



November 11, 2019

To the Members of the Board  
Oklahoma Water Resource Board

We have audited the financial statements of the Oklahoma Water Resources Board 1986 General Bond Resolution State Loan Program Revenue Bonds, the Oklahoma Water Resources Board 2016 General Bond Resolution State Loan Program Revenue Bonds, the Oklahoma Water Resources Board Oklahoma Clean Water State Revolving Fund Loan Account Program, the Oklahoma Water Resources Board Oklahoma Clean Water State Revolving Fund Loan Account Administrative Fund, the Oklahoma Water Resources Board Oklahoma Drinking Water Treatment Loan Account Administrative Fund, and the Oklahoma Water Resources Board FAP Administrative Account as of and for the years ended June 30, 2019 and 2018, as applicable, (collectively, the "Programs"). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters to you dated April 3, 2019. Professional standards also require that we communicate to you the following information related to our audits.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Programs are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2019. We noted no transactions entered into by the Programs during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Programs' financial statements were:

1. Management's estimate of the arbitrage rebate liability is based on the excess of the amount earned on all non-purpose investments over the amount, which would have been earned if the non-purpose investments were invested at a rate equal to the bond yield. We evaluated the key factors and assumptions used to develop the arbitrage rebate liability in determining that it is reasonable in relation to the financial statements taken as a whole.
2. Management's estimate of the reserve for bad debt allowance for the Clean Water State Revolving Fund Loan Account Program. That estimate is based upon reserving the next principal payment due by the debtor in instances in which the debt coverage ratio for that debtor is less than the required 1.25%.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. See attached *Adjusting Journal Entries* schedules for each entity for the adjustments recorded.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letters dated September 18, 2019 and November 11, 2019.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Programs' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. Crawford & Associates, P.C. provided contract bookkeeping services; assisted with pre-audit preparation matters and drafted the Programs' financial statements. There were no unresolved differences impacting our opinions on Programs' financial statements as a result of these discussions. To our knowledge there were no other consultations with other accountants other than Crawford & Associates, P.C.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Program's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to management’s discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements of the Programs. Our procedures consisted of inquiries of management regarding 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 audits of the Programs’ basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements of net position, the combining statements of revenues, expenses and changes in net position, and the combining statements of cash flow (the “combining statements”), associated with the 1986 General Bond Resolution State Loan Program Revenue Bonds and the 2016 General Bond Resolution State Loan Program Revenue Bonds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

This information is intended solely for the use of the Audit Committee of Oklahoma Water Resources Board, members of the Board and management of the Programs and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink that reads "Arledge & Associates, P.C." in a cursive script.

Arledge & Associates, P.C.

**Client:** OKLAHOMA WATER RESOURCES BOARD  
 OWRB CW ADMIN FUND  
 6/30/2019  
**Report:** AJE Schedule

| Account  | Description                   | Workpaper Reference | Debit             | Credit            | Net Income Effect |
|--|-------------------------------|---------------------|-------------------|-------------------|-------------------|
| <b>CAJE-1</b>  |                               | <b>W-1</b>          |                   |                   |                   |
| To reverse the misclassification of \$192,306 from Other Administrative Expenses to Indirect Cost Expense. |                               |                     |                   |                   |                   |
| 5100   | Indirect cost expense         |                     | 192,306.00        | 0.00              |                   |
| 5200   | Other Administrative expenses |                     | 0.00              | 192,306.00        |                   |
| <b>Total</b>   |                               |                     | <b>192,306.00</b> | <b>192,306.00</b> | <b>0.00</b>       |
| <b>GRAND TOTAL</b>   |                               |                     | <b>192,306.00</b> | <b>192,306.00</b> | <b>0.00</b>       |

**Client:** OKLAHOMA WATER RESOURCES BOARD  
 OWRB DW ADMIN FUND  
 6/30/2019  
**Report:** AJE Schedule

| Account                        | Description               | Workpaper Reference | Debit            | Credit           | Net Income Effect  |
|--------------------------------|---------------------------|---------------------|------------------|------------------|--------------------|
| <b>CAJE-1</b>                  |                           |                     |                  |                  |                    |
| To record Trustee Fee Accrual. |                           |                     |                  |                  |                    |
| 5600                           | Trustee Fees              |                     | 10,168.00        | 0.00             |                    |
| 2275                           | Other Accrued Liabilities |                     | 0.00             | 10,168.00        |                    |
| <b>Total</b>                   |                           |                     | <u>10,168.00</u> | <u>10,168.00</u> | <u>(10,168.00)</u> |
| <b>GRAND TOTAL</b>             |                           |                     | <u>10,168.00</u> | <u>10,168.00</u> | <u>(10,168.00)</u> |

**Client:** OKLAHOMA WATER RESOURCES BOARD  
 OWRB 2012B SERIES  
 6/30/2019  
**Report:** AJE Schedule

| Account            | Description   | Workpaper Reference | Debit                    | Credit                   | Net Income Effect  |
|--------------------|---|---------------------|--------------------------|--------------------------|--------------------|
| <b>CAJE-1</b>      |   | <b>G-5</b>          |                          |                          |                    |
|                    | To correct posting of 9-17-18 loan interest payment received. |                     |                          |                          |                    |
| 450                | S/T INVESTMENT INTEREST INCOM                                 |                     | 135,490.66               | 0.00                     |                    |
| 410                | INTEREST INCOME   |                     | <u>0.00</u>              | <u>135,490.66</u>        |                    |
| <b>Total</b>       |   |                     | <u><b>135,490.66</b></u> | <u><b>135,490.66</b></u> | <u><b>0.00</b></u> |
| <b>GRAND TOTAL</b> |   |                     | <u><b>135,490.66</b></u> | <u><b>135,490.66</b></u> | <u><b>0.00</b></u> |