



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

**ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015
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, 2016 and 2015**

TABLE OF CONTENTS

| | Page |
|---|-------------|
| Independent Auditor’s Report on Financial Statements | 3-4 |
| Management’s Discussion and Analysis | 5-9 |
| The Basic Financial Statements | |
| Statements of Net Position..... | 11 |
| Statements of Revenues, Expenses, and Changes in Net Position..... | 12 |
| Statements of Cash Flows | 13 |
| Footnotes to Statements | 14-18 |
| | |
| Internal Control over Financial Reporting and Compliance | 19-22 |
| Independent Auditor’s Report on Internal Control and Compliance | |



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 Clean Water State Revolving Fund Loan Account Administrative Fund (the "Fund") as of and for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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.

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 12, 2016, 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 12, 2016

**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, 2016 and 2015**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**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, 2016 and 2015**

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, 2016 and June 30, 2015. Please read it in conjunction with the Fund's financial statements, which begin on page 10. 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 9.67% from FY 2015 to FY 2016. Ending net position increased from \$2,815,742 to \$3,088,098 from 2015 to 2016.
- The Fund's net position increased 6.89% from FY 2014 to FY 2015. Ending net position increased from \$2,634,215 to \$2,815,742 from 2014 to 2015.

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?” 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.

(Unaudited. See accompanying auditor’s report.)

**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, 2016 and 2015**

**Oklahoma Water Resources Board
CWSRF Loan Account Administrative Fund
Net Position**

| | Business-Type Activities | | |
|----------------------------------|-------------------------------------|---------------------|---------------------|
| | <u>June 30</u> | | |
| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Current assets | \$ 3,390,484 | \$ 3,064,997 | \$ 2,835,999 |
| Capital assets, net | 20,570 | 33,249 | 46,907 |
| Total assets | <u>3,411,054</u> | <u>3,098,246</u> | <u>2,882,906</u> |
| Current liabilities | 322,956 | 282,504 | 248,691 |
| Total liabilities | <u>322,956</u> | <u>282,504</u> | <u>248,691</u> |
| Net position | | | |
| Net investment in capital assets | 20,570 | 33,249 | 46,907 |
| Unrestricted | 3,067,528 | 2,782,493 | 2,587,308 |
| Total net position | <u>\$ 3,088,098</u> | <u>\$ 2,815,742</u> | <u>\$ 2,634,215</u> |

Significant variances between 2015 and 2016 related to current assets are due to an increase in cash and administrative fee receivables. The decrease in capital assets is due to depreciation expense in FY 16. The increase in current liabilities is attributable to an increase in the due to State of Oklahoma for indirect cost.

Significant variances between 2014 and 2015 related to current assets are due to an increase in cash and administrative fee receivables. The decrease in capital assets is due to depreciation expense in FY 15. The increase in current liabilities is attributable to an increase in the due to State of Oklahoma for indirect cost.

(Unaudited. See accompanying auditor's report.)

**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, 2016 and 2015**

**Oklahoma Water Resources Board
CWSRF Loan Account Administrative Fund
Revenues, Expenses, and Changes in Net Position**

| | Business-Type Activities | | |
|---------------------------------------|-------------------------------------|---------------------|---------------------|
| | Years Ended June 30, | | |
| | 2016 | 2015 | 2014 |
| Revenues | | | |
| Operating revenues | \$ 2,367,117 | \$ 2,247,270 | \$ 2,267,020 |
| Non-operating revenues | 37,248 | 33,529 | 26,408 |
| Total revenues | 2,404,365 | 2,280,799 | 2,293,428 |
| Expenses | | | |
| Personnel expense | 1,157,342 | 1,238,805 | 1,065,195 |
| Indirect cost expense | 566,905 | 539,114 | 417,870 |
| Other administrative expenses | 250,336 | 278,339 | 184,755 |
| Project expense | 118,432 | - | - |
| Depreciation expense | 12,679 | 13,658 | 12,360 |
| Total expenses | 2,105,694 | 2,069,916 | 1,680,180 |
| Net Income before transfers | 298,671 | 210,883 | 613,248 |
| Transfers to other programs | (26,315) | (29,356) | (32,800) |
| Changee in net position | 272,356 | 181,527 | 580,448 |
| Total net position - beginning | 2,815,742 | 2,634,215 | 2,053,767 |
| Total net position - ending | \$ 3,088,098 | \$ 2,815,742 | \$ 2,634,215 |

Project expense relates to loan forgiveness on a loan funded through the CW Administrative Fund. Personnel cost decreased from FY 15 to FY 16 due to improvements in time management and cost allocation among programs.

Personnel cost increased from FY 14 to FY 15 due to the addition of new positions and the increased employee activity on the CWSRF Loan Program.

Capital Assets

At the end of June 30, 2016, the Fund had \$20,570 invested in capital assets, net of depreciation, including computer software and automobiles. This represents a net decrease of \$12,679 over the prior year.

(Unaudited. See accompanying auditor's report.)

**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, 2016 and 2015**

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

| | Business-Type Activities | | |
|---------------|-------------------------------------|-------------------------|-------------------------|
| | <u>Years Ended June 30,</u> | | |
| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Software | \$ 13,220 | \$ 22,034 | \$ 30,848 |
| Printer | 856 | 1,142 | 1,428 |
| Automobiles | <u>6,494</u> | <u>10,073</u> | <u>14,631</u> |
| Totals | <u><u>\$ 20,570</u></u> | <u><u>\$ 33,249</u></u> | <u><u>\$ 46,907</u></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 at this time. No change in the Oklahoma CWSRF financing strategy is anticipated for fiscal year 2017.

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.)

**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, 2016 and 2015**

BASIC FINANCIAL STATEMENTS

**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, 2016 and 2015**

Statements of Net Position – June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---------------------------------------|--------------------|--------------------|
| ASSETS: | | |
| Current Assets: | | |
| Cash and cash equivalents | \$2,670,076 | \$2,390,319 |
| Administrative fee receivable | 716,363 | 671,248 |
| Interest receivable | 3,966 | 3,430 |
| Due from CWSRF | 79 | - |
| Total current assets | <u>3,390,484</u> | <u>3,064,997</u> |
| Noncurrent Assets: | | |
| Depreciable capital assets, net | 20,570 | 33,249 |
| Total noncurrent assets | <u>20,570</u> | <u>33,249</u> |
| Total assets | <u>3,411,054</u> | <u>3,098,246</u> |
| LIABILITIES: | | |
| Current Liabilities: | | |
| Due to Oklahoma Water Resources Board | 322,956 | 282,504 |
| Total current liabilities | <u>322,956</u> | <u>282,504</u> |
| NET POSITION: | | |
| Net investment in capital assets | 20,570 | 33,249 |
| Unrestricted | 3,067,528 | 2,782,493 |
| Total net position | <u>\$3,088,098</u> | <u>\$2,815,742</u> |

See accompanying notes to the basic financial statements.

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, 2016 and 2015

Statements of Revenues, Expenses, and Changes in Net Position – Years Ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| OPERATING REVENUES: | | |
| Administrative fee income | \$ 2,366,017 | \$ 2,244,770 |
| Application fee income | 1,100 | 2,500 |
| Total operating revenues | <u>2,367,117</u> | <u>2,247,270</u> |
| OPERATING EXPENSES: | | |
| Personnel expense | 1,157,342 | 1,238,805 |
| Indirect cost expense | 566,905 | 539,114 |
| Other administrative expenses | 250,336 | 278,339 |
| Project expense | 118,432 | - |
| Depreciation expense | 12,679 | 13,658 |
| Total operating expenses | <u>2,105,694</u> | <u>2,069,916</u> |
| NET OPERATING INCOME | 261,423 | 177,354 |
| NON-OPERATING REVENUES: | | |
| Interest income | <u>37,248</u> | <u>33,529</u> |
| Total non-operating revenues | <u>37,248</u> | <u>33,529</u> |
| Net income before transfers | 298,671 | 210,883 |
| Transfers to Oklahoma Clean Water State Revolving Loan Account Program | (26,315) | (29,356) |
| Change in net position | 272,356 | 181,527 |
| Total net position - beginning | 2,815,742 | 2,634,215 |
| Total net position - ending | <u>\$ 3,088,098</u> | <u>\$ 2,815,742</u> |

See accompanying notes to the basic financial statements.

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, 2016 and 2015

Statements of Cash Flows – Years Ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Administrative fee income | \$ 2,320,902 | \$ 2,216,836 |
| Application fee income | 1,100 | 2,500 |
| Payments to employees | (1,157,342) | (1,238,805) |
| Payments to other suppliers | (895,221) | (783,640) |
| Payments to other funds | (79) | - |
| Net Cash Provided by Operating Activities | <u>269,360</u> | <u>196,891</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers to Oklahoma Clean Water State Revolving Loan Account Program | (26,315) | (29,356) |
| Net Cash Provided by (Used in) Noncapital Financing Activities | <u>(26,315)</u> | <u>(29,356)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest income | 36,712 | 33,407 |
| Net Cash Provided by Investing Activities | <u>36,712</u> | <u>33,407</u> |
| Net Increase in Cash and Cash Equivalents | 279,757 | 200,942 |
| Balances - beginning of the year | <u>2,390,319</u> | <u>2,189,377</u> |
| Balances - end of the year | <u>\$ 2,670,076</u> | <u>\$ 2,390,319</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 261,423 | \$ 177,354 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 12,679 | 13,658 |
| Change in assets and liabilities: | | |
| Decrease (Increase) in administration fee receivable | (45,115) | (27,934) |
| Decrease (Increase) in due from CWSRF | (79) | - |
| Increase (Decrease) in Due to OWRB | 40,452 | 33,813 |
| Net Cash Provided by Operating Activities | <u>\$ 269,360</u> | <u>\$ 196,891</u> |

See accompanying notes to the basic financial statements.

**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, 2016 and 2015**

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

Reporting Entity

The Oklahoma Water Resources Board/Oklahoma Wastewater Facility Construction Revolving Loan Account Program (the "Program") was created pursuant to the 1987 Amendments (P.L. 100-4) to the "Clean Water Act" (P.L. 92-500) to provide a perpetual fund for financing the construction of wastewater treatment facilities 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 or through the issuance of notes payable.

The Oklahoma Water Resources Board/Oklahoma Wastewater Facility Construction Revolving Loan Account (the "Program"), Title 82 Oklahoma Statutes, Sections 1085.51 et seq. was created pursuant to the 1987 Amendments (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. Title 82, Section 1085.64 created the Oklahoma Water Resources Board/Oklahoma Wastewater Facility Construction Revolving 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 loan processing 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, and loan application fees.

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").

**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, 2016 and 2015**

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 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 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, 2015, the fund owed the OWRB \$282,504 for indirect cost incurred but not paid. These fees were paid in fiscal year 2016.

At June 30, 2016, the fund owed the OWRB \$322,956 for indirect cost incurred but not paid. These fees were paid in fiscal year 2017.

**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, 2016 and 2015**

2. Cash Deposits and Investment Risk

Cash of \$2,670,076 and \$2,390,319 at June 30, 2016 and 2015 respectively, was on deposit in the State Treasurer's office's internal investment pool – *OK Invest*.

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 \$2,670,076 and \$2,390,319 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2016 and June 30, 2015, 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.

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, 2016 and 2015

3. Capital Assets

A summary of equipment activity follows:

| | Beginning Balance <u>July 1, 2015</u> | <u>Additions</u> | <u>Deletions</u> | Ending Balance <u>June 30, 2016</u> |
|--|---|------------------|------------------|---|
| Other capital assets: | | | | |
| Computer software | \$ 118,097 | - | - | \$ 118,097 |
| Printer | 2,000 | - | - | 2,000 |
| Automobiles | <u>42,671</u> | <u>-</u> | <u>-</u> | <u>42,671</u> |
| Total other capital assets, historical cost | <u>\$ 162,768</u> | <u>-</u> | <u>-</u> | <u>\$ 162,768</u> |
| Less: accumulated depreciation for: | | | | |
| Computer software | \$ 96,063 | 8,814 | - | \$ 104,877 |
| Printer | 858 | 286 | - | 1,144 |
| Automobiles | <u>32,598</u> | <u>3,579</u> | <u>-</u> | <u>36,177</u> |
| Total accumulated depreciation | <u>\$ 129,519</u> | <u>12,679</u> | <u>-</u> | <u>\$ 142,198</u> |
| Other capital assets, net | <u>\$ 33,249</u> | <u>(12,679)</u> | <u>-</u> | <u>\$ 20,570</u> |
| | | | | |
| | Beginning Balance <u>July 1, 2014</u> | <u>Additions</u> | <u>Deletions</u> | Ending Balance <u>June 30, 2015</u> |
| Other capital assets: | | | | |
| Computer software | \$ 118,097 | - | - | \$ 118,097 |
| Printer | 2,000 | - | - | 2,000 |
| Automobiles | <u>42,671</u> | <u>-</u> | <u>-</u> | <u>42,671</u> |
| Total other capital assets, historical cost | <u>\$ 162,768</u> | <u>-</u> | <u>-</u> | <u>\$ 162,768</u> |
| Less: accumulated depreciation for: | | | | |
| Computer software | \$ 87,249 | 8,814 | - | \$ 96,063 |
| Printer | 572 | 286 | - | 858 |
| Automobiles | <u>28,040</u> | <u>4,558</u> | <u>-</u> | <u>32,598</u> |
| Total accumulated depreciation | <u>\$ 115,861</u> | <u>13,658</u> | <u>-</u> | <u>\$ 129,519</u> |
| Other capital assets, net | <u>\$ 46,907</u> | <u>(13,658)</u> | <u>-</u> | <u>\$ 33,249</u> |

**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, 2016 and 2015**

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, 2016 was 98.68% and was 90.08% for the year ended June 30, 2015.

**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, 2016 and 2015**

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

**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, 2016 and 2015**

THIS PAGE INTENTIONALLY LEFT BLANK



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 Fund Loan Account Administrative Fund (the "Fund") as of and for the year ended June 30, 2016, 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 12, 2016.

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.

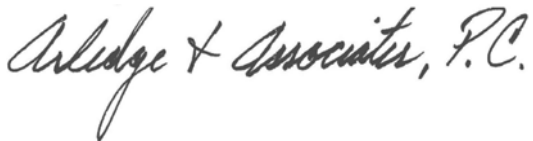
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

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*.

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.



Edmond, Oklahoma
September 12, 2016