

State of Oklahoma



WATER RESOURCES BOARD
the water agency

**OKLAHOMA DRINKING WATER TREATMENT LOAN
ADMINISTRATIVE FUND**

**ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019
AND INDEPENDENT AUDITOR'S REPORTS**

**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA DRINKING WATER TREATMENT LOAN ADMINISTRATIVE FUND
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Oklahoma Water Resources Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Water Resources Board/Oklahoma Drinking Water Treatment Loan Administrative Fund (the "Fund") as of and for the years ended June 30, 2020 and 2019, and the related notes to the 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 5 to the financial statements, the prior year financial statements were restated to correct the administrative fee receivable. Our opinion is not modified with respect to that matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020, on our consideration of the Fund'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 Fund's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

Edmond, Oklahoma
September 21, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Oklahoma Drinking Water Treatment Loan Administrative Fund's (the "Fund") financial performance provides an overview of the Fund's financial activities for the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with the Fund's financial statements, which begin on page 11. The Fund was created to account for the administrative fees and application fees received from loans made out of The Oklahoma Drinking Water State Revolving Fund Program (the "Program"). The Oklahoma Department of Environmental Quality manages the capitalization grant. The Oklahoma Water Resources Board (the "Board") handles certain financial functions including originating, approving and servicing loans made to qualifying recipients as well as maintaining the Fund.

Financial Highlights

- The Fund's net position decreased by approximately 9.39% and increased by 19.29% in FY 2020 and 2019, respectively. Ending net position decreased from \$9,559,772 in FY 2019 to \$8,662,280 in FY 2020. Ending net position increased from \$7,971,776 in FY 2018 to \$9,559,772 in FY 2019.
- During FY 2020, total operating income increased by \$209,391 or 11.41%. Total operating income increased \$406,839 or 16.86% in FY 2019. Operating revenues come from borrowers paying 0.5% administrative fees on their outstanding loan balance.

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 Fund is accounted for and presented similar to, but not identical to, a special-purpose government engaged solely in business-type activities.

The financial statements for the Fund 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 Fund’s financial condition and changes therein.
- Basic Financial Statements
 - Statements of Net Position
 - Statements of Revenues, Expenses and Changes in Net Position
 - Statements of Cash Flows
- Footnotes - that elaborate on the accounting principles used in the preparation of the financial statements and further explain financial statement elements.

A Financial Analysis of the Fund

One of the most frequently asked questions about the Fund’s finances is, “Has the overall financial condition improved, declined or remained steady over the past year?”

(Unaudited. See accompanying auditor’s report.)

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The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Fund as a whole and about its activities in a way that helps answer this question. The following tables present a condensed comparative presentation of net position and changes therein.

Oklahoma Water Resources Board
Drinking Water Treatment Loan Account Administrative Fund
Net Position

	Business-Type		
	Activities		
	June 30		
	<u>2020</u>	Restated, <u>2019</u>	<u>2018</u>
Current assets	\$ 8,793,329	\$ 9,683,731	\$ 8,093,221
Capital assets, net	8,448	10,701	1,512
Total assets	8,801,777	9,694,432	8,094,733
Current liabilities	139,497	134,660	122,957
Total liabilities	139,497	134,660	122,957
Net position			
Investment in capital assets	8,448	10,701	1,512
Unrestricted	8,653,832	9,549,071	7,970,264
Total net position	\$ 8,662,280	\$ 9,559,772	\$ 7,971,776

In FY 2020, the decrease in net position is attributable to a decrease in cash related to the transfer to the DWSRF Loan Fund to provide the state match for the 2019 federal capitalization grant and a decrease in administrative fees receivable.

The increase in current assets and unrestricted net position in FY 2019 is attributable to an increase in cash and an increase in administrative fees receivable, due to a reduction in the transfer to the DSWRF loan fund and an increase in operating revenues.

(Unaudited. See accompanying auditor's report.)

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	Business-Type		
	Activities		
	Years Ended June 30,		
	<u>2020</u>	Restated, <u>2019</u>	<u>2018</u>
Revenues			
Operating revenues	\$ 2,701,953	\$ 2,628,944	\$ 2,291,548
Non-operating revenues	173,979	190,475	121,032
Total revenues	<u>2,875,932</u>	<u>2,819,419</u>	<u>2,412,580</u>
Expenses			
Personnel expense	285,684	378,910	397,991
Indirect cost expense	108,365	103,540	89,628
Other administrative expenses	221,131	266,602	253,774
Trustee fees	39,972	42,659	36,059
Depreciation expense	2,253	2,076	6,936
Total expenses	<u>657,405</u>	<u>793,787</u>	<u>784,388</u>
Net income before transfers	2,218,527	2,025,632	1,628,192
Transfers (to) from other programs	<u>(3,116,019)</u>	<u>(437,636)</u>	<u>(2,509,986)</u>
Change in net position	(897,492)	1,587,996	(881,794)
Total net position - beginning	9,559,772	7,971,776	8,853,570
Total net position - ending	<u><u>\$ 8,662,280</u></u>	<u><u>\$ 9,559,772</u></u>	<u><u>\$ 7,971,776</u></u>

Operating revenues increased in FY 2020 due to a increase in program income. The decrease in net position is attributable to a large transfer out to the DWSRF Loan Fund to provide the state match requirement for the 2019 federal capitalization grant.

Operating revenues increased in FY 2019 due to an increase program income because of an increase in loans funded by the DWSRF Loan Fund.

(Unaudited. See accompanying auditor's report.)

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Capital Assets

At the end of June 30, 2020, the capital assets net of accumulated depreciation were \$8,848.

**Oklahoma Water Resources Board
Drinking Water Treatment Loan Account Administrative Fund
Capital Assets
(Net of accumulated depreciation)**

	Years Ended June 30,		
	2020	2019	2018
Automobile	\$ 8,848	\$ 10,701	\$ 213
Printer	-	-	1,299
	\$ 8,848	\$ 10,701	\$ 1,512
Totals	\$ 8,848	\$ 10,701	\$ 1,512

During FY 2020, the program did not purchase any new capital assets. During FY 2019, the program purchased a new vehicle.

See Note 3 to the financial statements for more detailed information on the Fund's capital assets and changes therein.

Economic Factors and Next Year's Outlook

The Oklahoma DWSRF has been extremely popular with communities that borrow from the program. No additional staff is planned at this time. No change in the Oklahoma DWSRF financing strategy is anticipated for the next fiscal year.

Contacting the Fund's Financial Management

This financial report is designed to provide the Board's accountability of the Fund. 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.)

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BASIC FINANCIAL STATEMENTS

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Statements of Net Position – June 30, 2020 and 2019

	<u>2020</u>	<u>Restated,</u> <u>2019</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$8,049,486	\$8,864,720
Administrative fee receivable	729,205	799,774
Interest receivable	14,638	19,237
Total current assets	8,793,329	9,683,731
Noncurrent Assets:		
Depreciable capital assets, net	8,448	10,701
Total noncurrent assets	8,448	10,701
Total assets	8,801,777	9,694,432
 LIABILITIES:		
Current Liabilities:		
Accounts payable	139,497	134,660
Total current liabilities	139,497	134,660
 NET POSITION:		
Investment in capital assets	8,448	10,701
Unrestricted	8,653,832	9,549,071
Total net position	\$8,662,280	\$9,559,772

See accompanying notes to the basic financial statements.

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Statements of Revenues, Expenses and Changes in Net Position – Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>Restated, 2019</u>
OPERATING REVENUES		
Administrative fee income	\$ 2,697,586	\$ 2,625,027
Application fee income	4,367	3,917
Total operating revenues	<u>2,701,953</u>	<u>2,628,944</u>
OPERATING EXPENSES		
Personnel expense	285,684	378,910
Indirect cost expense	108,365	103,540
Other administrative expenses	221,131	266,602
Trustee fees	39,972	42,659
Depreciation expense	2,253	2,076
Total operating expenses	<u>657,405</u>	<u>793,787</u>
OPERATING INCOME	2,044,548	1,835,157
NON-OPERATING REVENUES		
Interest income	<u>173,979</u>	<u>190,475</u>
Total non-operating revenues	<u>173,979</u>	<u>190,475</u>
Net income before transfers	2,218,527	2,025,632
Transfer from Oklahoma Clean Water SRF Administrative Fund	3,981	-
Transfers to Oklahoma Drinking Water State Revolving Fund Loan Program	<u>(3,120,000)</u>	<u>(437,636)</u>
Change in net position	(897,492)	1,587,996
Total net position - beginning	<u>9,559,772</u>	<u>7,971,776</u>
Total net position - ending	<u><u>\$8,662,280</u></u>	<u><u>\$9,559,772</u></u>

See accompanying notes to the basic financial statements.

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Statements of Cash Flows – Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>Restated, 2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Administrative fee income	\$2,768,155	\$2,503,241
Application fee income	4,367	3,917
Payments to employees	(285,684)	(378,910)
Payments to other suppliers	(364,631)	(401,098)
Net Cash Provided by Operating Activities	<u>2,122,207</u>	<u>1,727,150</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from Oklahoma Clean Water SRF Administrative Fund	3,981	-
Transfers to Oklahoma Drinking Water State Revolving Fund Loan Program	(3,120,000)	(437,636)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(3,116,019)</u>	<u>(437,636)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	-	(11,265)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>-</u>	<u>(11,265)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	178,578	183,681
Net Cash Provided by Investing Activities	<u>178,578</u>	<u>183,681</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(815,234)	1,461,930
Balances - beginning of the year	<u>8,864,720</u>	<u>7,402,790</u>
Balances - end of the year	<u>\$8,049,486</u>	<u>\$8,864,720</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$2,044,548	\$1,835,157
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,253	2,076
Change in assets and liabilities:		
Decrease (Increase) in administration fee receivable	70,569	(121,786)
Decrease (Increase) in due to other funds	(10,168)	(386)
Increase (Decrease) in other accrued liabilities	15,005	12,089
Net Cash Provided by Operating Activities	<u>\$2,122,207</u>	<u>\$1,727,150</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 Drinking Water Treatment Revolving Loan Account (the "Program"), Title 82 Oklahoma Statutes, Sections 1085.71 et seq. was created pursuant to the 1996 Amendments (P.L. 104-182) to the Federal Safe Drinking Water Act set apart from all other Oklahoma Water Resources Board accounts and programs to be permanent and perpetual; not subject to fiscal year limitations. Title 82, Section 1085.84 created the Oklahoma Drinking Water Treatment Loan Administrative Fund (the "Fund") for the purpose of administering the Program, transferring monies into the Program and for other purposes authorized by the Federal Safe Drinking Water Act. The Fund consists of revenues primarily from loan administrative fees, Fund investment earnings, and loan application processing fees.

Administrative fees are assessed on loans made from the Program. Fees are assessed to each participating municipality at the rate of one-half of one percent (0.5%) per annum of the amount of each municipality's loan balance outstanding.

The significant accounting principles and practices followed by the Fund are presented below:

Basis of Accounting and Measurement Focus

The Fund is accounted for and presented similar to, but not identical to, a special-purpose government engaged solely in business type activities.

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

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

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB").

Cash and Cash Equivalents

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

Capital Assets

Capital assets are stated at cost, less accumulated depreciation. Depreciation is charged to operating expense and is computed using the straight-line method. The useful life of the software and printer has been estimated at 7 years. The useful life of automobiles has been estimated at 6 years. Maintenance and repairs are charged to operations when incurred and improvements are capitalized. The Fund's policy is to capitalize purchases in excess of \$5,000. When assets are retired or otherwise

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

disposed of, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in operations.

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 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 21, 2020, 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 of \$8,049,481 and \$8,807,712 at June 30, 2020 and 2019 respectively, was on deposit in the State Treasurer's office's internal investment pool – *OK Invest*. Short-term investments of \$5 and \$57,008 at June 30, 2020 and 2019, respectively, were on deposit with the Program's trustee. The deposits are invested in *Federated Treasury Obligations* money market mutual funds.

Custodial credit risk for deposits is the risk that in the event of a bank or other institution failure, the Fund's deposits may not be returned or the Fund will not be able to recover collateral securities in the possession of an outside party. The Fund deposits its funds with the Office of the State Treasurer (OST). Oklahoma statutes require OST to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The Fund's deposits with the State Treasurer are pooled with the funds of other State agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

Of the \$8,049,481 and \$8,807,712 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2020 and June 30, 2019, respectively, 100%, represent amounts held within OK INVEST. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. An evaluation of the use and purpose of the Funds participation in the internal investment pool determined that the amounts on deposit with OK INVEST are considered demand accounts and reported as cash equivalents.

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2. Cash Deposits and Investment Risk (cont'd)

The Program 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 assets. 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, 2020, the Program's investments in obligations not directly guaranteed by the U.S. Government and investments in money market mutual funds were valued according to the following hierarchy and were rates as follows:

- OK Invest (State Treasurer) – not subject to credit ratings or fair value hierarchy
- Federated Treasury Obligation – credit rating AAAM and fair value hierarchy of Level 1

3. Capital Assets

A summary of equipment activity follows:

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	Beginning Balance July 1, 2019	Additions	Deletions	Ending Balance June 30, 2020
Other capital assets:				
Computer software	\$ 113,156	-	-	\$ 113,156
Printer	2,000	-	-	2,000
Automobile	34,061	-	-	34,061
Total other capital assets, historical cost	<u>\$ 149,217</u>	<u>-</u>	<u>-</u>	<u>\$ 149,217</u>
Less: accumulated depreciation for:				
Computer software	\$ 113,156	-	-	\$ 113,156
Printer	2,000	-	-	2,000
Automobile	23,360	2,253	-	25,613
Total accumulated depreciation	<u>\$ 138,516</u>	<u>2,253</u>	<u>-</u>	<u>\$ 140,769</u>
Other capital assets, net	<u>\$ 10,701</u>	<u>(2,253)</u>	<u>-</u>	<u>\$ 8,448</u>

	Beginning Balance July 1, 2019	Additions	Deletions	Ending Balance June 30, 2019
Other capital assets:				
Computer software	\$ 113,156	-	-	\$ 113,156
Printer	2,000	-	-	2,000
Automobile	22,796	11,265	-	34,061
Total other capital assets, historical cost	<u>\$ 137,952</u>	<u>11,265</u>	<u>-</u>	<u>\$ 149,217</u>
Less: accumulated depreciation for:				
Computer software	\$ 113,156	-	-	\$ 113,156
Printer	1,787	213	-	2,000
Automobile	21,497	1,863	-	23,360
Total accumulated depreciation	<u>\$ 136,440</u>	<u>2,076</u>	<u>-</u>	<u>\$ 138,516</u>
Other capital assets, net	<u>\$ 1,512</u>	<u>9,189</u>	<u>-</u>	<u>\$ 10,701</u>

4. Indirect Costs

Indirect costs represent recoverable personnel costs charged to the Program by the Fund in connection with administering and accounting for activities of the Program. The amount allocated to the Program is based on a percentage of the Fund personnel costs as established in an indirect cost allocation plan. The indirect cost rate for the year ended June 30, 2020 and 2019 were 86.23% and 79.00%, respectively.

5. Net Position

Accounts receivable and related operating were restated in fiscal year 2019. Accounts receivable and operating revenues were decreased by \$412,379.

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INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE



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/Oklahoma Drinking Water Treatment Loan Administrative Fund (the "Fund") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated September 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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 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*.

The Fund's Response to Findings

The Fund's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Arledge & Associates, P.C.
Edmond, Oklahoma
September 21, 2020