accounts receivable	(80,122)	(56,056)
Prepaid expenses	19,482	(8,796)
Increase (decrease) in liabilities		
Accounts payable	(3,636)	45,832
Deferred income	(132,239)	20,298
Vacation and sick leave payable	20,790	22,734
Net cash from operating activities	<u>(64,943)</u>	<u>63,374</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments and noncash equivalents	4,803	(7,861)
Purchase of fixed assets	(86,477)	(77,717)
Net (Payments) borrowings on debt	-	-
Net cash used by investing activities	<u>(81,674)</u>	<u>(85,578)</u>
Net increase (decrease) in cash equivalents	(146,617)	(22,204)
Cash equivalents - beginning of year	<u>336,855</u>	<u>359,059</u>
Cash equivalents - end of year	<u>\$ 190,238</u>	<u>\$ 336,855</u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association was formed in 1978 to provide training and technical assistance to rural water and wastewater systems throughout Louisiana.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Louisiana Rural Water Association, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Revenues

Revenues are derived primarily from federal and state grants and from membership fees. Grants are summarized as follows:

E.P.A. - To provide training and technical assistance to rural and small public water supply systems. Revenue of \$102,675 was recognized in the current year. Current grant agreement runs through July 31, 2020.

Circuit Rider - National Rural Water Association, Inc. - To provide technical assistance to systems servicing rural areas or cities/towns with a population under 10,000. Revenue of \$367,727 was recognized in the current year. Current grant agreement runs through November 30, 2020.

Wastewater - National Rural Water Association, Inc. - To provide technical assistance to "Rural Development Administration" funded and potentially funded wastewater systems. Revenue of \$222,800 was recognized in the current year. Current grant agreement runs through June 30, 2020.

Energy - "Rural Water Energy Conservation Program". Revenue of \$492,539 was recognized in the current year. Current grant agreement ran through June 30, 2020.

Drinking Water - USDA - To provide training and technical assistance to implement federal drinking water grant. Revenue of \$116,082 was recognized in the current year. Current grant agreement runs through June 30, 2020.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Very small water system - To provide training for very small water system's operators. Revenue of \$12,500 was recognized in the current year. Current grant agreement runs through June 30, 2020.

DEQ homeowner sewage maintenance – To educate homeowners on the importance of inspecting and maintaining their own individual sewage treatment system. Revenue of \$42,163 was recognized in the current year. Current grant agreement runs through August 31, 2020.

Capacity Development - To provide on-site technical assistance and training for public water systems. Revenue of \$40,000 was recognized in the current year. Current grant agreement runs through June 30, 2020.

Community Development Block Grant – To conduct and provide rate analysis assistance to public water systems that have been identified by the Louisiana Office of Community Development as a recipient of funding for the program. Revenue of \$30,120 was recognized in the current year. Current grant agreement runs through April 30, 2021.

Energy Efficiency – To provide training and technical assistance on renewable energy systems and energy efficiency improvements. Revenues of \$114,011 was recognized in the current year. Current grant agreement runs through June 30, 2020.

Apprenticeship/Preapprenticeship – To provide training to water utility apprentices in rural water systems. From classroom instruction and on-the-job training, apprentices are provided the tools necessary to be a successful operation specialist in the community. Revenues of \$98,997 was recognized in the current year. Current grant agreement runs through September 30, 2020.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Accounts receivable at June 30, 2020 of \$351,824 represents receivables from the federal and state grants, all deemed collectable.

Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$4,746 for 2020.

Deferred Income

Grant funds received from the grantor for particular operating purposes are deemed to be earned and reported as revenues when the Association has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred amounts. There are no such deferred amounts at June 30, 2020.

Deferred income of \$141,229 at June 30, 2020 represents July 2020 conference income received prior to June 30, 2020.

Cash

Cash includes amounts in demand deposits. The Association's policy is to secure required collateral to safeguard all of the financial instruments. At June 30, 2020, the Association had \$348,736 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal depository insurance, and \$98,736 of pledged securities held by the custodial bank and government securities.

Prepaid Expenses

Prepaid expenses of \$9,179 at June 30, 2020 represent mostly conference expenses paid at year end.

Vacation and Sick Leave Policies

The Association's vacation policy permits 10 days after one year of service, 15 days after five years of service and 20 days after 20 years of service. Accrued vacation must be taken within one year. Employees are paid for unused vacation days upon termination of employment. Accrued vacation payable is recorded at \$54,728 at June 30, 2020.

The Association's sick leave policy permits the accumulation of one day per month up to a maximum of 120 days. Employees are not paid for unused sick days upon termination of employment. Accrued sick leave is recorded at \$313,671 at June 30, 2020.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Association has received permission from its federal grantor agency to accrue funded vacation and sick leave benefits. The federal programs fund the accruals to accumulate funds to pay for terminations and long-term illnesses of employees paid from those programs. The accrual cannot be more than the legal liability for those programs.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in 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), restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Classification of Net Assets

Net assets of the Association are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Association. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Association does not interpret the guidance in the standard to include amounts restricted by awarding agencies as donor-restricted. The Association believes that these amounts do not meet the spirit of the standard for such a classification or is there any industry standard indicating that others will treat these assets as donor-restricted.

All net assets of the Association at June 30, 2020 were considered to be net assets without donor restrictions.

Subsequent Events

Management has evaluated subsequent events through March 19, 2021, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact the Association's ongoing operations; however, the extent and severity of the potential impact is unknown at this time.

NOTE B - INVESTMENTS

Investments are composed of governmental mutual funds investing in debt and equity securities and the Louisiana Asset Management Pool (LAMP) and are carried at net asset value. The net asset value is calculated as the total value of the investment's assets minus the total value of its liabilities and is obtained from monthly investment statements. Investments as of June 30, 2020 are summarized as follows:

Type of Debt Investment	Fair Value	Maturity			Credit Rating (Standards and Poor's)
		Less than 1 Year	1 to 5 Years	6 to 10 Years	
Investments at fair value					
Certificates of deposit	\$ 154,986	\$ -	\$ 154,986	\$ -	N/A
Subtotal	154,986	-	154,986	-	
Investments measured at the net asset value (NAV)					
Federated U.S. Government Securities CI A Mutual Fund	157,067	157,067	-	-	Unrated
Louisiana Asset Management Pool	116,717	116,717	-	-	AAAm
Total investments measured at NAV	273,784	273,784	-	-	
Total Investments	\$ 428,770	\$ 273,784	\$ 154,986	-	

The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2020

NOTE B – INVESTMENTS (CONTINUED)

valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Association has the following recurring fair value measurements as of June 30, 2020:

Level 2 inputs – certificate of deposits totaling \$154,986 are valued using a market based approach comprised of a combination of directly observable quoted prices and a matrix pricing technique that relies on the securities' relationship to other benchmark quoted securities.

Interest Rate Risk: The Association's policy on investments states that safety of principal is the foremost objective, followed by liquidity and yield. Each investment transaction shall seek to first insure that capital losses are avoided no matter the sources.

Credit Rate Risk: The Association has investments in LAMP, an external investment pool of \$116,717 that is rated AAAM by Standard & Poor's, Federated U.S. Government Securities Mutual Funds of \$157,067 which are unrated and certificates of deposit of \$154,986 which are unrated. Its policy states that investment decisions should not incur unreasonable risks in order to obtain current investment income and requires the overall quality rating on rated investments to be no lower than AA- as measured by Standard & Poor's or the equivalent rating (Aa3) by Moody's Investor Service.

Concentration of Credit Risk: The Association's investment portfolio had concentration of credit risk on June 30, 2020 due to the holdings of Federated U.S. Government Securities mutual fund at 37%, LAMP at 27% and Certificate of Deposits at 37% all permitted by Statute and by the Association's Investment Policy.

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the counter party, 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's policy addresses custodial credit risk for investments by requiring that they must be held by national banks, state-chartered banks or a national or state trust company in the name of the Association.

The \$116,717 in money market investments is invested in LAMP. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2020

NOTE B – INVESTMENTS (CONTINUED)

Louisiana are authorized to invest in accordance with LA-R.S. 33.2955. LAMP is a governmental investment pool that reports at fair value. The following facts are relevant for investment pools:

Credit risk: LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments.

The following summarizes the investment return:

Interest earned	\$ 7,176
Unrealized gain (loss)	<u>6,150</u>
Net investment return	<u>\$ 13,326</u>

NOTE C - FIXED ASSETS

A summary of fixed assets follows:

Building and land	\$ 709,632
Equipment	<u>917,888</u>
	1,627,520
Less accumulated depreciation	<u>1,035,425</u>
	<u>\$ 592,095</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2020

NOTE C - FIXED ASSETS - CONTINUED

Fixed Assets are stated at cost, net of accumulated depreciation. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Depreciation is provided over the estimated useful lives, ranging from 5 to 31 years, of the respective assets calculated on the straight line method. Depreciation expense for the year ended June 30, 2020 was \$48,865.

NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE E - CONTINGENCIES

The Association receives a substantial amount of its support from federal and state government grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

NOTE F - INCOME TAXES

The Association is exempt from federal income taxes under the provision of Section 501(c)(6) of the Internal Revenue Code.

NOTE G – RETIREMENT PLAN

The Association has a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Association contributes seven percent of each eligible employee's salary. Employees may contribute up to fifteen percent, but must contribute at least three percent, of each eligible employee's salary. Plan expenses incurred by the Association for the year ended June 30, 2020 was \$65,653.

NOTE H – COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2020

NOTE I – LIQUIDITY

At June 30, 2020, the Association has \$970,832 cash, investments and receivables available to meet needs for general expenditures consisting of cash of \$190,238, accounts receivable of \$351,824 and investments of \$428,770. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Association manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Association are expected to be met on a monthly basis from grant income. In general, the Association maintains sufficient financial assets on hand to meet thirty days' worth of normal operating expenses.

SUPPLEMENTAL INFORMATION

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of General and Administrative Expenses

Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>
Advertising	\$ 4,746	\$ 6,887
Conference - other	7,481	10,476
Conference - LRWA	181,210	173,253
Dues	24,463	22,205
Employee benefits	7,837	13,606
Fringe and Benefits	-	15,280
Indirect expenses - Internal	160,694	190,981
Indirect expenses - unallocated excess	91,423	160,221
Miscellaneous	21,333	17,104
Newsletter	19,396	27,165
Office expense	266	15
Professional fees	2,400	-
Public relations	11,035	12,349
Retirement	3,738	3,151
Rural water rally	26,294	16,075
Salaries	53,946	58,393
Scholarship	5,500	6,000
Taxes - payroll	4,015	4,358
Training	49,826	51,021
Travel - administrative	5,559	4,291
Travel - board	19,616	16,717
	<u>\$ 700,778</u>	<u>\$ 809,548</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Indirect Expenses

Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>
Board members	\$ 2,631	\$ 1,036
Depreciation	23,299	19,137
Employee benefits	96,136	97,012
Equipment lease	8,501	8,308
Insurance	17,804	17,271
Office supplies	24,386	63,112
Postage	2,217	1,005
Professional fees	13,745	14,750
Repairs and maintenance	27,503	13,467
Retirement	21,712	20,518
Salaries	317,672	293,112
Taxes - payroll	24,229	22,268
Telephone	33,163	28,906
Travel - Administrative	23,754	24,723
Travel - Board	24,184	30,609
Utilities	4,283	5,240
	<u>\$ 665,219</u>	<u>\$ 660,474</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Functional Allocation of Expenses

Year Ended June 30, 2020

	June 30, 2020			June 30, 2019		
	Program Services	Supporting Activities - Management and General	Total	Program Services	Supporting Activities - Management and General	Total
Advertising	\$ -	\$ 4,746	\$ 4,746	\$ -	\$ 6,887	\$ 6,887
Board member expenses	-	2,631	2,631	-	1,036	1,036
Conference-other	-	7,481	7,481	-	10,476	10,476
Conference-LRWA	-	181,210	181,210	-	173,253	173,253
Depreciation	25,313	23,299	48,612	23,255	19,137	42,392
Dues	-	24,463	24,463	-	22,205	22,205
Employee benefits	190,474	108,779	299,253	155,008	110,618	265,626
Equipment lease	-	8,501	8,501	-	8,308	8,308
Federal program subsidies	-	91,975	91,975	-	109,922	109,922
Fringe and taxes	-	(4,807)	(4,807)	-	15,280	15,280
Indirect expenses	413,356	160,694	574,050	308,643	190,981	499,624
Indirect expenses-unallocated	-	(574,050)	(574,050)	-	(500,628)	(500,628)
Insurance	-	17,804	17,804	-	17,271	17,271
LA Warn expenses	9,459	-	9,459	(1,309)	-	(1,309)
Miscellaneous	12,117	21,585	33,702	19,134	17,483	36,617
Newsletter	-	19,396	19,396	-	27,165	27,165
Office expense	-	266	266	-	15	15
Office supplies	-	24,386	24,386	-	63,112	63,112
Postage	-	2,217	2,217	-	1,005	1,005
Professional fees	-	16,145	16,145	-	14,750	14,750
Public relations	-	11,035	11,035	-	12,349	12,349
Repairs and maintenance	15,591	27,503	43,094	21,208	13,467	34,675
Retirement	37,886	25,451	63,337	34,023	23,669	57,692
Rural water rally	-	26,294	26,294	-	16,075	16,075
Salaries	682,605	371,619	1,054,224	532,608	351,505	884,113
Scholarship	-	5,500	5,500	-	6,000	6,000
Taxes-payroll	52,625	28,244	80,869	40,891	26,626	67,517
Telephone	-	33,163	33,163	-	28,906	28,906
Training	28,339	49,826	78,165	21,189	51,021	72,210
Travel-administrative	-	29,313	29,313	-	29,014	29,014
Travel-board	241,465	43,800	285,265	256,157	47,325	303,482
Utilities	-	4,284	4,284	-	5,240	5,240
Total	\$ 1,709,230	\$ 792,753	\$ 2,501,983	\$ 1,410,807	\$ 919,473	\$ 2,330,280

OTHER INFORMATION

LOUISIANA RURAL WATER ASSOCIATION, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO CHIEF EXECUTIVE OFFICER

Year Ended June 30, 2020

Chief Executive Officer: Patrick Credeur, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$117,212
Benefits - insurance	18,573
Benefits - retirement	8,086
Benefits - cell phone	-
Vehicle provided by government	-
Per diem	6,357
Reimbursements	-
Travel-mileage	11,247
Registration fees	399
Conference travel	14,121
Continuing professional education fees	-
Housing-lodging	11,603
Unvouchered expenses	-
Meal reimbursements	3,674
Dues	-

LOUISIANA RURAL WATER ASSOCIATION

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR NUMBER	DISBURSEMENTS/ EXPENDITURES
United States Department of Agriculture			
Passed through National Rural Water Association, Inc			
Technical Assistance and Training Grants:			
Circuit Rider	10.761		\$ 367,727 *
Energy Efficiency	10.761		114,010 *
Waste Water	10.761		231,931 *
Sustainability	10.761		9,125 *
Apprenticeship/Pre-Apprenticeship	10.761		95,156 *
			<u>817,949</u>
United States Environmental Protection Agency			
Passed through National Rural Water Association, Inc			
Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act			
Training	66.424		83,840
Source Water	66.424		116,082
			<u>199,922</u>
Nonpoint Source Implementation Grants	66.460		60,000
Capitalization Grants for Drinking Water State Revolving Funds			
Capacity Development	66.468		40,000
			<u>299,922</u>
United States Department of Housing and Urban Development			
Passed through the Louisiana Division of Administration - Office of Community Development			
Community Development Block Grant	14.228		49,999
Total Federal Awards			<u>\$ 1,167,870</u>

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Louisiana Rural Water Association 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 Louisiana Rural Water Association it is not intended to and does not present the financial position, changes in net position, or cash flows of the Louisiana Rural Water Association.

NOTE B -- SUMMARY OF SIGNIFIACNT ACCOUNTING POLICIES

(1) 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.

* major program

INDEPENDENT AUDITORS' 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

March 19, 2021

To the Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, LA

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 Louisiana Rural Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana 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 expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Rural Water Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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, detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

To the Board of Directors
Louisiana Rural Water Association, Inc.
March 19, 2021
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Rural Water Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dragoon, Casiday: Shillery

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

March 19, 2021

To the Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, LA

Report on Compliance for Each Major Federal Program

We have audited Louisiana Rural Water Association, Inc's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Louisiana Rural Water Association, Inc's major federal programs for the year ended June 30, 2020. Louisiana Rural Water Association, Inc'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 federal statutes, regulations, and the terms and conditions of its federal awards.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Louisiana Rural Water Association, Inc'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 State 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, evidence about Louisiana Rural Water Association, Inc'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 Louisiana Rural Water Association, Inc's compliance.

To the Board of Directors
Louisiana Rural Water Association, Inc.
March 19, 2021
Page Two

Opinion on Each Major Federal Program

In our opinion, Louisiana 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 June 30, 2020.

Report on Internal Control Over Compliance

Management of Louisiana Rural Water Association, Inc. 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 Louisiana Rural Water Association, Inc'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 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 Louisiana 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.

Shagon, Casiday: Shilley

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses(es) identified? ___ yes X no
- Control deficiencies identified that are
not considered to be material weakness(es)? ___ 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
- Control deficiencies identified
that are not considered to be material
weakness(es)? ___ yes X none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of the Uniform Guidance?

___ yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.761	Circuit Rider
10.761	Energy Efficiency
10.761	Waste Water
10.761	Sustainability
10.761	Apprenticeship/Pre-Apprenticeship

Dollar threshold used to distinguish
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

___ yes X no

II – Financial Statement Findings

None

Continued

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2020

III – Federal Award Findings and Questioned Costs

None

IV – Prior Year audit Findings

None