



OKLAHOMA

Water Resources Board

**OKLAHOMA CLEAN WATER STATE REVOLVING
FUND LOAN ACCOUNT ADMINISTRATIVE FUND**

**ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022
AND INDEPENDENT AUDITOR'S REPORTS**

**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT
ADMINISTRATIVE FUND
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2023 and 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Oklahoma Water Resources Board

Opinion

We have audited the accompanying financial statements of the Oklahoma Water Resources Board Oklahoma Clean Water State Revolving Fund Loan Account Administrative Fund (the "Fund") as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Fund'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 Fund, as of June 30, 2023 and 2022, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 Fund 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 opinion.

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 Fund'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 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 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 Fund'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 Fund's ability to continue as a going concern for a reasonable period of time.

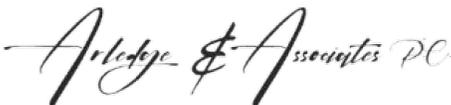
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 15, 2023 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.



Edmond, Oklahoma
September 15, 2023



**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT
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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 Clean Water State Revolving Fund Loan Account Administrative Fund's (the "Fund") financial performance provides an overview of the Fund's financial activities for the fiscal year ended June 30, 2023 and June 30, 2022. Please read it in conjunction with the Fund's financial statements, which begin on page 11. The Oklahoma Water Resources Board (the "Board") administers the Fund in conjunction with the Oklahoma Clean Water State Revolving Fund Loan Account Program (the "Program").

Financial Highlights

- The Fund’s net position increased 20.73% from FY 2022 to FY 2023. Ending net position increased from \$5,626,839 to \$6,793,332 from 2022 to 2023.
- The Fund's net position increased 28.11% from FY 2021 to FY 2022. Ending net position increased from \$4,392,170 to \$5,626,839 from 2021 to 2022.

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.

(Unaudited. See accompanying auditor’s report.)

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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?” 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
CWSRF Loan Account Administrative Fund
Net Position**

	Business-Type Activities		
	June 30		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 6,912,426	\$ 5,813,877	\$ 4,677,142
Capital assets, net	15,980	4,014	6,267
Total assets	6,928,406	5,817,891	4,683,409
Current liabilities	135,074	191,052	291,239
Total liabilities	135,074	191,052	291,239
Net position			
Investment in capital assets	15,980	4,014	6,267
Unrestricted	6,777,352	5,622,825	4,385,903
Total net position	\$ 6,793,332	\$ 5,626,839	\$ 4,392,170

Significant variances between 2023 and 2022 related to current assets are due to an increase in cash due to an increase in administrative fees collected.

Significant variances between 2021 and 2022 related to current assets are due to an increase in cash due to an increase in administrative fees collected and a decrease in personnel and other administrative cost expenses.

(Unaudited. See accompanying auditor’s report.)

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	Business-Type Activities		
	Years Ended June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues			
Operating revenues	\$ 3,407,746	\$ 3,176,343	\$ 2,926,576
Non-operating revenues	92,373	42,389	44,614
Total revenues	<u>3,500,119</u>	<u>3,218,732</u>	<u>2,971,190</u>
Expenses			
Personnel expense	1,136,550	1,154,098	1,173,063
Indirect cost expense	455,047	450,454	425,611
Other administrative expenses	699,193	273,203	344,792
Trustee fees	40,342	36,655	34,982
Depreciation expense	2,494	2,253	2,253
Total expenses	<u>2,333,626</u>	<u>1,916,663</u>	<u>1,980,701</u>
Net Income before transfers	1,166,493	1,302,069	990,489
Transfers to other programs	-	(67,400)	-
Change in net position	<u>1,166,493</u>	<u>1,234,669</u>	<u>990,489</u>
Total net position - beginning	5,626,839	4,392,170	3,401,681
Total net position - ending	<u>\$ 6,793,332</u>	<u>\$ 5,626,839</u>	<u>\$ 4,392,170</u>

Administrative fee income increased from FY 2022 to FY 2023 due to an increase in loans. Transfers decreased because no funds were transferred to SRF Loan Fund for matching cost. Expenses increased from FY 2022 to FY 2023 is due to an increase in administrative expenses related to the state matching cost for the Overflow Sewer and Reuse Grant.

Administrative fee income increased from FY 2021 to FY 2022 due to an increase in loans. Transfers increased due to a small portion of the state match for the 2021 federal capitalization grant to the CWSRF Loan fund.

Capital Assets

At the end of June 30, 2023, the Fund had \$15,980 invested in capital assets, net of depreciation, including automobiles. This represents a increase of \$11,966 over the prior year due to the purchase of a vehicle.

(Unaudited. See accompanying auditor's report.)

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

	Business-Type		
	Activities		
	Years Ended June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Software	\$ -	\$ -	\$ -
Printer	-	-	-
Automobiles	<u>15,980</u>	<u>4,014</u>	<u>6,267</u>
Totals	<u>\$ 15,980</u>	<u>\$ 4,014</u>	<u>\$ 6,267</u>

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 Clean Water State Revolving Fund has been extremely popular with communities that borrow from the program. No additional staff is planned currently. No change in the Oklahoma CWSRF financing strategy is anticipated for fiscal year 2024.

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

**OKLAHOMA WATER RESOURCES BOARD
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Statements of Net Position – June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$5,887,769	\$4,866,889
Administrative fee receivable	1,012,593	942,166
Interest receivable	12,064	4,822
Total current assets	<u>6,912,426</u>	<u>5,813,877</u>
Noncurrent Assets:		
Depreciable capital assets, net	15,980	4,014
Total noncurrent assets	<u>15,980</u>	<u>4,014</u>
Total assets	<u>6,928,406</u>	<u>5,817,891</u>
LIABILITIES:		
Current Liabilities:		
Other accrued liabilities	135,074	9,045
Due to Oklahoma Water Resources Board	-	182,007
Total current liabilities	<u>135,074</u>	<u>191,052</u>
NET POSITION:		
Investment in capital assets	15,980	4,014
Unrestricted	6,777,352	5,622,825
Total net position	<u>\$6,793,332</u>	<u>\$5,626,839</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES:		
Administrative fee income	\$ 3,395,129	\$ 3,167,743
Application fee income	12,617	8,600
	<u>3,407,746</u>	<u>3,176,343</u>
OPERATING EXPENSES:		
Personnel expense	1,136,550	1,154,098
Indirect cost expense	455,047	450,454
Other administrative expenses	699,193	273,203
Trustee fees	40,342	36,655
Depreciation expense	2,494	2,253
	<u>2,333,626</u>	<u>1,916,663</u>
NET OPERATING INCOME	1,074,120	1,259,680
NON-OPERATING REVENUES:		
Interest income	<u>92,373</u>	<u>42,389</u>
	<u>92,373</u>	<u>42,389</u>
Net income before transfers	1,166,493	1,302,069
Transfers to Oklahoma Clean Water State Revolving Loan Account Program	-	(67,400)
	<u>1,166,493</u>	<u>1,234,669</u>
Change in net position	1,166,493	1,234,669
Total net position - beginning	5,626,839	4,392,170
Total net position - ending	<u>\$ 6,793,332</u>	<u>\$ 5,626,839</u>

See accompanying notes to the basic financial statements.

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Statements of Cash Flows – Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Administrative fee income	\$ 3,324,702	\$ 3,101,994
Application fee income	12,617	8,600
Payments to employees	(1,136,550)	(1,154,098)
Payments to other suppliers	(1,068,553)	(860,499)
Payments to other funds	(182,007)	1,692
Net Cash Provided by Operating Activities	<u>950,209</u>	<u>1,097,689</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to Oklahoma Clean Water State Revolving Loan Account Program	-	(67,400)
Transfers to Oklahoma Drinking Water Administration Account	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>	<u>(67,400)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(14,460)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(14,460)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	85,131	41,359
Net Cash Provided by Investing Activities	<u>85,131</u>	<u>41,359</u>
Net Increase in Cash and Cash Equivalents	1,020,880	1,071,648
Balances - beginning of the year	<u>4,866,889</u>	<u>3,795,241</u>
Balances - end of the year	<u>\$ 5,887,769</u>	<u>\$ 4,866,889</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,074,120	\$ 1,259,680
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,494	2,253
Change in assets and liabilities:		
Decrease (Increase) in administration fee receivable	(70,427)	(65,749)
Decrease (Increase) in due to CWSRF	(182,007)	1,692
Increase (Decrease) in other accrued liabilities	126,029	(1,733)
Increase (Decrease) in Due to OWRB	-	(98,454)
Net Cash Provided by Operating Activities	<u>\$ 950,209</u>	<u>\$ 1,097,689</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 Wastewater Facility Construction Revolving Loan Account Program (the "Program"), Title 82 Oklahoma Statutes, Sections 1085.51 et seq., was created pursuant to the 1987 Amendment (P.L. 100-4) to the "Federal Clean Water Act" (P.L. 92-500) set apart from all other Oklahoma Water Resources Board accounts and programs to be permanent and perpetual; not subject to fiscal year limitations. The Program was created to provide a fund for financing the construction of water quality projects for municipalities and other public entities. The Program funds loans with Federal grants, State matching funds, principal repayments, bond proceeds, and interest received on loans and invested cash balances. State matching funds are provided through State appropriations, the issuance of revenue notes, bond proceeds, or other funds.

Title 82 Oklahoma Statutes, Section 1085.64 created the Clean Water State Revolving Fund 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 Clean Water Act. The Fund consists of revenues primarily from loan administrative fees, Fund investment earnings and application processing fees.

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

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

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 software and printers has been estimated at 7 years. The useful life of automobiles has been estimated at 5 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 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 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.

Due To/From Other Funds

At June 30, 2022, the fund owed the OWRB \$182,007 for indirect cost incurred but not paid. These fees were paid in fiscal year 2023.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through September 15, 2023, 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 \$5,876,456 and \$4,866,725 at June 30, 2023, and 2022 respectively, was on deposit in the State Treasurer's office's internal investment pool – *OK Invest*. Short-term investments of \$11,313 and \$164 at June 30, 2023, and 2022, respectively, were on deposit with the Program's trustee. The deposits are invested in Federated Treasury Obligations money market mutual funds.

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

Custodial credit risk for deposits is the risk that in the event of a bank or other institution's 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 \$5,876,456 and \$4,866,725 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2023 and June 30, 2022, 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 Annual Comprehensive 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.

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 process in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2023 and 2022, 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 Hermes Treasury Obligation – credit rating AAAM and fair value hierarchy Level I

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3. Capital Assets

A summary of equipment activity follows:

	Beginning Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2023</u>
Other capital assets:				
Computer software	\$ 118,097	-	-	\$ 118,097
Printer	2,000	-	-	2,000
Automobiles	<u>53,935</u>	<u>14,460</u>	<u>-</u>	<u>68,395</u>
Total other capital assets, historical cost	<u>\$ 174,032</u>	<u>14,460</u>	<u>-</u>	<u>\$ 188,492</u>
Less: accumulated depreciation for:				
Computer software	\$ 118,097	-	-	\$ 118,097
Printer	2,000	-	-	2,000
Automobiles	<u>49,921</u>	<u>2,494</u>	<u>-</u>	<u>52,415</u>
Total accumulated depreciation	<u>\$ 170,018</u>	<u>2,494</u>	<u>-</u>	<u>\$ 172,512</u>
Other capital assets, net	<u>\$ 4,014</u>	<u>11,966</u>	<u>-</u>	<u>\$ 15,980</u>
	Beginning Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2022</u>
Other capital assets:				
Computer software	\$ 118,097	-	-	\$ 118,097
Printer	2,000	-	-	2,000
Automobiles	<u>53,935</u>	<u>-</u>	<u>-</u>	<u>53,935</u>
Total other capital assets, historical cost	<u>\$ 174,032</u>	<u>-</u>	<u>-</u>	<u>\$ 174,032</u>
Less: accumulated depreciation for:				
Computer software	\$ 118,097	-	-	\$ 118,097
Printer	2,000	-	-	2,000
Automobiles	<u>47,668</u>	<u>2,253</u>	<u>-</u>	<u>49,921</u>
Total accumulated depreciation	<u>\$ 167,765</u>	<u>2,253</u>	<u>-</u>	<u>\$ 170,018</u>
Other capital assets, net	<u>\$ 6,267</u>	<u>(2,253)</u>	<u>-</u>	<u>\$ 4,014</u>

**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT
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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, 2023 was 68.69% and was 68.77% for the year ended June 30, 2022.

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INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT
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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 Oklahoma Clean Water State Revolving Loan Account Administrative Fund (the "Fund") as of and for the years ended June 30, 2023 and 2022, 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 15, 2023.

Report on 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) 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 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. 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 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 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 PC

Edmond, Oklahoma
September 15, 2023

