

STATE OF WYOMING
DRINKING WATER STATE REVOLVING FUND PROGRAM
(A FUND OF THE STATE OF WYOMING)

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-3
<hr/>	
BASIC FINANCIAL STATEMENTS	
Balance Sheets	4
Statements of Revenues, Expenditures, and Changes in Fund Balance	5
Notes to Financial Statements	6-10
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	11
Notes to Schedule of Expenditures of Federal Awards	12
<hr/>	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	13-14
<hr/>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	15-17
<hr/>	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	18
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	19



INDEPENDENT AUDITOR'S REPORT

To the Director of the Office of State Lands and Investments
State of Wyoming Drinking Water State Revolving Fund Program
Cheyenne, Wyoming

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities of the State of Wyoming Drinking Water State Revolving Fund Program (the Program) as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Program as of June 30, 2022 and 2021, and the respective changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Financial Statement Presentation

As discussed in Note 1 to the financial statements, the financial statements of the Program are intended to present the financial position and the changes in financial position of only that portion of the governmental activities of the State of Wyoming that is attributable to the transactions of the Program. They do not purport to, and do not, present fairly the financial position of the State of Wyoming as of June 30, 2022, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 Program's ability to continue as a going concern for 12 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 opinion. 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 GAAS and *Government 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 GAAS and *Government 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 Program'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 Program'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

Management has omitted management's discussion and analysis, which accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program’s basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic 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 May 12, 2023 on our consideration of the Program’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 solely 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 the effectiveness of the Program’s 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 Program’s internal control over financial reporting and compliance.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
May 12, 2023

**STATE OF WYOMING DRINKING WATER STATE
REVOLVING FUND PROGRAM**

**BALANCE SHEETS
June 30, 2022 and 2021**

	2022	2021
ASSETS		
Deposits with the Wyoming State Treasurer (Note 2)	\$ 155,089,983	\$ 152,901,494
Cash and Investments with Trustee	85,287,632	33,317,305
Due from Federal Government	15,636	82,239
Investment Trade Receivable (Note 2)	-	1,774,528
Interest Receivable - Wyoming State Treasurer (Note 2)	324,960	330,433
Interest Receivable - loan funds (Note 3)	1,297,861	1,415,453
Loans Receivable - municipalities (Note 3)	104,493,496	102,950,002
Total assets	\$ 346,509,568	\$ 292,771,454
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 377,963	\$ 28,593
Investment trade payable (Note 2)	-	2,512,074
Liability under securities lending	85,292,427	33,316,462
Total liabilities	85,670,390	35,857,129
Fund Balance, restricted	260,839,178	256,914,325
Total liabilities and fund balance	\$ 346,509,568	\$ 292,771,454

See Notes to Financial Statements.

**STATE OF WYOMING DRINKING WATER STATE
REVOLVING FUND PROGRAM**

**STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2022 and 2021**

	2022	2021
Revenues		
Federal revenue	\$ 4,606,959	\$ 1,914,618
Matching funds from the Wyoming Water Development Commission and the Office of State Lands and Investments	2,202,200	-
Investment income:		
Investments (Note 2)	(2,979,994)	(1,043,070)
Municipal loans (Note 3)	2,283,609	2,417,621
Loan origination fees (Note 3)	49,081	63,479
Total revenues	6,161,855	3,352,648
Expenditures		
Debt forgiveness (Note 3)	1,681,758	3,001,727
Administration	352,116	319,380
Security lending fees	203,128	95,582
Total expenditures	2,237,002	3,416,689
Excess (deficiency) of revenues over (under) expenditures	3,924,853	(64,041)
Fund Balance, beginning	256,914,325	257,402,619
Prior-period adjustment	-	(424,253)
Fund Balance, beginning, as adjusted	256,914,325	256,978,366
Fund Balance, ending	\$ 260,839,178	\$ 256,914,325

See Notes to Financial Statements.

**STATE OF WYOMING DRINKING WATER STATE
REVOLVING FUND PROGRAM**

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies

Basis of presentation: The accompanying financial statements of the State of Wyoming Drinking Water State Revolving Fund Program (the Program) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental entities. The Program is limited to assets, liabilities, revenues and expenditures directly related to the Program and is not intended to represent the financial reporting of the State of Wyoming (the State).

As stated above, the Program only presents financial statements for a specific program's activity, which represents two funds of the State. Therefore, the financial statements are presented in accordance with the requirements established for fund financial statements and do not include government-wide financial statements. In addition, as the legal level of budgetary control does not exist at the fund level, a budgetary comparison schedule is not presented.

Financial reporting entity: The Program was established during fiscal year 1999 pursuant to Title XIV of the Safe Drinking Water Act. This Federal act established the Program for states to make loans to community water systems and nonprofit noncommunity water systems. Instead of making grants to communities that pay for a portion of building drinking water treatment facilities, the Program provides for low-interest-rate loans to finance the entire cost of qualified projects. The American Recovery and Reinvestment Act of 2009 (ARRA) provided funding to the Program so that it had the ability to provide 0% interest rates and/or principal forgiveness loans for qualified projects.

The Program's loans allow up to 30 years for repayment. All repayments of interest and principal must remain in the Program to be used for new loans.

The Program is capitalized through the U.S. Environmental Protection Agency. States are required to provide an additional 20% of the Federal Capitalization Grant as matching funds to receive a grant.

The Program is administered by the Office of State Lands and Investments, a department of the State. The Program is charged for time spent on program activities by department employees, including one full-time employee. The charges include the salaries and benefits of the employees and operating expenses, as well as indirect costs.

Basis of accounting: The Program uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is, when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Revenue recognition: Federal revenue is recognized when expenditures under the loan program are made. State matching funds are recognized at the commencement of the grant's budget period, as stated in the grant agreement. Investment income is recognized when earned.

Deposits with the Wyoming State Treasurer (the Treasurer): The Program's cash is pooled with other State agencies in an account managed by the Treasurer. The account is reported at the fair value of the securities underlying the investment pool.

STATE OF WYOMING DRINKING WATER STATE
REVOLVING FUND PROGRAM

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies, *Continued*

Securities lending collateral: Securities on loan for cash collateral are reported in the Balance Sheets as cash and investments with Trustee. Liabilities resulting from the security lending transactions are also reported. Wyoming State Statutes permit the Treasurer to lend its securities, through the use of agents, to broker-dealers and other entities with simultaneous agreement to return the collateral for the same securities in the future. The State's agents lend securities of the type on loan at year-end for collateral in the form of cash or other securities at 100% of value for U.S. Treasury Strips and U.S. Treasury Bills and 102% of value for other securities. The State, through its agents, measures the fair value of the securities loaned against the fair value of the collateral on a daily basis. Additional collateral is obtained as necessary to ensure such transactions are adequately collateralized. Securities lent for securities collateral are classified according to the category of the collateral. At year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The contract with the State's agent requires the agent to indemnify the State if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the State for income distributions by the securities' issuers while the securities are on loan. Additional information relating to the securities lending transactions can be obtained from the State's Annual Comprehensive Financial Report.

Due from Federal government: Amounts due from the Federal government represent amounts expended and awaiting receipt of reimbursement from the Federal Capitalization Grant.

Budget: Loan activities are not subject to budget. Administration expenditures are included in the biennium budget of the State Revolving Fund within the Office of State Lands and Investments and are also supported by the State Department of Environmental Quality and the Wyoming Water Development Commission.

Debt forgiveness: The portion of the debt that is eligible to be forgiven is identified in the loan document. The principal forgiveness is contingent upon the borrower completing a first loan draw within 18 months of the effective date of the loan agreement and continuing to make loan draws at least quarterly until the project is complete. Failure of the borrower to comply with any of the terms or conditions of the loan agreement shall result in the awarded principal forgiveness being forfeited. Final eligibility for debt forgiveness was determined upon the completion of the project, as certified by the borrower. Effective July 1, 2021, eligibility for debt forgiveness is determined on the date of receipt of project completion documents from the borrower.

Fund balance: The Program has implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which classifies fund balance based on spending constraints that control how resources may be used. The Program's fund balance is classified as restricted as amounts are constrained for a specific purpose through restrictions of external parties, such as a creditor, grantor, donor, or other governmental unit (e.g., the Federal government), or by constitutional provision.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**STATE OF WYOMING DRINKING WATER STATE
REVOLVING FUND PROGRAM**

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies, *Continued*

Restatement of fund balance: Beginning fund balance as of July 1, 2020 was restated to correct prior-period errors related to transactions and balances associated with deposits with the Treasurer.

Note 2. Deposits with the Treasurer

Deposits for the Program are invested in the pooled cash account managed by the Treasurer. Wyoming State Statutes authorize the Treasurer to invest in securities issued or guaranteed by the U.S. Treasury or agencies of the U.S. government; bonds issued by Wyoming agencies or political subdivisions; corporate notes, bonds, and debentures; commercial paper; banker's acceptances; loans specifically identified by Wyoming State Statutes; and other securities specifically authorized by the State Legislature or the State Loan and Investment Board. Detailed information on the Treasurer's pooled cash and investments can be obtained from the State's Annual Comprehensive Financial Report.

Note 3. Loans Receivable - Municipalities

The Program operates as a direct loan program, and there are two portions of the program: (1) the Core program, and (2) the portion funded by the ARRA. In the Core program, loans made are 80% funded by the Federal Capitalization Grant and 20% funded by the State's matching amount. In the ARRA portion, the total amount of ARRA funding made available for the loan program was \$19.5 million and was 100% Federally funded. The ARRA funding was fully expended in fiscal year 2013. In both portions of the Program, a 0.5% loan original fee is required to be paid, and loan funds are disbursed to the recipients as recipients expend funds for the purposes of the loan and request reimbursement from the Program.

The Federal fiscal year 2010 through 2017, 2019 and 2021 Federal Capitalization Grants require a subsidy in the form of grants, principal forgiveness, or negative interest. There were no grants for Federal fiscal years 2018 or 2020. To meet the subsidy requirement, the Program has elected to provide borrowers with principal forgiveness. Loan agreements address specific conditions or requirements for debt forgiveness. The debt forgiveness portion of these loans is effective on the date of receipt of project completion documents from the borrower. As of June 30, 2022, approximately \$37.9 million in Core loans have been forgiven. Approximately \$15.3 million in the Core program is eligible to be forgiven in future years. At June 30, 2022, the outstanding Core loans receivable balance totaled \$103,257,220.

In the Core program, interest is calculated at 2.5% per annum from the date that funds are advanced. Effective March 3, 2021, for the Core program, when additional subsidies are not available, eligible applicants that would have qualified for principal forgiveness will qualify for a decreased interest rate, as detailed below:

- Applicants eligible for 75% principal forgiveness are eligible for an interest rate of 0.75% per annum.
- Applicants eligible for 50% principal forgiveness are eligible for an interest rate of 1% per annum.
- Applicants eligible for 25% principal forgiveness are eligible for an interest rate of 1.25% per annum.
- Applicants not eligible for principal forgiveness are eligible for an interest rate of 1.75% per annum.

**STATE OF WYOMING DRINKING WATER STATE
REVOLVING FUND PROGRAM**

NOTES TO FINANCIAL STATEMENTS

Note 3. Loans Receivable - Municipalities, *Continued*

In addition, loans that are considered large, per the criteria below, will qualify for a corresponding decreased interest rate:

- Loans in an amount between \$5 million and \$7,499,999 qualify for an interest rate of 1.5% per annum.
- Loans in an amount between \$7.5 million and \$9,999,999 qualify for an interest rate of 1% per annum.
- Loans in an amount of \$10 million or more qualify for an interest rate of 0.5% per annum.

In the ARRA portion, the Program elected to provide borrowers with principal forgiveness and/or 0% interest rates. As of June 30, 2022, approximately \$16.4 million in ARRA loans had been forgiven. The outstanding ARRA loans receivable balance totaled \$1,236,276 at June 30, 2022, which is not subject to principal forgiveness.

All loans are with political subdivisions of the State. Typically, after the final disbursement has been made, the payment schedule is certified in the loan agreement and adjusted for the actual amounts disbursed. No provision for uncollectible accounts has been made as all loans are current and management believes that all loans will be repaid according to the loan terms. In addition, all loans are secured by a pledge of revenues by the political subdivision.

Loans mature at various intervals through June 30, 2051. The scheduled principal and interest payments on loans maturing in years after 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>
Years ending June 30:		
2023	\$ 8,214,112	\$ 2,109,123
2024	8,078,607	1,926,511
2025	8,171,061	1,738,355
2026	6,923,872	1,547,919
2027	6,834,897	1,388,742
Thereafter	<u>66,270,947</u>	<u>7,822,875</u>
	<u>\$ 104,493,496</u>	<u>\$ 16,533,525</u>

As of June 30, 2022, the Program had cumulative binding commitments resulting from approved project applications totaling approximately \$29.2 million.

**STATE OF WYOMING DRINKING WATER STATE
REVOLVING FUND PROGRAM**

NOTES TO FINANCIAL STATEMENTS

Note 3. Loans Receivable - Municipalities, *Continued*

At June 30, 2022 and 2021, the Program's loans receivable included loans to major customers, defined as customers that accounted for 10% or more of total loans receivable. The Program's major customers may change from year to year.

	2022		2021	
	Loans Receivable	% of Total	Loans Receivable	% of Total
Customer A	\$ 19,736,790	19%	\$ 16,247,745	16%
Customer B	9,204,464	9%	10,855,938	11%

SUPPLEMENTARY INFORMATION

**STATE OF WYOMING DRINKING WATER STATE
REVOLVING FUND PROGRAM**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Environmental Protection Agency: Drinking Water State Revolving Fund Cluster: Capitalization Grants for Drinking Water State Revolving Fund	66.468	\$ 4,261,859	\$ 4,606,959
Total expenditures of Federal awards		\$ 4,261,859	\$ 4,606,959

See Notes to Schedule of Expenditures of Federal Awards.

**STATE OF WYOMING DRINKING WATER STATE
REVOLVING FUND PROGRAM**

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

Note 1. Summary of Significant Accounting Policies

Expenditures reported on the State of Wyoming Drinking Water State Revolving Fund Program's (the Program) Schedule of Expenditures of Federal Awards (the Schedule) are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2. Indirect Cost Rate

The Program did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Basis of Presentation

The Schedule includes the Federal award activity of the Program under programs of the Federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Program, it is not intended to, and does not, present the financial position or changes in fund balance of the Program.



**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 Director of the State of Wyoming
Drinking Water State Revolving Fund Program
Office of State Lands and Investments
State of Wyoming
Cheyenne, Wyoming

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 (*Government Auditing Standards*), the financial statements of the governmental activities of the State of Wyoming Drinking Water State Revolving Fund Program (the Program) 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 May 12, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 Program'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 Program'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 Program'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 Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cheyenne, Wyoming
May 12, 2023



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

To the Director of the State of Wyoming
Drinking Water State Revolving Fund Program
Office of State Lands and Investments
State of Wyoming
Cheyenne, Wyoming

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the State of Wyoming Drinking Water State Revolving Fund Program's (the Program) compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget Compliance Supplement* that could have a direct and material effect on the Program's major Federal program for the year ended June 30, 2022. The Program's major Federal program is identified in the Summary of Independent Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Program complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major Federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Program and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major Federal program. Our audit does not provide a legal determination of the Program's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Program's Federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Program's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Program's compliance with the requirements of the major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Program's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Program's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Program's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
May 12, 2023

**STATE OF WYOMING DRINKING WATER STATE
REVOLVING FUND PROGRAM**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over the major Federal program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for the major Federal program: Unmodified

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

Identification of the major Federal program:

Assistance Listing Number	Name of Federal Program or Cluster
Cluster	Drinking Water State Revolving Fund Cluster

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

Auditee qualified as low-risk auditee? Yes No

II. FINANCIAL STATEMENT FINDINGS

None.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

**STATE OF WYOMING DRINKING WATER STATE
REVOLVING FUND PROGRAM**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2022**

There were no audit findings for the year ended June 30, 2021.