



OKLAHOMA

Water Resources Board

OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM

**ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023
AND INDEPENDENT AUDITOR'S REPORTS**

**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023**

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	14-23

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Oklahoma Water Resources Board
Oklahoma Clean Water State Revolving Loan Fund Loan Account Program

Opinion

We have audited the accompanying financial statements of the Oklahoma Water Resources Board Clean Water State Revolving Loan Account Program ("The Program") as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits 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 Program, 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 Program'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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program’s ability to continue as a going concern for a reasonable period of time.

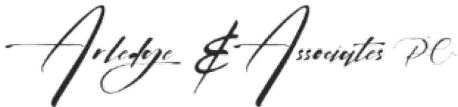
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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 16, 2024, on our consideration of the Program’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Program’s internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
September 16, 2024



**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023**

MANAGEMENT'S DISCUSSION AND ANALYSIS

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Oklahoma Clean Water State Revolving Loan Fund Account Program's (the "Program") financial performance provides an overview of the Program's financial activities for the fiscal years ended June 30, 2024 and 2023. Please read it in conjunction with the Program's financial statements, which begin on page 11. The Oklahoma Water Resources Board (the "Board") administers the Program.

Program Highlights

- The Program made binding commitments for thirty-six (36) new construction, planning loans totaling approximately \$326.8 million.
- The Program funded eleven (11) projects for communities discharging to priority stream segments identified as threatened or impaired on the Impaired Waterbodies List (Section 303(d)) of Oklahoma's Integrated Water Quality Assessment Report). The total funding approved for these communities was approximately \$111.7 million.
- The Program saw twenty-five (25) projects begin construction and eleven (11) projects complete construction and initiate operations.
- The Program approved seven (7) projects to assist Oklahoma communities to attain compliance with the enforceable permit requirements of the Clean Water Act in order to protect the water quality of receiving streams and lakes.

Financial Highlights

- Ending Program net position increased from \$456,762,275 to \$482,160,124 between FY 2023 and FY 2024 with \$7,023,619 restricted for debt service. Ending Program net position increased from \$424,670,169 to \$456,762,275 between FY 2022 and FY 2023 with \$9,126,002 restricted for debt service.
- At June 30, 2024 the Program had 235 loans with a balance of \$830,943,070. At June 30, 2023 there were 222 outstanding loans with a principal balance of \$717,133,319. At June 30, 2022 the Program had 217 loans with a balance of \$650,524,978.

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

(Unaudited. See accompanying auditor’s report.)

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

The financial statements for the Program 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 Program’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 Program

One of the most frequently asked questions about the Program’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 Program 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 Program
Net Position

	Business-Type		
	Activities		
	June 30		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	\$ 123,096,877	\$ 222,783,655	\$ 111,241,802
Non-current assets	780,207,372	681,155,173	619,762,388
Total assets	903,304,249	903,938,828	731,004,190
Current liabilities	27,282,139	25,286,436	31,044,749
Non-current liabilities	383,992,555	410,507,154	262,392,777
Total liabilities	411,274,694	435,793,590	293,437,526
Deferred inflows	9,869,431	11,382,963	12,896,495
Total liabilities and deferred inflows	421,144,125	447,176,553	306,334,021
Net position			
Restricted	7,023,619	9,126,002	11,585,021
Unrestricted	475,136,505	447,636,273	413,085,148
Total net position	\$ 482,160,124	\$ 456,762,275	\$ 424,670,169

In FY 2024, the decrease in total liabilities and the decrease in deferred inflows is attributable to the decrease in outstanding debt. The increase in non-current assets is attributable to the increase in loans to local communities.

(Unaudited. See accompanying auditor’s report.)

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

In FY 2023, the increase in current assets is the result of an increase in cash and cash equivalents. The increase in non-current assets and total liabilities is the result of the issuance of the 2023 Bonds to fund new construction projects.

	Business-Type		
	Activities		
	Years Ended June 30,		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenues			
Loan program income, net	\$ 14,311,325	\$ 12,636,098	\$ 12,365,647
Investment income	5,816,234	3,176,613	151,072
Total revenues	<u>20,127,559</u>	<u>15,812,711</u>	<u>12,516,719</u>
Expenses			
Interest expense	10,340,670	7,310,319	6,149,188
Other expenses	-	-	30,000
Bond issuance costs	-	900,782	-
Total expenses	<u>10,340,670</u>	<u>8,211,101</u>	<u>6,179,188</u>
Net Income before transfers, grants, forgiveness and contributions	9,786,889	7,601,610	6,337,531
Federal grants	23,066,203	31,898,084	10,076,067
Federal grant principal forgiveness	(7,455,243)	(7,407,588)	(1,264,036)
Transfers from other programs	-	-	67,480
Increase in net position	<u>25,397,849</u>	<u>32,092,106</u>	<u>15,217,042</u>
Total net position - beginning	456,762,275	424,670,169	409,453,127
Total net position - ending	<u>\$ 482,160,124</u>	<u>\$ 456,762,275</u>	<u>\$ 424,670,169</u>

OWRB provided \$7,455,243 in principal forgiveness to borrowers in FY 2024 compared to \$7,407,588 in FY 2023. In addition, the Program received \$23,066,203 in net Federal Capitalization Grants in FY 2024 compared to \$31,898,804 in FY 2023. The significant increase in federal grant revenue was provided by the Infrastructure Investment and Jobs Act known as the Bipartisan Infrastructure Law (BIL).

(Unaudited. See accompanying auditor's report.)

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

Long- Term Debt

At year-end, the Program had \$407,732,555 in long-term debt outstanding, net of unamortized premium, which represents a \$23,644,599 or 5.5% decrease from June 30, 2023. Debt increased \$140,104,377, or 48.1%, from 2022 to 2023. The Program’s changes in long-term debt by type of debt are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Beginning balances:			
2014A Serial bonds due April 1, 2015 to April 1, 2026, interest at 0.188% to 3.671%	\$ 9,775,000	\$ 13,790,000	\$ 17,890,000
2015 Serial bonds due April 1, 2017 to April 1, 2040, interest at 2.00% to 5.00%	27,045,000	39,245,000	51,730,000
2019 Serial bonds due April 1, 2022 to April 1, 2033, interest at 1.73% to 2.77%	102,665,000	114,445,000	126,210,000
2020 Serial bonds due April 1, 2021 to April 1, 2040, interest at 1.73% to 2.77%	92,305,000	93,190,000	93,700,000
2023 Serial bonds due April 1, 2025 to April 1, 2043, interest at 3.625% to 5.00%	150,000,000		
Unamortized premium	49,587,154	30,602,777	32,325,124
	<u>\$ 431,377,154</u>	<u>\$ 291,272,777</u>	<u>\$ 321,855,124</u>
Add: 2020 Serial bonds due April 1, 2025 to April 1, 2043, interest at 3.625% to 5.00%	-	150,000,000	-
Add: 2020 bond premium	-	-	-
Add: 2023 bond premium	-	21,071,209	
Less: debt principal repayments	(20,870,000)	(28,880,000)	(28,860,000)
Less: current amortization of premium	(2,774,599)	(2,086,832)	(1,722,347)
Ending balances	<u>\$ 407,732,555</u>	<u>\$ 431,377,154</u>	<u>\$ 291,272,777</u>
Amounts due in one year	<u>\$ 23,740,000</u>	<u>\$ 20,870,000</u>	<u>\$ 28,880,000</u>

See Note 6 to the financial statements for more detailed information on the Program’s long-term debt and changes therein.

Economic Factors and Next Year’s Outlook

As a result of the widespread need for water pollution control financing, and efforts by the OWRB to implement a “lower than market rate” loan program, we continue to receive responses from communities across the state requesting their projects be added to the five-year CWSRF Project Priority List (PPL). With the increased funding available through the Bipartisan Infrastructure Law and additional subsidies available, there has been a significant increase in requests to be placed on the CWSRF PPL. To date, the OWRB has received 208 wastewater and water quality projects in SFY 2025 totaling over \$473.6 million.

Contacting the Program’s Financial Management

This financial report is designed to provide the Board's accountability of the Program. 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 PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023**

BASIC FINANCIAL STATEMENTS

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

Statements of Net Position – June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$58,595,405	\$171,141,311
Loans receivable	59,879,074	47,711,819
Interest receivable:		
Loans receivable	4,485,280	3,719,820
Other interest receivable	137,118	210,705
Total current assets	<u>123,096,877</u>	<u>222,783,655</u>
Noncurrent Assets:		
Loans receivable, net of current portion	771,063,996	669,421,500
Restricted investments	7,023,619	9,126,002
Investments	2,119,757	2,607,671
Total noncurrent assets	<u>780,207,372</u>	<u>681,155,173</u>
Total assets	<u>903,304,249</u>	<u>903,938,828</u>
LIABILITIES:		
Current Liabilities:		
Accrued interest payable	3,542,139	4,416,436
Current maturities of long-term debt	23,740,000	20,870,000
Total current liabilities	<u>27,282,139</u>	<u>25,286,436</u>
Noncurrent liabilities:		
Long-term debt, less current maturities and plus unamortized premium	383,992,555	410,507,154
Total noncurrent liabilities	<u>383,992,555</u>	<u>410,507,154</u>
Total liabilities	<u>411,274,694</u>	<u>435,793,590</u>
DEFERRED INFLOW OF RESOURCES:		
Deferred amount on refunding	<u>9,869,431</u>	<u>11,382,963</u>
NET POSITION:		
Restricted for debt service	7,023,619	9,126,002
Unrestricted	475,136,505	447,636,273
Total net position	<u>\$482,160,124</u>	<u>\$456,762,275</u>

See accompanying notes to the basic financial statements.

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

Statements of Revenues, Expenses and Changes in Net Position – Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES:		
Loan program income (\$14,311,325	\$12,636,098
Total operating revenues	<u>14,311,325</u>	<u>12,636,098</u>
OPERATING EXPENSES:		
Administration expenses	-	-
Interest expense	10,340,670	7,310,319
Bond issuance costs	-	900,782
Total operating expenses	<u>10,340,670</u>	<u>8,211,101</u>
OPERATING INCOME	3,970,655	4,424,997
NON-OPERATING REVENUES (EXPENSES):		
Federal grants and contracts	23,066,203	31,898,084
Federal grant principal forgiveness	(7,455,243)	(7,407,588)
Investment Income:		
Invested cash balances	2,135,039	904,364
Short-term investments revenue	3,305,626	2,121,253
Long-term investments revenue	75,866	163,523
Gain (loss) on investments	299,703	(12,527)
Total net non-operating revenues	<u>21,427,194</u>	<u>27,667,109</u>
Change in net position	25,397,849	32,092,106
Total net position - beginning	456,762,275	424,670,169
Total net position - ending	<u><u>\$482,160,124</u></u>	<u><u>\$456,762,275</u></u>

See accompanying notes to the basic financial statements.

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

Statements of Cash Flows – Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections of interest on loans to local governmental units	\$13,545,865	\$12,528,175
Interest paid on debt	(15,503,098)	(8,658,995)
	<u>(1,957,233)</u>	<u>3,869,180</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal grant receipts	23,066,203	31,898,084
Bond issue proceeds	-	150,000,000
Bond issuance cost	-	(900,782)
Principal paid on bonds/notes	(20,870,000)	(28,880,000)
Premium on bonds issued	-	21,071,209
	<u>2,196,203</u>	<u>173,188,511</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to local governmental units	(167,959,179)	(118,650,850)
Collections of principal on loans to local governmental units	46,694,185	44,634,921
Interest on invested cash balances	2,135,039	904,364
Interest on short-term investments	3,283,208	2,111,120
Interest on long-term investments	471,574	26,842
Sale of long-term investments	2,590,297	2,919,528
	<u>(112,784,876)</u>	<u>(68,054,075)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(112,545,906)	109,003,616
Balances - beginning of the year	<u>171,141,311</u>	<u>62,137,695</u>
Balances - end of the year	<u>\$58,595,405</u>	<u>\$171,141,311</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$3,970,655	\$4,424,997
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Amortization of bond issuance premiums and deferred amount on refunding	(4,288,131)	(3,600,364)
Bond issuance cost	-	900,782
Change in assets and liabilities:		
Decrease (Increase) in interest receivable	(765,460)	(107,922)
Increase (Decrease) in accrued interest payable	(874,297)	2,251,687
	<u>(\$1,957,233)</u>	<u>\$3,869,180</u>
Net Cash Provided by (used in) Operating Activities	<u>(\$1,957,233)</u>	<u>\$3,869,180</u>
Non-cash Transactions:		
Federal principal forgiveness	<u>\$7,455,243</u>	<u>\$7,407,588</u>
Total Non Cash Transactions	<u>\$7,455,243</u>	<u>\$7,407,588</u>

See accompanying notes to the basic financial statements.

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

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.

Administrative costs of the Oklahoma Water Resources Board ("OWRB") allocated to the Program may be reimbursed by the Program, limited to 4% of total cumulative Federal contributions or through fees assessed to each participating borrower at the rate of one-half of one percent per annum of the amount of each borrower's loan balance outstanding, and loan application fees. The fees paid by the participating borrowers are remitted directly to OWRB and, therefore, are not included in the accompanying financial statements.

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

Basis of Accounting and Measurement Focus

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

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

The Program uses the economic resources measurement focus where all assets, deferred outflows, liabilities, deferred inflows, 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").

Federal Grant Revenue

Federal grant income represents contributions from the Environmental Protection Agency ("EPA") of the U.S. Federal Government. Funding from Federal grants, which have been awarded, is provided through a Federal letter of credit. The timing of deposits is specified by the terms of the grant. The Program draws on the available funds as necessary to fund loans. Revenues are recorded only when the required State match has been met and actual

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

requests for loan draws have been received by the Program. In the unlikely circumstance of termination of the Program, all Federal and State contributions are refundable to the respective governments upon liquidation of the Program's assets.

In accordance with Capitalization Grant Conditions, the State agreed to provide additional subsidization in the form of principal forgiveness, negative interest rate loans, or grants to eligible recipients when required by EPA. The 2023 Capitalization Grant awarded in FY 2024 had a 20% required additional subsidization amount totaling \$1,212,200 which was all awarded as principal forgiveness during the fiscal year. The 2022 Capitalization Grant awarded in FY 2023 had a 20% required additional subsidization amount totaling \$1,869,800 which was all awarded as principal forgiveness during the fiscal year.

During FY 2024, additional funding was provided through the Infrastructure and Jobs Act known as the Bipartisan Infrastructure Law General Supplemental grant (BIL). The 2023 BIL General Supplemental grant required 49% to be available in the form of forgiveness of principal which totaled \$8,251,600. The 2023 BIL Emerging Contaminants grant required 100% subsidy which totaled \$1,200,000 during fiscal year 2024. The 2022 BIL General Supplemental grant required 49% to be available in the form of forgiveness of principal which totaled \$7,045,710. The 2022 BIL Emerging Contaminants Grant required a 100% subsidy with totaled \$755,000 during fiscal year 2023.

Bond Issue Premium

The Program's State Revolving Fund Revenue Bonds, Series 2015 were initially sold at a premium of \$14,375,840. The bond premium is being amortized over the remaining life of the bonds. Net amortization expense of \$593,052 and \$591,432 was recorded in 2024 and 2023, respectively, and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net position.

The Program's State Revolving Fund Revenue Bonds, Series 2020 were initially sold at a premium of \$21,828,220. The bond premium is being amortized over the remaining life of the bonds. Net amortization expense of \$1,134,014 and \$1,130,916 was recorded in 2024 and 2023, respectively, and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net position.

The Program's State Revolving Fund Revenue Bonds, Series 2023 were initially sold at a premium of \$21,071,209. The bond premium is being amortized over the remaining life of the bonds. Net amortization expense of \$1,047,534 and \$364,484 was recorded in 2024 and 2023, respectively, and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net position.

Deferred Amount on Refunding

The Program's State Revolving Fund Revenue Bonds, Series 2014A, were used to refund the 2004 Series Revenue Bonds. The refunding resulted in a deferred inflow of \$4,166,837 which is being amortized over twelve years. Net amortization of \$347,237 was recorded in both FY 2024 and 2023, and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net position.

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

The Program's State Revolving Fund Revenue Bonds, Series 2019, were used to refund the 2011 and 2012 Series Revenue Bonds. The refunding resulted in a deferred inflow of \$14,524,566 which is being amortized over thirteen years. Net amortization of \$1,166,295 was recorded in FY 2024 and 2023, respectively, and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net position.

Cash and Cash Equivalents

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

Investments

Included in the total is \$7,023,619 and \$9,126,002 in FY 24 and FY 23, respectively, which has been deposited into a Debt Service Reserve fund, pursuant to the bond indenture (See Note 5).

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.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through September 16, 2024, 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 \$51,792,962 and \$88,136,611 at June 30, 2024 and 2023, respectively, was deposited in the State Treasurer's office's internal investment pool – *OK Invest*. Short-term investments of \$6,802,444 and \$83,004,700 at June 30, 2024 and 2023, respectively, were on deposit with the Program's trustee. The deposits are invested in the *Federated Hermes Government Obligation Tax Managed Fund* money market mutual funds in FY 2024 and FY 2023.

Custodial credit risk for deposits is the risk that in the event of a bank or other institution failure, the Program deposits may not be returned, or the Program will not be able to recover collateral securities in the possession of an outside party. The Program 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 Program deposits with the State Treasurer are pooled with the funds of other State

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

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 \$51,792,962 and \$88,136,611 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2024 and June 30, 2023, 100% represent amounts held within OK INVEST, an internal investment pool. 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 Program's participation in the internal investment pool determined that the amounts on deposit with OK INVEST are considered demand accounts and are reported as cash equivalents.

Investment Interest Rate Risk – the Program 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 as it relates to funds not directly associated with bond issue proceeds.

Investment Credit Risk-Non-Debt Proceeds – for non-debt proceeds, the Program 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 evidence 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.

Investment Credit Risk - Debt Proceeds – for debt proceeds, the bond indenture provides for restrictions on the investment choices of the Program as follows:

- a. Obligations of the United States Government, its agencies and instrumentalities.
- b. Collateralized or insured certificates of deposit and other evidence of deposit at banks, savings banks, savings and loan associations or credit unions located in the State of Oklahoma.

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

- c. Money market funds regulated by the Securities and Exchange Commission and which investments consist of those items specified in (a) and (b) above.
- d. Investment agreements with entities maintaining a rating in the top two categories by a nationally recognized municipal bond rating agency.

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 asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2024 and 2023, 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 rated as follows:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value Hierarchy</u>	<u>Carrying Value</u>	
				<u>2024</u>	<u>2023</u>
OK Invest (State Treasurer)	on demand	Not rated	N/A	\$ 51,792,962	\$ 88,136,611
Federated Hermes Government Obligations Tax Managed Fund	16 days	AAAm	Level 1	6,802,444	83,004,700
City of Lawton Municipal Bond	10/1/2028	Not rated	Level 2	2,119,757	2,607,671
FHLB	3/10/2023	AA+	Level 2	-	-
FHLMC - IO Strip	2020-2022	AA+	Level 2	-	-
FHLMC - Freddie Mac Int Strip	3/15/2025	AA+	Level 2	1,041,035	989,216
FNMA IO Strip	1/15/2026	AA+	Level 2	128,107	122,977
AID Israel Bonds	2/15/2023	A+	Level 2	-	-
TennVal Authority IO Strip	2020-2026	AA+	Level 2	4,666,918	5,219,620
Tenn Val Authority CPN Strip	2020-2025	AA+	Level 2	1,187,558	2,794,189
Total				<u>\$ 67,738,781</u>	<u>\$ 182,874,984</u>

Concentration of Investment Credit Risk – neither the Program nor the bond indenture place any limit on the amount the Program may invest in any one issuer. At June 30, 2024, the Program has the following concentration of credit risk: 10.04% or \$6,802,444 is invested in Federated Treasury money market funds, 6.89% or \$4,666,918 invested in Tennessee Valley Authority IO Strips, and 1.75% or \$1,187,558 is invested in Tennessee Valley Authority CPN Strips, and 76.46% or \$51,792,962 is invested in OK Invest.

The Program has the following concentration of credit risk at June 30, 2023: 45.39% or \$83,004,700 is invested in Federated Treasury money market funds, 2.85% or \$5,219,620 invested in Tennessee Valley Authority IO Strips, and 1.53% or \$2,794,189 is invested in Tennessee Valley Authority CPN Strips, and 48.20% or \$88,136,611 is invested in OK Invest.

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

3. Federal Letter of Credit Payments

A schedule of activity in the Federal letter of credit payments, as reflected in the accompanying statements of net position, for the years ended June 30, 2024 and 2023, is as follows:

Balance, June 30, 2022	\$ <u> -</u>
Federal revenue recognized	31,898,084
Federal funds withdrawn	<u>(31,898,084)</u>
Balance, June 30, 2023	\$ <u> -</u>
Federal revenue recognized	23,066,203
Federal funds withdrawn	<u>(23,066,203)</u>
Balance, June 30, 2024	\$ <u> -</u>

Of the Federal letter of credit payments withdrawn during the fiscal year ended June 30, 2024, \$15,610,960 was used to provide loans to borrowers, \$7,455,243 was used for debt forgiveness and no funds were used for administrative expenses.

Of the Federal letter of credit payments withdrawn during the fiscal year ended June 30, 2023, \$24,490,496 was used to provide loans to borrowers, \$7,407,588 was used for debt forgiveness and no funds were used for administrative expenses.

4. Loans Receivable

The Program originates direct loans with communities utilizing several sources of funds including existing loan principal repayments, interest earnings, federal grants, and bond funds. These loans are collateralized by various revenue sources including, but not limited to, user charges and sales taxes of the borrowers. The interest rate on these loans are made at approximately 60% of Municipal Market Daily AAA scale spot rates through maturity plus 40 to 76 basis points depending on the duration of the loan. The interest rate is calculated around 10 days prior to closing. At June 30, 2024 and 2023, there were \$830,943,070 and \$717,133,319, respectively, in loans outstanding. There were no loans approved but not closed at June 30, 2024.

Prior to FY-2007, the Board originated interim construction loans that would upon completion provide the borrowers the opportunity to refinance 40% of their outstanding interim loan balance on a long-term basis without interest. Such loans were collateralized by various revenue sources including, but not limited to, user charges and sales taxes of the borrowers. To avail themselves of this opportunity, the borrowers obtained funding for the remaining 60% of the outstanding loan from sources outside the Program. This is no longer an option for the Program. At June 30, 2024 and 2023, there were \$748,031 and \$1,343,825, respectively, in long-term interest-free loans outstanding.

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

A schedule of activity of loans receivable for the years ended June 30, 2024 and 2023, is as follows:

Net Balance, June 30, 2022	\$	650,524,978
Loan disbursements		118,650,850
Principal repayments and forgiveness		(52,042,509)
Net Balance, June 30, 2023		717,133,319
Loan disbursements		167,959,179
Principal repayments and forgiveness		(54,149,428)
Net Balance, June 30, 2024	\$	830,943,070

5. Restricted Investments

A description of the restricted investments held at June 30, 2024 and 2023, is as follows:

		<u>2024</u>		<u>2023</u>
FHLMC - Federal Home Loan Mtg Corp Int Strip maturity March 15, 2025	\$	1,041,035	\$	989,216
FNMA - Federal National Mtg Assoc. maturity January 15, 2026		128,107		122,977
Tennessee Valley Authority IO Strips maturities September 15, 2022 to March 15, 2026		4,666,919		5,219,620
Tennessee Valley Authority CPN Strips maturities from March 15, 2023 to March 15, 2025		1,187,558		2,794,189
Total restricted investments	\$	7,023,619	\$	9,126,002

6. Long-Term Debt

Bonds Payable

On March 20, 2014, the Program issued State Revolving Fund Revenue Bonds, Taxable Series 2014A in the amount of \$55,560,000. These bonds were issued together with certain other available moneys and investments to refund the \$82,685,000 outstanding principal amount of the Board's Revolving Fund Revenue Bonds, Series 2004, to fund a debt service reserve fund for the bonds through the transfer of a portion of reserve funds held for the 2004 Revenue Bonds, and to pay cost of issuance of the bonds.

On December 17, 2015, the Program issued State Revolving Fund Revenue Bonds, Series 2015 in the amount of \$100,620,000. These bonds were issued to provide low interest cost financing for Oklahoma Local governmental entities for acquiring, constructing, or improving their wastewater treatment systems and to enable the Program to meet the State matching requirements in order to obtain Federal grants.

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

On December 19, 2019, the Program issued State Revolving Fund Refunding Revenue Bonds, Taxable Series 2019 in the amount of \$154,420,000. A portion of the bonds, \$126,210,000, were issued together with certain other available moneys and investments to refund the \$45,860,000 of the State Revolving Fund Revenue Bonds, Series 2011A and \$76,645,00 of the State Revolving Fund Revenue Bonds, Series 2012B, and to pay cost of issuance of the bonds. The remaining portion of the issue was used to refund bonds in the OWRB Drinking Water Loan Program.

On December 17, 2020, the Program issued State Revolving Fund, Series 2020A in the amount of \$100,000,000. These bonds were issued to provide low interest cost financing for Oklahoma Local governmental entities for acquiring, constructing, or improving their wastewater treatment systems and to enable the Program to meet the State matching requirements in order to obtain Federal grants.

On February 23, 2023, the Program issued State Revolving Fund, Series 2023 in the amount of \$150,000,000. These bonds were issued to provide low interest cost financing for Oklahoma Local governmental entities for acquiring, constructing, or improving their wastewater treatment systems and to enable the Program to meet the State matching requirements in order to obtain Federal grants.

Future debt service payments required by the Program's outstanding bonds as of June 30, 2024, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 23,740,000	\$ 14,168,558	\$ 37,908,558
2026	24,445,000	13,348,650	37,793,650
2027	25,965,000	12,382,517	38,347,517
2028	24,885,000	11,423,269	36,308,269
2028	24,290,000	10,480,323	34,770,323
2030-2034	112,840,000	38,518,746	151,358,746
2035-2039	79,725,000	18,519,601	98,244,601
2040-2043	45,030,000	4,092,065	49,122,065
Total	<u>\$ 360,920,000</u>	<u>\$ 122,933,729</u>	<u>\$ 483,853,729</u>

In addition to their normal scheduled maturity dates as shown above, the bonds may also be redeemed at the option of the Board, in whole or in part, at such dates and for such prices, plus accrued interest as are set forth in the bond indenture.

In order for the interest on the Program's Series 2015, 2020 and 2023 bonds to be tax-exempt, the Board must comply with certain provisions of the Internal Revenue Code, as amended. One provision requires that the arbitrage earnings (defined as the excess of the amount earned on all nonpurpose investments over the amount which would have been earned if the nonpurpose investments were invested at a rate equal to the bond yield) be rebated to the Internal Revenue Service. This rebate is payable at the end of each five years during the term of the issue. Management of the Program believes that any arbitrage liability, which exists at June 30, 2024, is immaterial.

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023

Pursuant to the 2014A Bond Indenture, the Clean Water State Revolving Fund Loan Program must maintain a debt service reserve fund. At June 30, 2024, the debt service reserves totaled \$7,023,619.

Long-term debt outstanding at June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Beginning balances:		
2014A Serial bonds due April 1, 2015 to April 1, 2026, interest at 0.188% to 3.671%	\$ 9,775,000	\$ 13,790,000
2015 Serial bonds due April 1, 2017 to April 1, 2040, interest at 2.00% to 5.00%	27,045,000	39,245,000
2019 Serial bonds due April 1, 2022 to April 1, 2033, interest at 1.73% to 2.77%	102,665,000	114,445,000
2020 Serial bonds due April 1, 2021 to April 1, 2040, interest at 1.73% to 2.77%	92,305,000	93,190,000
2023 Serial bonds due April 1, 2025 to April 1, 2043, interest at 3.625% to 5.00%	150,000,000	-
Unamortized premium	49,587,154	30,602,777
	<u>\$ 431,377,154</u>	<u>\$ 291,272,777</u>
Add: 2023A Serial bonds due April 1, 2025 to April 1, 2043, interest at 3.625% to 5.00%	-	150,000,000
Add: 2023 bond premium	-	21,071,209
Less: debt principal repayments	(20,870,000)	(28,880,000)
Less: current amortization of premium	(2,774,599)	(2,086,832)
Ending balances	<u>\$ 407,732,555</u>	<u>\$ 431,377,154</u>
Amounts due in one year	\$ 23,740,000	\$ 20,870,000

Advance Refunding

On December 19, 2019, the Board issued the \$154,420,000 Series 2019 Taxable State Revolving Fund Revenue Refunding Bonds with an interest rate of 1.73% to 2.77%. The Program used \$126,210,000 of the proceeds together with other money to advance refund the \$45,860,000 and \$76,645,000 outstanding principal amount of the State Revolving Fund Revenue Bonds, Series 2011A and 2012B, respectively, and to pay cost of issuance of the bonds. The proceeds along with other available funds were placed in escrow to refund the bonds on April 1, 2021. As a result, the 2011A and 2012B Series bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. The remaining proceeds from the issue were used to refund debt in the OWRB's Drinking Water Loan Program.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$14,521,156. This difference, reported in the accompanying financial statements as a deferred inflow, is being charged to operations through the year 2033 using the straight-line method. The Board completed the advance refunding to reduce its total debt service payments over the next thirteen years by \$12,852,145 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$8,738,550 for the CW Program.

**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2024 and 2023**

7. Binding Commitments

During the year ended June 30, 2024, the OWRB voted to approve funding of various borrower loan applications through the Program. These binding commitments will be funded by the Program provided that a loan agreement and promissory note are executed within one year from the date of original approval unless an extension is granted by the OWRB. There were no loans that were approved but not funded at June 30, 2024.