

CLEAN WATER STATE REVOLVING FUND

STATE OF LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2023



ERICKSEN KRENTEL LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

CONTENTS

<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 4
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	5 - 9
<u>FINANCIAL STATEMENTS:</u>	
Exhibit "A" Statement of Net Position	10
Exhibit "B" Statement of Revenues, Expenses, and Changes in Fund Net Position	11
Exhibit "C" Statement of Cash Flows	12 - 13
Notes to Financial Statements	14 - 27
<u>SUPPLEMENTARY INFORMATION:</u>	
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29
<u>REPORTS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>:</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30 - 31
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	32 - 35
Schedule of Findings and Questioned Costs	36
Schedule of Prior Year Findings and Questioned Costs	37



INDEPENDENT AUDITORS' REPORT

Clean Water State Revolving Fund
Louisiana Department of Environmental Quality
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Clean Water State Revolving Fund, a component unit of the State of Louisiana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Clean Water State Revolving Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Clean Water State Revolving Fund, as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to 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 Clean Water State Revolving Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.



Clean Water State Revolving Fund
Louisiana Department of Environmental Quality
Baton Rouge, Louisiana

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 Clean Water State Revolving Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 Clean Water State Revolving Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



Clean Water State Revolving Fund
Louisiana Department of Environmental Quality
Baton Rouge, Louisiana

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clean Water State Revolving Fund's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clean Water State Revolving Fund's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

Clean Water State Revolving Fund
Louisiana Department of Environmental Quality
Baton Rouge, Louisiana

In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2024, on our consideration of the Clean Water State Revolving 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clean Water State Revolving Fund's internal control over financial reporting and compliance.

January 11, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLEAN WATER STATE REVOLVING FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Introduction

The following Management’s Discussion and Analysis (the “MD&A”) is a required supplement to the Clean Water State Revolving Fund’s (“CWSRF”) financial statements. This section is designed to assist the reader in focusing on significant financial issues, provide an overview of CWSRF’s financial activity, identify changes in CWSRF’s financial position (its ability to address the next and subsequent year challenges), and identify individual program issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and other supplementary information that is provided in addition to the MD&A.

Financial Highlights

- The primary sources of funding for CWSRF’s activities are capital contributions from the U.S. Environmental Protection Agency (“EPA”) and interest and administrative fees charges against loans receivable.
- For the year ended June 30, 2023, capital contributions decreased by approximately \$955,000 to \$14.68 million as compared to \$15.63 million for the year ended June 30, 2022.
- Cash and cash equivalents increased by \$18.78 million in 2023. The variance is due primarily to the disbursement of new loans being less than the amount of principal repayments and fees received from outstanding loans.
- Loans receivable balance at June 30, 2023 totaled \$452.37 million. Loans decreased by \$3.4 million. The decrease is due to a decrease in new loans being disbursed to local governments and agencies.
- No debt was acquired during the current fiscal year.

Overview of the Financial Statements

This MD&A is an introduction to CWSRF’s financial statements and accompanying notes. This report also contains required supplementary information and other supplementary information.

The financial statements of CWSRF are presented as a special purpose government engaged only in business type activities – providing loans to other governmental entities. The statements provide both short-term and long-term information about CWSRF’s financial position, which assists the reader in assessing CWSRF’s economic condition at the end of the fiscal year. These statements are prepared using the accrual basis of accounting.

CLEAN WATER STATE REVOLVING FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

The financial statements consist of the following:

Statement of Net Position

The statement of net position presents information on all of CWSRF's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position are expected to serve as a useful indicator of whether the financial position of CWSRF is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Fund Net Position

The statement of revenues, expenses, and changes in fund net position presents information which reflects how CWSRF's net position changed during the past year. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

Statement of Cash Flows

The statement of cash flows presents information showing how CWSRF's cash changed as a result of current year's operating activities, noncapital financing activities, and investing activities. The statement of cash flows is prepared using the direct method and includes the reconciliation of operating income to net cash provided by or used in operating activities (indirect method) as required by GASB 34.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found immediately following the financial statements.

Financial Analysis

Net Position

CWSRF's condensed combined statements of net position consist of the following at June 30:

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>% Variance</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 233,276,209	\$ 214,497,984	\$ 18,778,225	8.75%
Loans receivable	452,372,173	455,770,337	(3,398,164)	-0.75%
Other assets	1,090,557	1,226,680	(136,123)	-11.10%
	<u>\$ 686,738,939</u>	<u>\$ 671,495,001</u>	<u>\$ 15,243,938</u>	2.27%
<u>LIABILITIES AND NET POSITION</u>				
<u>Liabilities</u>				
Current liabilities	\$ 102,795	\$ 96,585	\$ 6,210	6.43%
<u>Net Position</u>				
Unrestricted	<u>686,636,144</u>	<u>671,398,416</u>	<u>15,237,728</u>	2.27%
	<u>\$ 686,738,939</u>	<u>\$ 671,495,001</u>	<u>\$ 15,243,938</u>	2.27%

CLEAN WATER STATE REVOLVING FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

The \$15.24 million increase in net position reflects the continued strong growth of CWSRF.

For the year ended June 30, 2023, CWSRF collected \$39.83 million on loans receivable, issued new loans totaling \$37.9 million, and subsidized \$1.47 million of loans.

Revenues, Expenses, and Changes in Fund Net Position

CWSRF’s condensed combined statements of revenues, expenses, and changes in fund net position consist of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>% Variance</u>
Operating revenues	\$ 5,731,089	\$ 5,403,056	\$ 328,033	6.07%
Operating expenses	<u>3,096,724</u>	<u>2,773,800</u>	<u>322,924</u>	11.64%
Operating income	<u>2,634,365</u>	<u>2,629,256</u>	<u>5,109</u>	0.19%
Other revenues	14,974,155	15,961,831	(987,676)	-6.19%
Other expenses	<u>2,370,792</u>	<u>1,976,159</u>	<u>394,633</u>	19.97%
	<u>12,603,363</u>	<u>13,985,672</u>	<u>(1,382,309)</u>	-9.88%
Change in net position	15,237,728	16,614,928	(1,377,200)	-8.29%
Net position, beginning of year	<u>671,398,416</u>	<u>654,783,488</u>	<u>16,614,928</u>	2.54%
Net position, end of year	<u>\$ 686,636,144</u>	<u>\$ 671,398,416</u>	<u>\$ 15,237,728</u>	2.27%

CWSRF’s revenues are earned from interest and fees calculated on the balance of loans receivable outstanding and program administrative fees paid by the EPA.

Other revenues consist of EPA capitalization grants and interest earned on cash held by the State of Louisiana’s treasury. The \$988,000 decrease is due primarily to a decrease in EPA capitalization grants as well as a decrease in interest earned on cash held by the Louisiana treasury.

CWSRF received principal forgiveness funds from EPA capitalization grants of \$1.47 million for the year ended June 30, 2023. The loans made with these funds were forgiven as disbursed and must be repaid if certain loan conditions are not met.

Other expenses consist of bond issuance costs and financial support transferred to the Louisiana Department of Environmental Quality.

Budgetary Information

Under the Louisiana constitution, money may only be drawn from the treasury through the Ancillary Appropriations Act. The Louisiana Legislature authorized expenditures of \$125 million for the year ended June 30, 2023. There were no budget amendments for the year ended June 30, 2023. Funds can only be used for limited purposes; therefore, CWSRF can retain resources to fund future loans and eligible program activities.

CLEAN WATER STATE REVOLVING FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

Debt Administration

CWSRF is allowed by statute to incur indebtedness but not allowed to issue debt directly. To provide state matching funds when direct cash appropriations were not available, Louisiana Department of Environmental Quality (“DEQ”) received approval from the EPA to borrow matching funds by using the interest portion of the revenues received. The secretary of DEQ, through a Resolution by Executive Order pursuant to R.S. 30:2301 *et seq.* was authorized, for state matching purposes, to borrow through the issuance of the department’s note to the Louisiana Public Facility Authority (LPFA), a conduit issuer of serial bonds for the department and the state.

CWSRF had no outstanding debt at June 30, 2023. Additional information on CWSRF’s long-term obligations can be found in Note 4 to the financial statements.

Variations Between Original and Final Budgets

Expenditures were approximately \$81,612,514 under budget mainly due in part to the fact that 10 projects of approximately \$118,464,108 in loans that were expected to close in SFY 2023 were delayed. These borrowers delayed the application process hopeful to be selected by the LA’s Water Sector 2nd round of grant funding. This is the program the State created with their ARPA funds and the legislature allocated additional state dollars in SFY 23 to fund a second round of projects. Only 2 of our projects were chosen and have since declined their awards. The remaining 8 projects are expected to close in SFY 2024.

Economic Factors and Next Year’s Budgets and Rates

The CWSRF’s elected and appointed officials considered the following factors and indicators when setting next year’s budget, rates, and fees:

- Projects on the priority list that will close in the budget year
- Remaining effects of the American Rescue Plan State dollars and CWSRF BIL funds
- Remaining supply chain impacts on project costs and anticipating having to allocate additional funds after loan closings
- 10-year Cash Flow Model and Rate Projections prepared by our financial advisors
- Current and expected market rates

The CWSRF expects that next year’s results will increase compared to fiscal year 2024 based on the following:

- Many municipalities that were waiting on the potential grant State Water Sector funding and/or CWSRF BIL funding as they wanted subsidy will be moving forward and closing their loans in SFY 2024.
- Contractors are adapting to supply chain issues and in some cases those issues are resolving themselves.

CLEAN WATER STATE REVOLVING FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

Contacting Clean Water State Revolving Fund Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the CWSRF's (BTA) finances and to show the CWSRF's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sierra Templet, CWSRF Program Manager at (225) 219-3871.

FINANCIAL STATEMENTS

CLEAN WATER STATE REVOLVING FUND
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Loan Program Fund</u>	<u>Administration Fund</u>	<u>Total</u>
<u>CURRENT ASSETS:</u>			
Cash and cash equivalents	\$225,507,977	\$ 7,768,232	\$233,276,209
Loan interest receivable	511,441	-	511,441
Loan fees receivable	-	559,557	559,557
Interest due from state treasury	18,879	680	19,559
Loans receivable - current portion	<u>38,725,358</u>	<u>-</u>	<u>38,725,358</u>
Total current assets	<u>264,763,655</u>	<u>8,328,469</u>	<u>273,092,124</u>
 <u>NON-CURRENT ASSETS:</u>			
Loans receivable	<u>413,646,815</u>	<u>-</u>	<u>413,646,815</u>
Total assets	<u>\$678,410,470</u>	<u>\$ 8,328,469</u>	<u>\$686,738,939</u>
 <u>CURRENT LIABILITIES:</u>			
Accounts payable	\$ -	\$ 99,325	\$ 99,325
Due to others	<u>-</u>	<u>3,470</u>	<u>3,470</u>
Total current liabilities	<u>-</u>	<u>102,795</u>	<u>102,795</u>
 <u>NET POSITION:</u>			
Unrestricted	<u>678,410,470</u>	<u>8,225,674</u>	<u>686,636,144</u>
Total liabilities and net position	<u>\$678,410,470</u>	<u>\$ 8,328,469</u>	<u>\$686,738,939</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

CLEAN WATER STATE REVOLVING FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Loan Program Fund</u>	<u>Administration Fund</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Interest earned on loans receivable	2,075,086	-	2,075,086
Administrative fees from loans receivable	-	2,258,732	2,258,732
Technical assistance fees from			
Environmental Protection Agency	24,465	-	24,465
Program administration fees from			
Environmental Protection Agency	1,372,806	-	1,372,806
Total operating revenues	<u>3,472,357</u>	<u>2,258,732</u>	<u>5,731,089</u>
<u>OPERATING EXPENSES:</u>			
Program oversight and administration	841,350	-	841,350
Principal forgiveness	1,468,668	-	1,468,668
Technical assistance	24,465	-	24,465
Operating expenses and supplies	9,062	230,785	239,847
Other administrative expenses	522,394	-	522,394
Total operating expenses	<u>2,865,939</u>	<u>230,785</u>	<u>3,096,724</u>
Operating income	<u>606,418</u>	<u>2,027,947</u>	<u>2,634,365</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest earned on cash in state treasury	284,884	10,890	295,774
Total non-operating revenues	<u>284,884</u>	<u>10,890</u>	<u>295,774</u>
Income before other revenues and expenses	<u>891,302</u>	<u>2,038,837</u>	<u>2,930,139</u>
<u>CAPITAL CONTRIBUTIONS:</u>			
State of Louisiana	4,256,600	-	4,256,600
Environmental Protection Agency capitalization grant	8,953,113	-	8,953,113
Environmental Protection Agency capitalization grant - principal forgiveness	1,468,668	-	1,468,668
Total capital contributions	<u>14,678,381</u>	<u>-</u>	<u>14,678,381</u>
<u>OTHER REVENUES (EXPENSES):</u>			
Support transferred to Louisiana Department of Environmental Quality	-	(2,370,792)	(2,370,792)
Total other (expenses)	<u>-</u>	<u>(2,370,792)</u>	<u>(2,370,792)</u>
Increase (decrease) in net position	15,569,683	(331,955)	15,237,728
Net position, beginning of year	<u>662,840,787</u>	<u>8,557,629</u>	<u>671,398,416</u>
Net position, end of year	<u><u>678,410,470</u></u>	<u><u>8,225,674</u></u>	<u><u>686,636,144</u></u>

See accompanying NOTES TO FINANCIAL STATEMENTS

CLEAN WATER STATE REVOLVING FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Loan Program Fund	Administration Fund	Total
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>			
Loan principal received from borrowers	\$ 39,825,000	\$ -	\$ 39,825,000
Loans disbursed	(36,426,837)	-	(36,426,837)
Loan principal forgiven	(1,468,668)	-	(1,468,668)
Technical assistance provided	(24,465)	-	(24,465)
Loan interest received from borrowers	2,076,803	-	2,076,803
Loan administration fees received from borrowers	-	2,262,098	2,262,098
Program administration fees from Environmental Protection Agency	1,372,431	-	1,372,431
Technical assistance fees from Environmental Protection Agency	24,465	-	24,465
Payments for program oversight and administration	(1,363,744)	-	(1,363,744)
Payments to vendors	(9,062)	(224,543)	(233,605)
Net cash from operating activities	<u>4,005,923</u>	<u>2,037,555</u>	<u>6,043,478</u>
<u>CASH FLOWS FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES:</u>			
Support transferred to Louisiana Department of Environmental Quality	-	(2,364,106)	(2,364,106)
Transfers from (to) other funds	375	(375)	-
Net cash from (used for) noncapital financing activities	<u>375</u>	<u>(2,364,481)</u>	<u>(2,364,106)</u>
<u>CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Environmental Protection Agency capitalization grant	10,421,781	-	10,421,781
State of Louisiana	4,256,600	-	4,256,600
Net cash from capital and related financing activities	<u>14,678,381</u>	<u>-</u>	<u>14,678,381</u>
<u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u>			
Interest earned on cash in state treasury	404,925	15,547	420,472
Net cash from investing activities	<u>404,925</u>	<u>15,547</u>	<u>420,472</u>
Net change in cash and cash equivalents	19,089,604	(311,379)	18,778,225
Cash and cash equivalents - beginning of year	206,418,373	8,079,611	214,497,984
Cash and cash equivalents - end of year	<u>\$ 225,507,977</u>	<u>\$ 7,768,232</u>	<u>\$ 233,276,209</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

CLEAN WATER STATE REVOLVING FUND
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Loan Program</u> <u>Fund</u>	<u>Administration</u> <u>Fund</u>	<u>Total</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>			
<u>NET CASH FROM (USED FOR) OPERATING ACTIVITIES:</u>			
Operating income	\$ 606,418	\$ 2,027,947	\$ 2,634,365
(Increase) decrease in:			
Loans receivable	3,398,164	-	3,398,164
Loan interest receivable	4,468	-	4,468
Loan fees receivable	-	3,366	3,366
Increase (decrease) in:			
Accounts payable	<u>(3,127)</u>	<u>6,242</u>	<u>3,115</u>
Net cash from operating activities	<u>\$ 4,005,923</u>	<u>\$ 2,037,555</u>	<u>\$ 6,043,478</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Clean Water State Revolving Fund (“CWSRF”) was established pursuant to Title VI of the Clean Water Act, as amended in 1987 (the Act). CWSRF presently operates under R.S. 30:2301-2306 (Act 296 of the 2010 Regular Session of the Louisiana Legislature). These statutes establish a state revolving loan fund capitalized by federal grants (Capitalization Grants for Clean Water State Revolving Funds, AL 66.458), by state funds when required or available, and by any other funds generated by the operation of the clean water revolving loan fund.

The Louisiana Department of Environmental Quality (“DEQ”) is authorized to engage in activities regarding the sums on deposit in, credited to, or to be received by the state revolving loan fund. DEQ is a department of the State of Louisiana and was created in accordance with Louisiana Revised Statute R.S. 30.2011 as part of the executive branch of government to oversee environmental protection within the State of Louisiana.

The Financial Services Division (FSD) and the Office of Environmental Assessment – Water Planning and Assessment Division (Water Planning) within DEQ are responsible for the operations of CWSRF in the State of Louisiana. These divisions within DEQ provide assistance to municipalities in developing, financing, and implementing wastewater treatment management plans and plants. Engineering oversight, design review, and inspection services as well as environmental assessment services are provided by Water Planning and grant management, program administration, and financial services are provided by the FSD on eligible wastewater treatment projects. All efforts are directed toward improving water quality by assisting communities in providing wastewater treatment processes that meet established effluent limits and achieve the goals of the Clean Water Act.

Personnel

Personnel of DEQ administer CWSRF since CWSRF does not have any full-time employees. Time spent administering CWSRF by DEQ personnel is captured, and CWSRF subsequently reimburses DEQ. The charges include the salaries and benefits of the personnel, as well as indirect costs allocated to CWSRF based on direct salary costs. Personnel charging time to CWSRF are covered by the benefits available to employees of the State of Louisiana. Since CWSRF has no employees, the financial statements and related notes do not include balances or disclosures related to employee benefits. CWSRF is also charged indirect costs through the cost allocation plan for general state expenses.

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Reporting Entity

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and 34*". This pronouncement revises the requirements for determining if a component unit is included in the financial reporting entity of its primary government.

Organizations are required to have a financial benefit/burden relationship with the primary government for it to be included in the reporting entity as a component unit. Based on these criteria, CWSRF is reported as a component unit of the State of Louisiana. The activities of CWSRF are included in the State of Louisiana's Annual Comprehensive Financial Report ("ACFR") as an enterprise fund using the accrual basis of accounting. The ACFR is audited by the Louisiana Legislative Auditor and is available at the website of the Office of Statewide Reporting and Accounting Policy.

Financial Statement Presentation

The GASB has been established to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

Private Sector Standards of Accounting issued on or prior to November 30, 1989, generally are followed in the financial statements to the extent those statements do not conflict or contradict the standards of the GASB. CWSRF has applied GASB No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which eliminates the option for business-type activities to follow new FASB pronouncements, although they may continue to be applied as "other accounting literature."

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fund Accounting

For financial reporting purposes, CWSRF is treated as a special-purpose government engaged only in business-type activities. All activities of CWSRF are accounted for within a proprietary (enterprise) fund to report on its financial position, results of operations, and cash flows. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Net Position

CWSRF has implemented GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective fiscal year 2013. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's resources that are applicable to a future reporting period. Deferred inflows represent the acquisition of resources that are applicable to a future reporting period. Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets title is now referred to as the statement of net position. The statement of net position reports net position as the difference between all other elements in a statement of net position and is displayed in the three following components:

- *Net Investment in Capital Assets* - Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* - Consists of amounts with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted* - All other amounts that do not meet the definition of "restricted" or "net investment in capital assets." All of CWSRF's resources are unrestricted.

When both restricted and unrestricted resources are available for use, it is CWSRF's policy to use the restricted resources first, then unrestricted resources as needed.

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Basis of Accounting

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, regardless of the measurement focus applied. The transactions of CWSRF are accounted for using the accrual basis of accounting and on a flow of economic resources measurement focus where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net position. Accordingly, revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

The CWSRF is budgeted annually by the Louisiana Legislature through the Ancillary Bill, House Bill 465, and Act 169 of the 2022 Regular Legislative Session, authorized expenditures of \$125,000,000 for the loan program for fiscal year 2023 and allows the fund to retain resources to fund future loans and eligible program activities. Because the fund is an enterprise fund, a budgetary comparison is not required nor presented in the financial statements.

Cash and Cash Equivalents

The statement of cash flows considers all funds deposited with the Louisiana Department of Treasury to be cash and cash equivalents, regardless of actual maturities.

Loans Receivable

CWSRF is operated as a direct loan program. The program provides loans and other financial assistance to municipalities for the purpose of planning, constructing publicly owned treatment works, implementing nonpoint source pollution management programs, and developing and implementing estuary conservation and management plans.

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Loans Receivable (Continued)

The program lends federal and state monies directly to municipalities. For every \$5 provided by the federal government, the state is required to provide a matching share of \$1. The federal share is received through grants made by the Environmental Protection Agency (the "EPA"). Recycling of principal and interest repayments from borrowing municipalities allows the program to operate in perpetuity thereby benefiting other municipalities wishing to borrow in the future.

Borrowers pay principal and interest directly to the loan program and all monies are deposited directly to the program. Principal repayments can only be used to make additional loans to municipalities. Interest earnings on cash deposits and program loans can be used to make additional loans. In addition, with EPA approval, interest earnings on cash deposits and program loans are used to pay off revenue bonds sold to capitalize the program by providing state matching funds.

Loans made by CWSRF must be made at or below market interest rate with a repayment period not exceeding 20 years plus an interim construction-financing period. A variable rate based on the Baa 20-year bond rate listed in the "Bond Buyer Index" one week prior to loan closing was introduced during fiscal year 2005. The 0.5% administrative fee was added to this rate to determine the total rate charged. The rate was adjusted annually in accordance with the rates forecast by the "Index" at the closing date. This rate allowed a lower rate during the early construction years and has been used on all loans closed beginning with fiscal year 2005 until October 11, 2006, when the rate of 2.95% was implemented.

In an effort to increase borrowing from CWSRF, DEQ reduced its current interest rate from 2.95% to 0.95%, which is 0.45% interest plus 0.5% administrative fee charged only on loan monies drawn. The interest rate was set by the secretary of the department on January 27, 2009, and the interest rate on loans made by CWSRF for water quality improvement projects may be adjusted in accordance with current market rate and availability of funds.

As evidence of its obligations to pay principal and interest on the loans, each borrower must establish a dedicated source of revenue for repayment of the loan [33 USC 1383(d)(1)(C)]. For substantially all of these loans, the loan recipient issues bonds that are purchased by DEQ, as administrator of CWSRF, to secure the repayment of the principal loaned. Principal and interest on the bonds are paid to CWSRF and upon repayment of the loan, the bonds are returned to the loan recipient. Minimum required coverage ratios are established depending on the nature of the bonded indebtedness issued by the loan recipient as follows:

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Loans Receivable (Continued)

- Limited tax bonds: the principal and interest due in any year on the amount borrowed shall not exceed 75% of the revenues estimated to be received from the levy of the pledged millage in the year in which the indebtedness is issued (R.S. 39:742.2).
- Sales tax bonds: the total amount of principal and interest falling due in any year, together with principal and interest falling due in such year on any previously issued sales tax bonds, shall never exceed 75% of the amount of sales tax revenues estimated by the governing authority of the issue to be received by it in the calendar year in which the bonds are issued (R.S. 39:698.4).
- Revenue bonds: the requirements for coverage are established contractually in the loan documents (R.S. 39:1019). Expected coverage ratios might range from 110% to 130% or more. CWSRF goal for collections of the dedicated revenues for repayment of the loan secured by revenue bonds is 125%; however, many factors can create deviation from this goal. It is customary to use the same minimum required coverage ratio as was previously established for outstanding debt of the loan recipient.
- General obligation bonds: the requirements for coverage are statutorily set. The governing authority of the issuer is required to impose and collect annually, in excess of all other taxes, a tax on all property subject to taxation by the issuer sufficient in amount to pay the interest and the principal falling due each year, or such amount as may be required for any sinking fund necessary to retire said bonds at maturity (R.S. 39:569). Typically, the bond millage is adjusted each year so as to generate enough revenues to pay debt service in the ensuing calendar year. No coverage requirements or debt service reserves exist because the tax can be adjusted each year without any limitation whatsoever to collect the appropriate amount each year.

In the case of sales tax bonds and revenue bonds, each loan recipient is also required to set up a debt service reserve fund equal to 10% of the loan amount or one year's principal and interest for the purpose of paying principal and interest should the dedicated revenues be insufficient for that purpose. The requirement to maintain a debt service reserve fund is not statutorily required but is usual and customary for these kinds of indebtedness.

Loans funded by principal forgiveness grants are advanced to local agencies on a cost reimbursement basis and forgiven as each disbursement occurs. Loan agreements require repayment of the forgiven loan if all program requirements are not met.

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Allowance for Bad Debts

Because of the reserve requirements and the absence of any delinquent loans, there is no provision for uncollectible amounts.

Revenue Bond Issue Costs and Original Issue Premium

In accordance with GASB 65, revenue bond issue costs are expensed when incurred. Revenue bond original issue premium is to be amortized over the term of the bonds using the effective interest method.

Operating Revenues and Expenses

CWSRF distinguishes between operating revenues and expenses and non-operating items in the statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from carrying out the purpose of CWSRF of providing low interest loans to communities and providing assistance for prevention programs and administration.

Operating revenues consist of interest and administrative fees earned from loans receivable and program administrative fees earned from the EPA. Operating expenses include direct salary costs and benefits expenses and allocated indirect costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

In accordance with generally accepted accounting principles, monies received from the EPA and the State of Louisiana as matching funds are recorded as capital contributions, except for principal forgiveness which is reported as non-operating.

Compensated Absences and Employee Benefits

CWSRF has no full-time employees. CWSRF pays a portion of the salary of various employees of DEQ for administrative services. Therefore, no compensated absences, pension benefits, or postretirement benefits are provided by CWSRF.

(2) DEPOSITS

All monies of CWSRF are deposited with the Louisiana Department of Treasury, which is responsible for maintaining these deposits in accordance with Louisiana State Law. Consequently, management of CWSRF does not have any control over the cash balances.

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(2) DEPOSITS (CONTINUED)

Deposits consist of the following at June 30, 2023:

Deposits per statement of net position (reconciled bank balance)	<u>\$ 233,276,209</u>
Deposits held by Louisiana Treasury	<u>\$ 231,621,276</u>

The Louisiana Department of Treasury is responsible for maintaining the cash balances and securing such balances from risk through custodial agreements. The risk disclosures required by accounting principles generally accepted in the United States are included with the State of Louisiana's Annual Comprehensive Financial Report.

Interest earnings on cash deposits held by the Louisiana Department of Treasury are received monthly and classified as non-operating revenue when earned.

(3) LOANS RECEIVABLE

CWSRF makes loans to qualified political subdivisions of the State of Louisiana for projects that meet the eligibility requirements of the program. Loans are financed by capitalization grants, state match, and revolving funds. Effective interest rates on loans vary between 0.95% and 3.95%, including .50% administration fee, and are generally repaid over 20 years starting within one year after the project is completed.

The following schedule provides details of loans receivable at June 30, 2023:

Completed projects	\$ 303,179,548
Projects in progress	<u>149,192,625</u>
	452,372,173
Current portion of loans receivable	<u>(38,725,358)</u>
	<u>\$ 413,646,815</u>

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(3) LOANS RECEIVABLE (CONTINUED)

The scheduled principal payments on loans maturing in subsequent years are as follows:

<u>For the Year</u> <u>Ending June 30:</u>	<u>Projects in</u> <u>Progress</u>	<u>Completed</u> <u>Projects</u>	<u>Total</u>
2024	\$ 13,291,000	\$ 25,434,358	\$ 38,725,358
2025	16,959,971	25,707,000	42,666,971
2026	13,074,922	26,027,000	39,101,922
2027	12,913,111	26,337,000	39,250,111
2028	12,711,028	26,605,096	39,316,124
Thereafter	<u>80,242,594</u>	<u>173,069,093</u>	<u>253,311,687</u>
	<u>\$ 149,192,626</u>	<u>\$ 303,179,547</u>	<u>\$ 452,372,173</u>

Encumbered Balances

Approximately 63.84% of cash and undrawn capitalization grants are encumbered as follows:

Cash and cash equivalents	\$ 233,276,209
Undrawn capitalization grants	<u>4,554,762</u>
Total cash and undrawn grants	<u>\$ 237,830,971</u>
Loans in progress - encumbered	<u>\$ 151,833,298</u>
Loans as a percentage of total	63.84%

The “loans in progress – encumbered” represent projects that are under construction and have only drawn a portion of the total approved loan amount. This figure consists of the total approved principal less the principal loaned to date.

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(3) LOANS RECEIVABLE (CONTINUED)

Concentrations

CWSRF has 117 loans due from 77 different local governments and agencies at June 30, 2023. The outstanding loan balances for each of the local governments listed in the following schedule exceed 4 percent of total loans receivable.

<u>Borrower</u>	<u>Authorized Loan Amount</u>	<u>Outstanding Loan Balance</u>	<u>Percentage of Total Loans Receivable</u>
East Baton Rouge Sewerage Commission	\$ 90,971,062	\$ 56,752,000	12.55%
Bossier City	64,210,555	37,578,747	8.31%
Shreveport	127,760,278	36,895,406	8.16%
Jefferson Parish	55,250,000	37,525,476	8.30%
Kenner	80,390,678	31,238,178	6.91%
	<u>\$ 418,582,573</u>	<u>\$ 199,989,807</u>	<u>44.21%</u>

(4) LONG-TERM OBLIGATIONS

CWSRF is allowed by statute to incur indebtedness but not allowed to issue bonds directly. To provide state matching funds when direct cash appropriations were not available, DEQ received approval from the EPA to borrow matching funds by using the interest portion of the revenues received. The secretary of DEQ, through a Resolution by Executive Order pursuant to R.S. 30:2301 et seq. was authorized, for state matching purposes, to borrow through the issuance of the DEQ's note to the Louisiana Public Facilities Authority (LPFA), a conduit issuer of serial bonds for the department and the state.

Series 1995 Revenue Bonds

The first serial bond issue was called Louisiana Public Facilities Authority Taxable Revenue Bonds (MFRLF Match Project) Series 1995. This indebtedness was secured solely from the pledge of the interest portion of the revenues received by CWSRF from loans made by the program. The Louisiana Public Facilities Authority (the "LPFA") is a public trust and public corporation organized and existing for the benefit of the State of Louisiana. In accordance with the \$15,000,000 Loan Agreement between the LPFA and the DEQ and in accordance with the \$15,000,000 Indenture of Trust between the LPFA and First National Bank of Commerce, the trustee, the LPFA issued serial bonds for \$15,000,000 and was repaid the \$15,000,000 by June 30, 1999. A total of \$14,654,221 had been generated for matching fund purposes by the issuance of these serial bonds.

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(4) LONG-TERM OBLIGATIONS (CONTINUED)

Series 2001 Revenue Bonds

The second serial bond titled Louisiana Public Facilities Authority Revenue Bonds (MFRLF Match Project) Series 2001 was issued during the fiscal year ending June 30, 2002. This indebtedness was secured solely from the pledge of the interest portion of the revenues received by CWSRF from loans made by the program. The Loan Agreement between the LPFA and DEQ was for a total of \$12,000,000 of which all funds were issued and repaid by June 30, 2006. A total of \$11,757,295 was generated for matching fund purposes by the issuance of these serial bonds.

Series 2007 Revenue Bonds

The third serial bond was called Louisiana Public Facilities Authority Revenue Bonds (MFRLF Match Project) Series 2007 and was issued during the fiscal year ending June 30, 2007. This indebtedness was secured solely from the pledge of the interest portion of the revenues received by CWSRF from loans issued. The Loan Agreement between the LPFA and DEQ was for a total of \$10,000,000, of which \$4,000,000 was issued during the year ended June 30, 2007. The \$10,000,000 Indenture of Trust was issued between the LPFA and Hancock Whitney Bank of Louisiana and amended to \$20,000,000 on May 20, 2010, to \$25,000,000 on May 10, 2012, to \$35,000,000 on October 15, 2013, and to \$60,000,000 on August 10, 2017. At June 30, 2018, a total of \$59,469,037 was generated for matching fund purposes by the issuance of these serial bonds. Additional issuance from this series may be issued as needed for future state matching purposes. Bond issuances are retired in the fiscal year of issuance. No liability for these bonds exists at June 30, 2023.

(5) CAPITAL CONTRIBUTIONS AND STATE MATCHING

Capital Contributions

CWSRF has been awarded 34 federal grants from the EPA. These grants are available through the EPA's Automated Clearing House Payment System (ACH) and the Automated Standard Application for Payments (ASAP). These grants are authorized by Title VI of the Clean Water Act, as amended in 1987 and require matching funds from the state. As of June 30, 2023, the EPA has awarded grants of \$567,198,923 to the state, of which \$562,633,774 has been drawn for loans and administrative expenses.

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(5) CAPITAL CONTRIBUTIONS AND STATE MATCHING (CONTINUED)

The following summarizes the grants awarded, amounts drawn on each grant as of June 30, 2023, and balances available for future loans:

For the Year Ended June 30:	Federal Grant Amount	Cumulative Funds Drawn as of July 1, 2022	Funds Drawn During Year Ended June 30, 2023	Cumulative Funds Drawn as of June 30, 2023	Remaining Grant Funds Available at June 30, 2023
ARRA	\$ 43,081,400	\$ 43,081,400	\$ -	\$ 43,081,400	\$ -
1988 - 2010	312,493,523	312,493,523	-	312,493,523	-
2011	22,398,000	22,398,000	-	22,398,000	-
2012	31,770,000	31,770,000	-	31,770,000	-
2013	-	-	-	-	-
2014	14,677,000	14,677,000	-	14,677,000	-
2015	15,413,000	15,413,000	-	15,413,000	-
2016	15,334,000	15,334,000	-	15,334,000	-
2017	14,688,000	14,688,000	-	14,688,000	-
2018	14,575,000	14,575,000	-	14,575,000	-
2019	17,645,000	17,645,000	-	17,645,000	-
2020	17,467,000	17,467,000	-	17,467,000	-
2021	17,470,000	17,470,000	-	17,470,000	-
2022	17,467,000	13,803,174	3,663,826	17,467,000	-
2023	12,720,000	-	8,154,851	8,154,851	4,565,149
	<u>524,117,523</u>	<u>507,733,697</u>	<u>11,818,677</u>	<u>519,552,374</u>	<u>4,565,149</u>
	<u>\$567,198,923</u>	<u>\$ 550,815,097</u>	<u>\$ 11,818,677</u>	<u>\$562,633,774</u>	<u>\$ 4,565,149</u>

State Matching

The state has provided matching for federal grant awards through General Fund and state capital outlay appropriations totaling \$31,010,186. In addition, part of the required matching share has been provided through the issuance of Revenue Match Bonds secured by revenue of CWSRF (see note 4). As of June 30, 2023, bonds totaling \$87,000,000 have been issued and repaid resulting in net proceeds of \$85,880,053 being used as state matching funds. Additional match bonds will be negotiated as needed to cover future capitalization grants.

As of June 30, 2023, matching contributions are as follows:

	Cumulative State Match as of July 1, 2022	Matching Funds During Year Ended June 30, 2023	Cumulative State Match as of June 30, 2023
State cash contributions	\$ 26,753,586	\$ 4,256,600	\$ 31,010,186
Revenue bond proceeds	<u>85,880,553</u>	<u>-</u>	<u>85,880,553</u>
	<u>\$112,634,139</u>	<u>\$ 4,256,600</u>	<u>\$116,890,739</u>

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(6) LOAN ADMINISTRATION FEES

Four percent of the federal grant amounts awarded by the EPA are allocated to fund the administrative cost of operating the loan program. The following schedule presents each grant, the four percent allocated from each grant, the cumulative expenses incurred and drawn in administering the program, and the amount available to be drawn from the EPA for future administrative expenses.

<u>For the Year Ended June 30:</u>	<u>Federal Grant Amount</u>	<u>4% Authorized For Program Administration</u>	<u>Administrative Expenses Drawn as of June 30</u>	<u>Grant Funds Available For Administration</u>
1998 - 2010	\$ 312,493,523	\$ 12,514,143	\$ 9,985,826	\$ 2,528,317
2011	22,398,000	895,920	574,986	2,849,251
2012	31,770,000	1,270,800	622,483	3,497,568
2013	-	-	691,604	2,805,964
2014	14,677,000	587,080	616,557	2,776,487
2015	15,413,000	616,520	512,097	2,880,910
2016	15,334,000	613,360	800,662	2,693,608
2017	14,688,000	587,520	685,943	2,595,185
2018	14,575,000	583,000	809,720	2,368,465
2019	17,645,000	705,800	862,410	2,211,855
2020	17,467,000	698,680	874,662	2,035,873
2021	17,470,000	698,800	887,451	1,847,222
2022	17,467,000	698,680	1,010,377	1,535,525
2023	<u>12,720,000</u>	<u>508,800</u>	<u>1,372,431</u>	671,894
	<u>\$ 524,117,523</u>	<u>\$ 20,979,103</u>	<u>\$ 20,307,209</u>	

At June 30, 2023, CWSRF had \$671,894 of grant funds available for program administration.

(7) TRANSFERS TO LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY

For the year ended June 30, 2023, CWSRF provided \$2,370,792 of support to other departments within DEQ to cover those departments' state matching requirements. These funds were derived from administration fees CWSRF earned from loans outstanding, and the transfers are reported as other expenses within the administration fund in the statement of revenues, expenses, and changes in net position.

CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

(8) RISK MANAGEMENT

CWSRF participates in the State of Louisiana's Risk Management Program. Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management (the agency responsible for the state's risk management program) or by legislative appropriation. Refer to the State of Louisiana's risk disclosure in the June 30, 2023 Annual Comprehensive Financial Report for more details.

(9) DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through January 11, 2024, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CLEAN WATER STATE REVOLVING FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Federal Grantor and Program Title</u>	<u>Federal AL Number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
<u>U.S. Environmental Protection Agency</u>			
Clean Water State Revolving Fund Cluster			
Direct Programs:			
Capitalization Grants for States Revolving Funds	66.458	\$ 11,819,052 *	\$ 10,421,781
Total Clean Water State Revolving Fund Cluster		<u>\$ 11,819,052</u>	<u>\$ 10,421,781</u>
Total expenditures of federal awards		<u>\$ 11,819,052</u>	<u>\$ 10,421,781</u>

* *Major program*

(See Independent Auditors' Report)

CLEAN WATER STATE REVOLVING FUND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of CWSRF under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of CWSRF, it is not intended to and does not present the financial position, changes in net position or cash flows of CWSRF.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expense Recognition

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Loans to Sub-recipients

Capitalization Grants for Clean Water State Revolving Fund AL #66.458 include \$10,421,781 of expenditures that were disbursed as loan awards to qualifying sub-recipients, which includes \$1,468,668 of principal forgiveness loans.

(3) INDIRECT COST RATE

CWSRF has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**REPORTS REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



**INDEPENDENT AUDITORS' 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***

Clean Water State Revolving Fund
Louisiana Department of Environmental Quality
Baton Rouge, Louisiana

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 Clean Water State Revolving Fund, an enterprise fund of the State of Louisiana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Clean Water State Revolving Fund's basic financial statements, and have issued our report thereon dated January 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clean Water State Revolving Fund's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clean Water State Revolving Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Clean Water State Revolving Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

Clean Water State Revolving Fund
Louisiana Department of Environmental Quality
Baton Rouge, Louisiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clean Water State Revolving Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

January 11, 2024
New Orleans, Louisiana

Certified Public Accountants



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Clean Water State Revolving Fund
Louisiana Department of Environmental Quality
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Clean Water State Revolving Fund's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Clean Water State Revolving Fund's major federal programs for the year ended June 30, 2023. Clean Water State Revolving Fund's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Clean Water State Revolving Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Clean Water State Revolving Fund and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Clean Water State Revolving Fund's compliance with the compliance requirements referred to above.



Clean Water State Revolving Fund
Louisiana Department of Environmental Quality
Baton Rouge, Louisiana

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Clean Water State Revolving Fund’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Clean Water State Revolving Fund’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Clean Water State Revolving Fund’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Clean Water State Revolving Fund’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.



Clean Water State Revolving Fund
Louisiana Department of Environmental Quality
Baton Rouge, Louisiana

- Obtain an understanding of Clean Water State Revolving Fund's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Clean Water State Revolving Fund's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

Clean Water State Revolving Fund
Louisiana Department of Environmental Quality
Baton Rouge, Louisiana

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

January 11, 2024
New Orleans, Louisiana

Certified Public Accountants

CLEAN WATER STATE REVOLVING FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

I. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Clean Water State Revolving Fund.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were reported in the Independent Auditors' 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*.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported on the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal programs for Clean Water State Revolving Fund expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as major program was Capitalization Grants for State Revolving Funds (AL No. 66.458).
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Clean Water State Revolving Fund was determined to be a low-risk auditee.
10. A management letter was not issued for the year ended June 30, 2023.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no financial statement findings for the year ended June 30, 2023.

III. FINDINGS AND QUESTIONED COSTS MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings related to major federal award programs for the year ended June 30, 2023.

CLEAN WATER STATE REVOLVING FUND
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

I. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Not applicable.

II. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable.

III. MANAGEMENT LETTER

Not applicable.