

State of Oklahoma



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

**ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
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, 2014 and 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Oklahoma Water Resources Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Water Resources Board/Oklahoma Clean Water State Revolving Fund Loan Account Administrative Fund (the "Fund") as of and for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, 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 19, 2014, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

Edmond, Oklahoma
September 19, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Oklahoma 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, 2014 and June 30, 2013. 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 28.26% from FY 2013 to FY 2014. Ending net position increased from \$2,053,767 to \$2,634,215 from 2013 to 2014.
- The Fund's net position increased 34.24% from FY 2012 to FY 2013. Ending net position increased from \$1,529,916 to \$2,053,767 from 2012 to 2013.

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 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.)

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Oklahoma Water Resources Board
CWSRF Loan Account Administrative Fund
Net Position

	Business-Type		
	Activities		
	June 30		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 2,835,999	\$ 2,498,562	\$ 1,785,736
Capital assets, net	46,907	46,283	57,345
Total assets	<u>2,882,906</u>	<u>2,544,845</u>	<u>1,843,081</u>
Current liabilities	248,691	491,078	313,165
Total liabilities	<u>248,691</u>	<u>491,078</u>	<u>313,165</u>
Net position			
Net investment in capital assets	46,907	46,283	57,345
Unrestricted	2,587,308	2,007,484	1,472,571
Total net position	<u>\$ 2,634,215</u>	<u>\$ 2,053,767</u>	<u>\$ 1,529,916</u>

Significant variances between 2013 and 2014 related to current assets are due to an increase in administrative income and an increase in cash. The increase in capital assets is due to the purchase of a vehicle in FY 2014. The decrease in current liabilities is attributable to a decrease in the due to State of Oklahoma for indirect cost.

(Unaudited. See accompanying auditor's report.)

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

	Business-Type Activities		
	<u>Years Ended June 30,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues			
Operating revenues	\$ 2,267,020	\$ 2,069,058	\$ 1,844,514
Non-operating revenues	26,408	24,070	16,510
Total revenues	<u>2,293,428</u>	<u>2,093,128</u>	<u>1,861,024</u>
Expenses			
Personnel expense	1,065,195	946,028	994,906
Indirect cost expense	417,870	405,001	416,470
Other administrative expenses	184,755	179,999	177,308
Depreciation expense	12,360	11,062	12,764
Total expenses	<u>1,680,180</u>	<u>1,542,090</u>	<u>1,601,448</u>
Net Income before transfers	613,248	551,038	259,576
Transfers to other programs	<u>(32,800)</u>	<u>(27,187)</u>	<u>(50,270)</u>
Increase in net position	580,448	523,851	209,306
Total net position - beginning	2,053,767	1,529,916	1,320,610
Total net position - ending	<u><u>\$ 2,634,215</u></u>	<u><u>\$ 2,053,767</u></u>	<u><u>\$ 1,529,916</u></u>

Operating revenue increased due to the increase in loan activity of the program. Personnel cost increased due to the addition of one new position and the increased employee activity on the CWSRF Loan Program.

Capital Assets

At the end of June 30, 2014, the Fund had \$46,907 invested in capital assets, net of depreciation, including computer software and automobiles. This represents a net increase of \$624 over the prior year.

(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		
	<u>Years Ended June 30,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Software	\$ 30,848	\$ 39,663	\$ 48,477
Printer	1,428	1,714	2,000
Automobiles	<u>14,631</u>	<u>4,906</u>	<u>6,868</u>
Totals	<u><u>\$ 46,907</u></u>	<u><u>\$ 46,283</u></u>	<u><u>\$ 57,345</u></u>

The increase in capital assets is due to the purchase of a vehicle in FY 2014.

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. In FY 2015, two additional staff positions are planned. One position will assist with engineer aspects of the loan program and the other with ongoing effort towards OWRB modernization through imaging implementation.

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$2,189,377	\$1,868,549
Administrative fee receivable	643,314	626,880
Interest receivable	3,308	3,133
Total current assets	<u>2,835,999</u>	<u>2,498,562</u>
Noncurrent Assets:		
Depreciable capital assets, net	46,907	46,283
Total noncurrent assets	<u>46,907</u>	<u>46,283</u>
Total assets	<u>2,882,906</u>	<u>2,544,845</u>
LIABILITIES:		
Current Liabilities:		
Due to Oklahoma Water Resources Board	248,691	491,078
Total current liabilities	<u>248,691</u>	<u>491,078</u>
NET POSITION:		
Net investment in capital assets	46,907	46,283
Unrestricted	2,587,308	2,007,484
Total net position	<u>\$2,634,215</u>	<u>\$2,053,767</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Administrative fee income	\$ 2,262,270	\$ 2,064,808
Application fee income	4,750	4,250
	<u>2,267,020</u>	<u>2,069,058</u>
OPERATING EXPENSES:		
Personnel expense	1,065,195	946,028
Indirect cost expense	417,870	405,001
Other administrative expenses	184,755	179,999
Depreciation expense	12,360	11,062
	<u>1,680,180</u>	<u>1,542,090</u>
NET OPERATING INCOME	586,840	526,968
NON-OPERATING REVENUES:		
Interest income	<u>26,408</u>	<u>24,070</u>
	<u>26,408</u>	<u>24,070</u>
Net income before transfers	613,248	551,038
Transfers to Oklahoma Clean Water State Revolving Loan Account Program	(32,800)	(27,187)
	<u>580,448</u>	<u>523,851</u>
Change in net position	580,448	523,851
Total net position - beginning	2,053,767	1,529,916
Total net position - ending	<u>\$2,634,215</u>	<u>\$2,053,767</u>

See accompanying notes to the basic financial statements.

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Statements of Cash Flows – Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Administrative fee income	\$ 2,245,836	\$ 2,022,200
Application fee income	4,750	4,250
Payments to employees	(1,065,195)	(946,028)
Payments to other suppliers	(845,012)	(403,368)
Net Cash Provided by Operating Activities	<u>340,379</u>	<u>677,054</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to Oklahoma Clean Water State Revolving Loan Account Program	(32,800)	(27,187)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(32,800)</u>	<u>(27,187)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(12,984)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(12,984)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	26,233	23,101
Net Cash Provided by Investing Activities	<u>26,233</u>	<u>23,101</u>
Net Increase in Cash and Cash Equivalents	320,828	672,968
Balances - beginning of the year	<u>1,868,549</u>	<u>1,195,581</u>
Balances - end of the year	<u>\$ 2,189,377</u>	<u>\$ 1,868,549</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 586,840	\$ 526,968
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	12,360	11,062
Change in assets and liabilities:		
Decrease (Increase) in administration fee receivable	(16,434)	(42,608)
Decrease (Increase) in due from CWSRF	-	3,719
Increase (Decrease) in Due to OWRB	(242,387)	177,913
Net Cash Provided by Operating Activities	<u>\$ 340,379</u>	<u>\$ 677,054</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 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 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 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, 2013, the fund owed the OWRB \$491,078 for indirect cost incurred but not paid. These fees were paid in fiscal year 2014.

At June 30, 2014, the fund owed the OWRB \$248,691 for indirect cost incurred but not paid. These fees were paid in fiscal year 2015.

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2. Cash Deposits and Investment Risk

Cash of \$2,189,377 and \$1,868,549 at June 30, 2014 and 2013 respectively, was on deposit in the State Treasurer's office's internal investment pool – *OK Invest*.

Investment Interest Rate Risk – the Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk and Custodial Credit Risk – the Fund has no investment policy that limits its investment choices other than the limitation of state law imposed on the State Treasurer as follows:

- a. U.S. Treasury Bills, Notes and Bonds and U.S. Government Agency Securities with certain ratings and maturity limitations.
- b. Collateralized or insured certificates of deposit and other evidences of deposit issued by a bank, savings bank, savings and loan association or credit union located in the state.
- c. With certain ratings and maturity limitations, negotiable certificates of deposit, bankers acceptances and commercial paper.
- d. Obligations of state and local governments, including obligations of Oklahoma state public trusts, with certain ratings and maturity limitations.
- e. Collateralized repurchase agreements tri-party repurchase agreements.
- f. Money market mutual funds and short term bond funds regulated by the SEC and in which investments consist of obligations of the U.S. Government and its agencies and instrumentalities and repurchase agreements collateralized by obligations of the U.S. Government and its agencies and instrumentalities.

The state treasurer has determined that current holdings in *OK Invest* should be limited to obligations of the United States government, its agencies and instrumentalities, tri-party repurchase agreements collateralized at 102% with the collateral held by a third party in the name of the Oklahoma State Treasurer and money market mutual funds which either directly or indirectly invest in U.S. Treasury and/or Agency securities and repurchase agreements related to such securities. *OK Invest* is not rated by a national rating agency. The overall weighted average maturity of *OK Invest* is less than 2 years. *OK Invest* is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation or any other government agency.

Concentration of Investment Credit Risk – the Fund places no limit on the amount it may invest in any one issuer. Limits are indirectly imposed through the Fund's participation in *OK Invest*. The Fund has the following concentration of credit risk: 100% or \$2,189,377 is invested in *OK Invest*.

3. Capital Assets

A summary of equipment activity follows:

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	Beginning Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2014</u>
Other capital assets:				
Computer software	\$ 118,097	-	-	\$ 118,097
Printer	2,000	-	-	2,000
Automobiles	<u>29,687</u>	<u>12,984</u>	<u>-</u>	<u>42,671</u>
Total other capital assets, historical cost	<u>149,784</u>	<u>12,984</u>	<u>-</u>	<u>162,768</u>
Less: accumulated depreciation for:				
Computer software	78,435	8,814	-	87,249
Printer	286	286	-	572
Automobiles	<u>24,780</u>	<u>3,260</u>	<u>-</u>	<u>28,040</u>
Total accumulated depreciation	<u>103,501</u>	<u>12,360</u>	<u>-</u>	<u>115,861</u>
Other capital assets, net	<u>\$ 46,283</u>	<u>624</u>	<u>-</u>	<u>\$ 46,907</u>
	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2013</u>
Other capital assets:				
Computer software	\$ 118,097	-	-	\$ 118,097
Printer	2,000	-	-	2,000
Automobiles	<u>29,687</u>	<u>-</u>	<u>-</u>	<u>29,687</u>
Total other capital assets, historical cost	<u>149,784</u>	<u>-</u>	<u>-</u>	<u>149,784</u>
Less: accumulated depreciation for:				
Computer software	69,621	8,814	-	78,435
Printer	-	286	-	286
Automobiles	<u>22,818</u>	<u>1,962</u>	<u>-</u>	<u>24,780</u>
Total accumulated depreciation	<u>92,439</u>	<u>11,062</u>	<u>-</u>	<u>103,501</u>
Other capital assets, net	<u>57,345</u>	<u>(11,062)</u>	<u>-</u>	<u>46,283</u>

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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, 2014 was 89.01% and was 72.99% for the year ended June 30, 2013.

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INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

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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 Fund Loan Account Administrative Fund (the "Fund") as of and for the year ended June 30, 2014, 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 19, 2014.

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.

Aldridge & Associates, P.C.

Edmond, Oklahoma
September 19, 2014