



FAP ADMINISTRATION ACCOUNT

**ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021
AND INDEPENDENT AUDITOR'S REPORT**

**OKLAHOMA WATER RESOURCES BOARD
FAP ADMINISTRATION ACCOUNT
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2022 and 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Oklahoma Water Resources Board

Opinions

We have audited the accompanying financial statements of the Oklahoma Water Resources Board FAP Administrative Account (the "Account") as of and for the year ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Account's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Account, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Account and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Account's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Account's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2022 on our consideration of the Account's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Account's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

Edmond, Oklahoma
September 16, 2022



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MANAGEMENT'S DISCUSSION AND ANALYSIS

**OKLAHOMA WATER RESOURCES BOARD
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MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Oklahoma Water Resources Board FAP Administration Account (the "Account") financials provides an overview of the financial activities of the administrative fees and related expenses for the fiscal years ended June 30, 2022 and June 30, 2021. Please read it in conjunction with the financial statements, which begin on page 10. This report covers the administrative fees associated with the 1986 General Bond Resolution State Loan Program Revenue Bonds and the 2016 General Bond Resolution State Loan Program Revenue Bonds (the “Programs”).

Financial Highlights

- Total net position increased 5.78% from \$8,744,851 to \$9,250,040 between FY 2022 and FY 2021. Total net position increased 21.43% from \$7,201,728 to \$8,744,851 between FY 2020 and FY 2021.
- During fiscal year 2022, there were no transfer of notes receivable balances to the FAP Administration Account. During fiscal year 2021, the 1986 General Bond Resolution State Loan Program transferred the notes receivables balance of 2001, 2003A, 2007, 2009, and 2012 notes totaling \$4,545,365 to the FAP Administration Account.

Using This Annual Report

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The Account is accounted for and presented similar to a special-purpose government engaged solely in business-type activities.

The financial statements for the Account are presented after the Management’s Discussion and Analysis in this annual report and then followed by the footnotes in this order:

- Management’s Discussion and Analysis – that provides useful analysis that facilitates a better understanding of the Account’s financial condition and changes therein.
- Basic Financial Statements
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows

Footnotes – that elaborate on the accounting principles used in the preparation of the financial statements and further explain financial statement elements.

(Unaudited. See accompanying auditor’s report.)

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A Financial Analysis of the Account

One of the most frequently asked questions about the Account's finances is, "Has the overall financial condition improved, declined or remained steady over the past two years?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Account as a whole and about its activities in a way that helps answer this question. The following tables present a condensed presentation of net position and changes therein.

	Business-Type Activities		
	<u>June 30,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 6,444,406	\$ 3,883,274	\$ 5,744,695
Non-current assets	<u>2,878,800</u>	<u>4,906,247</u>	<u>1,516,833</u>
Total assets	<u>9,323,206</u>	<u>8,789,521</u>	<u>7,261,528</u>
Current liabilities	<u>73,166</u>	<u>44,670</u>	<u>59,800</u>
Total liabilities	<u>73,166</u>	<u>44,670</u>	<u>59,800</u>
Net position			
Unrestricted	<u>9,250,040</u>	<u>8,744,851</u>	<u>7,201,728</u>
Total net position	<u>\$ 9,250,040</u>	<u>\$ 8,744,851</u>	<u>\$ 7,201,728</u>

During fiscal year 2022, assets and net position increased due the transfer of the payoff of several of the notes receivable. During fiscal year 2021, assets and net position increased due to the transfer of the balance of the 2001, 2003A, 2007, 2009, and 2012 notes receivable.

(Unaudited. See accompanying auditor's report.)

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Oklahoma Water Resources Board
FAP Administration Account
Statement of Revenues, Expenses, and Changes in Net Position

	Business-Type Activities		
	Years Ended June 30,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues			
Loan program income	\$ 1,130,659	\$ 960,230	\$ 882,322
Investment interest income	3,807	639	52,490
Total revenues	<u>1,134,466</u>	<u>960,869</u>	<u>934,812</u>
Expenses			
Trustee fees	750	1,500	1,500
Administration expenses	110,760	104,681	95,858
Indirect cost	114,182	101,294	97,574
Personnel expense	403,585	305,503	290,962
Total expenses	<u>629,277</u>	<u>512,978</u>	<u>485,894</u>
Net Income before transfers	505,189	447,891	448,918
Transfers to other programs	-	1,095,232	167,372
Change in net position	<u>505,189</u>	<u>1,543,123</u>	<u>616,290</u>
Total net position- beginning	8,744,851	7,201,728	6,585,438
Total net position - ending	<u>\$ 9,250,040</u>	<u>\$ 8,744,851</u>	<u>\$ 7,201,728</u>

Economic Factors and Next Year's Outlook

The Board anticipates additional bond issues to be closed during FY 2023 under the 2016 General Bond Resolution. As with the nature of the Bond Programs, loans will pay down in their principal balance. The trend in income for the future of the FAP Administration Account should be consistent with FY 2022.

Contacting the Account's Financial Management

This financial report is designed to provide the Board's accountability of the Account. If you have questions about this report or need additional financial information, contact the Financial Assistance Division of the Oklahoma Water Resources Board at 3800 N. Classen Blvd, Oklahoma City, OK 73118.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA WATER RESOURCES BOARD
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BASIC FINANCIAL STATEMENTS

OKLAHOMA WATER RESOURCES BOARD
FAP ADMINISTRATION ACCOUNT
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Statement of Net Position – June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$5,690,803	\$2,977,011
Current portion of notes receivable	455,000	652,351
Administrative fee receivable	285,483	237,380
Interest receivable:		
Notes receivable	10,659	16,518
Other	2,461	14
Total current assets	<u>6,444,406</u>	<u>3,883,274</u>
Noncurrent Assets:		
Notes receivable net of current portion	2,878,800	4,906,247
Total noncurrent assets	<u>2,878,800</u>	<u>4,906,247</u>
Total assets	<u>9,323,206</u>	<u>8,789,521</u>
 LIABILITIES:		
Other accrued liabilities	<u>73,166</u>	<u>44,670</u>
Total liabilities	<u>73,166</u>	<u>44,670</u>
 NET POSITION:		
Unrestricted	9,250,040	8,744,851
Total net position	<u><u>\$9,250,040</u></u>	<u><u>\$8,744,851</u></u>

See accompanying notes to the basic financial statements.

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Statement of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Loan program income	\$99,780	\$60,361
Administrative fee income	1,030,879	899,869
Total operating revenues	<u>1,130,659</u>	<u>960,230</u>
Operating Expenses:		
Trustee fees	750	1,500
Administration fees	110,760	104,681
Indirect cost	114,182	101,294
Personnel expense	403,585	305,503
Total operating expenses	<u>629,277</u>	<u>512,978</u>
Operating income	501,382	447,252
Non-Operating Revenues (Expenses):		
Interest income	<u>3,807</u>	<u>639</u>
Total non-operating revenues	<u>3,807</u>	<u>639</u>
Net income before transfers	505,189	447,891
Transfers in - Oklahoma Water Resources Board	-	4,620,610
Transfers out - Oklahoma Water Resources Board	<u>-</u>	<u>(3,525,378)</u>
Change in net position	505,189	1,543,123
Total net position - beginning	8,744,851	7,201,728
Total net position - ending	<u><u>\$9,250,040</u></u>	<u><u>\$8,744,851</u></u>

See accompanying notes to the basic financial statements.

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Statement of Cash Flows – Year Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections of administrative fee revenue and interest on notes receivable	\$ 1,088,415	\$ 930,810
Payment of administration expense and other operational costs	<u>(600,781)</u>	<u>(528,108)</u>
Net Cash Provided by Operating Activities	<u>487,634</u>	<u>402,702</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out - Oklahoma Water Resources Board	-	(3,525,378)
Transfers in - Oklahoma Water Resources Board	<u>-</u>	<u>75,245</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>	<u>(3,450,133)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections of principal on loans to local governmental units	2,224,798	1,079,833
Interest income	<u>1,360</u>	<u>666</u>
Net Cash Provided by Investing Activities	<u>2,226,158</u>	<u>1,080,499</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,713,792	(1,966,932)
Balances - beginning of the year	<u>2,977,011</u>	<u>4,943,943</u>
Balances - end of the year	<u><u>\$5,690,803</u></u>	<u><u>\$2,977,011</u></u>
Reconciliation of Statement of Net Position:		
Cash and Cash Equivalents	<u>\$5,690,803</u>	<u>\$2,977,011</u>
Total Cash and Cash Equivalents	<u><u>\$5,690,803</u></u>	<u><u>\$2,977,011</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$501,382	\$447,252
Change in assets and liabilities:		
Decrease (Increase) in interest receivable	5,859	5,986
Decrease (Increase) in administrative fee receivable	(48,103)	(35,406)
Increase (Decrease) in other accrued liabilities	<u>28,496</u>	<u>(15,130)</u>
Net Cash Provided by Operating Activities	<u><u>\$487,634</u></u>	<u><u>\$402,702</u></u>
NON-CASH TRANSACTIONS:		
Transfer of loans receivable balances	<u>-</u>	<u>\$4,545,365</u>

See accompanying notes to the basic financial statements.

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Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

Reporting Entity

The Oklahoma Water Resources Board (the "Board") administers the 1986 General Bond Resolution State Loan Program Revenue Bonds and the 2016 General Bond Resolution State Loan Program Revenue Bonds (the "Programs") that were established to provide statewide financial assistance to local governments by making loans to local governmental units in the State of Oklahoma to be utilized to provide for the acquisition, development, and utilization of storage and control facilities for water and sewage systems and to be used to refund a portion of the Board's outstanding State Loan Program Revenue Bonds originally issued by the Board.

Administrative, accounting, and other technical support services are provided by employees of the Board. Payroll and other costs incurred by the Board on behalf of the Program are billed by the Board and are recovered from the administration fees paid by the borrowers and then recorded in the FAP Administration Account (the "Account").

Each bond series had its own administration account established at the time of the bond issue. In order to ease the management of administration fees and decrease the number of open accounts, the FAP Administration Account was created in May 2016 to consolidate each of the bonds series administration accounts. Administration fees are included in the loan interest rates charged to local governments. Once collected, the administration fees are deposited in the revenues fund of each bond series, expensed in the series, and paid to the FAP Administration Account.

Basis of Accounting and Measurement Focus

The Account is accounted for and presented similar to a special-purpose government engaged solely in business type activities.

The Account uses the accrual basis of accounting whereby expenses are recognized when the liability is incurred and revenues are recognized when earned.

The Account uses the economic resources measurement focus where all assets, liabilities, net position, revenues, expenses and transfers relating to the Account and net income and capital maintenance are measured.

Pursuant to its bond indentures, the Account is required to maintain various separate accounts for principal payments, interest payments and various other purposes. To assist in fulfilling these responsibilities, the Board has engaged BancFirst to act as trustee and maintain appropriate fiduciary records. All activities and monies in the various accounts required by the bond indenture are considered to be applicable to the conduct of the Accounts's ongoing operations.

Accordingly, all such activities and monies are combined for purposes of preparing the Account's financial statements.

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1. Summary of Significant Accounting Policies, (cont'd)

Cash and Cash Equivalents

The Account considers all highly liquid debt instruments purchased with an original maturity of three months or less and money market funds to be cash equivalents.

Operating Revenues and Expenses

The Account considers income earned on outstanding loans receivable and administrative fees to be operating revenue. Similarly, the Account considers expenses incurred in administering the loan program and administration expenses to be operating expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through September 16, 2022, the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

2. Cash Deposits and Investment Risk

Cash and cash equivalents of \$5,690,803 and \$2,977,011 at June 30, 2022 and 2021 respectively, were on deposit with the Account's trustee.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. The Account discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

Investment Credit Risk – the bond indenture provides for restrictions on the investment choices of the Account as follows:

- a. Obligations of the United States Government, its agencies and instrumentalities.
- b. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations or credit unions located in the State of Oklahoma.
- c. Money market funds regulated by the Securities and Exchange Commission and which investments consist of those items specified in (a) and (b) above.

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- d. Investment agreements with entities maintaining a rating in the top two categories by a nationally recognized municipal bond rating agency.

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

At June 30, 2022, the Account's investments in obligations not directly guaranteed by the U.S. Government and investments in money market mutual funds were rated as follows:

<u>Type</u>	<u>Average Maturities</u>	<u>Credit Rating</u>	<u>Fair Value Measurement</u>	<u>Carrying Value</u>
Federated Hermes Gov Obligation Tax-Managed	16 days	AAAm	Level I	<u>\$ 5,690,803</u>

At June 30, 2021, the Account's investments in obligations not directly guaranteed by the U.S. Government and investments in money market mutual funds were rated as follows:

<u>Type</u>	<u>Average Maturities</u>	<u>Credit Rating</u>	<u>Fair Value Measurement</u>	<u>Carrying Value</u>
Federated Hermes Gov Obligation Tax-Managed	16 days	AAAm	Level I	<u>\$ 2,977,011</u>
Total				

Concentration of Investment Credit Risk – the bond indenture places no limit on the amount the Account may invest in any one issuer. The Account has the following concentration of credit risk at June 30, 2022 and 2021: 100% is invested in Federated Hermes Government Obligation Tax Manager and Federated Treasury Obligations Fund.

3. Notes Receivable

Notes receivable represents loans made by the Program's which were made to local governmental entities for the purposes of acquisition, development, and utilization of storage and control facilities for water and sewage systems. The notes receivables were transferred in from the FAP Bond Series 1994A, 1995, 1997, 1999, 2001, 2003A, 2007, 2009, and 2012 as bonds associated with these loans were called. Payments on the notes are due in semiannual installments with various maturity dates based upon the bond issue; however, the local entities have the option to pay the notes earlier than the scheduled maturities. The current portion of notes receivable contains scheduled maturities and any prepayments made subsequent to year-end through September 30, 2022. The notes are collateralized by various revenue sources including, but not limited to user charges and sales taxes of the borrowers and mortgages on the water and/or sewer systems. Outstanding notes receivable at June 30, 2022 and 2021 are as follows:

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Issue	Maturity Date	Notes Receivable		June 30, 2022 Current Maturities
		2022	2021	
1994A	2023	\$ 21,600	\$ 111,433	\$ 14,100
1995	2024	259,300	358,500	107,200
1997	2026	135,500	163,200	30,000
1999	2030	349,700	380,100	33,000
2001	2021	1,658,200	1,858,100	130,300
2003A	2023	709,500	780,900	75,400
2007	2036	-	1,401,365	-
2009	2024	200,000	260,000	65,000
2012	2023	-	245,000	-
		<u>\$ 3,333,800</u>	<u>\$ 5,558,598</u>	<u>\$ 455,000</u>

4. Program Funding and Fees

The bond indenture agreement provides for various fees to be paid in connection with the administration of the Program. These fees include the following:

- During the years, annual program administration fees of 0.1316%, 0.1866%, or 0.3866% of notes receivable outstanding during the period were charged to operations of the Bond Programs. These fees are payable to the Oklahoma Water Resources Board for providing clerical, management and administrative services. The fees were collected and expensed in each bond series.

5. Transfers

In 2021, the Account received transfers of the 2001, 2003A, 2007, 2009, and 2012 notes receivable totaling \$4,545,365 from the 1986 General Bond Resolution Program and residual transfers to close bond funds totaling \$75,245 from the 2010A, 2010B, and 2011 Series Bond Funds. The program transferred \$268,470 to the 2012 Bond Series, \$260,180 to the 2009 Bond Series, \$1,060,162 to the 2001 Series, \$1,203,714 to the 2007 Series, and \$732,924 to the 2003A Series.

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INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

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

To the Members of the
Oklahoma Water Resources Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Water Resources Board FAP Administrative Account ("the Account") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated September 16, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Account's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Account's internal control. Accordingly, we do not express an opinion on the effectiveness of the Account's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Account's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arledge & Associates, P.C.

Edmond, Oklahoma
September 16, 2022

