

**OKLAHOMA DEPARTMENT OF  
ENVIRONMENTAL QUALITY  
OKLAHOMA DRINKING WATER  
STATE REVOLVING FUND  
LOAN PROGRAM**

**FINANCIAL STATEMENTS  
AS OF  
JUNE 30, 2016 AND 2015  
AND INDEPENDENT AUDITOR'S REPORT**

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

ANNUAL FINANCIAL STATEMENTS  
FOR THE YEARS ENDED June 30, 2016 and 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Directors of the  
Oklahoma Department of Environmental Quality  
Oklahoma Drinking Water State Revolving Fund Loan Program

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Oklahoma Department of Environmental Quality/Oklahoma Drinking Water State Revolving Fund Loan Program (the "Program") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Program as of June 30, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's basic financial statements. The supplemental combining financial statement information, as listed in the table of contents under Supplemental Schedule Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Program.

The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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. In our opinion, the supplemental combining financial statement information 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 September 23, 2016, 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.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
September 23, 2016



SCOTT A. THOMPSON  
Executive Director

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY

MARY FALLIN  
Governor

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

Our discussion and analysis of the Oklahoma Drinking Water State Revolving Fund Program's (the "Program") financial performance provides an overview of the Program's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Program's financial statements, which begin on page 6. The Oklahoma Department of Environmental Quality ("ODEQ") administers the Program. ODEQ's primary activities include providing direct assistance and managing the coordination of the Program to meet the objectives of the Safe Drinking Water Act. Pursuant to an interagency agreement between ODEQ and the Oklahoma Water Resources Board (the "OWRB"), OWRB handles certain financial functions including originating, approving and servicing loans made to qualifying recipients.

### **FINANCIAL HIGHLIGHTS**

- The Program's net position increased by over 8% from \$234,112,065 in FY-2015 to \$252,889,003 in FY-2016. The increase in net position is primarily attributable to an increase in federal grant revenue retained to fund loans.
- The Program experienced a decrease of \$46,958,942 in the amount of outstanding loans. At June 30, 2016, the Program had 124 outstanding loans with a principal balance of \$369,792,179. At June 30, 2015 the Program had 134 outstanding loans with a principal balance of \$416,752,021.

### **PROGRAM HIGHLIGHTS**

- During FY 2016, five (5) construction loans, totaling approximately \$122 million were made to correct deficiencies and achieve compliance with the national primary drinking water regulations or otherwise further public health protection objectives of the Safe Drinking Water Act (SWDA).
- Completed construction during the year on eleven (11) projects totaling \$65.6 million.
- Made binding commitments for six (6) new loans, totaling approximately \$124 million, in drinking water construction for communities to correct problems and achieve compliance with the SWDA.



## ECONOMIC FACTORS AND NEXT YEAR'S OUTLOOK

The Oklahoma DWSRF has been extremely popular with communities that borrow from the program. The Program's financing strategy of providing long-term loans at 70% of market rate has been consistent for many years. No additional staff is planned at this time. The Program is expected to increase assets as well as operating income as more loans are approved and eligible draws are made from the federal capitalization grants and the bond issue.

## CONTACTING THE PROGRAM'S FINANCIAL MANAGEMENT

This financial report is designed to provide the DEQ's accountability of the Program. If you have questions about this report or need additional financial information, contact the Administrative Services Division of the Oklahoma Department of Environmental Quality at 707 North Robinson, Oklahoma City, OK 73101.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**STATEMENTS OF NET POSITION  
June 30, 2016 and 2015**

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 19,865,281	\$ 28,592,946
Federal letter of credit payments receivable	545,361	535,653
Accrued interest on loans receivable	2,634,394	3,184,502
Other interest receivable	89,106	93,162
Due from Drinking Water Admin Fund	-	50
Loans receivable	18,356,042	19,700,845
Total current assets	<u>41,490,184</u>	<u>52,107,158</u>
Noncurrent Assets:		
Restricted cash	93,344,750	30,290,790
Restricted investments	26,698,212	27,453,340
Loans receivable, net of current portion and allowance for uncollectible loans of \$137,469 in 2016 and \$156,167 in 2015	351,437,027	397,051,176
Equipment, net	84,731	31,938
Total noncurrent assets	<u>471,564,720</u>	<u>454,827,244</u>
Total assets	<u>513,054,904</u>	<u>506,934,402</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	270,669	40,538
Due to Oklahoma Department of Environmental Quality ("ODEQ")	393,590	503,862
Compensated absences	93,613	123,244
Interest payable	2,666,669	2,765,139
Current maturities of long-term debt	89,195,000	11,855,000
Total current liabilities	<u>92,619,541</u>	<u>15,287,783</u>
Noncurrent Liabilities:		
Compensated absences	26,805	38,918
Long-term debt, net of current maturities	150,725,000	239,920,000
Unamortized (discount)/ premium	16,794,555	17,575,636
Total noncurrent liabilities	<u>167,546,360</u>	<u>257,534,554</u>
Total liabilities	<u>260,165,901</u>	<u>272,822,337</u>
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	84,731	31,938
Restricted for loans and debt service	252,924,690	234,242,289
Unrestricted net liability	<u>(120,418)</u>	<u>(162,162)</u>
Total net position	<u>\$ 252,889,003</u>	<u>\$ 234,112,065</u>

See accompanying notes and independent auditor's report.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Operating revenues:		
Federal grants	\$ 3,359,571	\$ 3,835,810
Loan program income (net of bad debt recovery of \$18,698 in 2016 and bad debt expense of \$62,879 in 2015)	<u>11,391,054</u>	<u>11,086,723</u>
Total operating revenue	<u>14,750,625</u>	<u>14,922,533</u>
<b>EXPENSES</b>		
Operating expenses:		
Salaries and benefits	2,149,373	2,502,639
Professional services	217,618	242,129
Travel	31,724	43,246
Office	68,856	59,610
Depreciation	13,751	3,549
Indirect costs	644,856	791,215
Other expense	138,856	186,119
Interest expense	10,181,006	10,514,804
Debt issuance costs	-	15,000
Trustee fees	<u>33,135</u>	<u>35,797</u>
Total operating expenses	<u>13,479,175</u>	<u>14,394,108</u>
Operating income (loss)	<u>1,271,450</u>	<u>528,425</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Federal grants	14,723,609	8,198,441
Federal grants-principal forgiveness	(2,066,531)	(2,473,763)
Investment income	1,506,043	1,068,956
Interest income-invested cash balances	<u>542,777</u>	<u>477,294</u>
Total nonoperating revenues	<u>14,705,898</u>	<u>7,270,928</u>
Income (loss) before transfers	15,977,348	7,799,353
Transfers in - Drinking Water Treatment Loan Administrative Fund	<u>2,799,590</u>	<u>36,161</u>
Increase in net position	18,776,938	7,835,514
<b>NET POSITION</b>		
Net position, beginning of year	<u>234,112,065</u>	<u>226,276,551</u>
Net position, end of year	<u>\$ 252,889,003</u>	<u>\$ 234,112,065</u>

See accompanying notes and independent auditor's report.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Federal grant receipts	\$ 3,349,863	\$ 3,562,213
Collection of interest on loans to local governmental units	11,922,464	11,083,468
Payments to employees	(2,191,117)	(2,370,363)
Payments to suppliers	(1,125,734)	(1,212,208)
Interest paid on debt	(11,060,557)	(11,317,141)
Net cash provided (used) by operating activities	<u>894,919</u>	<u>(254,031)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Principal paid on bonds	(11,855,000)	(11,440,000)
Federal grant receipts	12,657,078	5,724,678
Transfers in - Drinking Water Treatment Loan Administrative Fund	2,910,138	36,161
Net cash provided (used) by noncapital financing activities	<u>3,712,216</u>	<u>(5,679,161)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of equipment	(66,544)	(35,487)
Net cash (used) in capital and related financing activities	<u>(66,544)</u>	<u>(35,487)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loans to local governmental units	(43,984,431)	(28,346,248)
Collection of principal on loans to local governmental units	88,895,550	18,867,360
Collection of principal on loans to local governmental units from federal grant proceeds	2,066,531	2,473,763
Interest on investments	1,506,381	1,072,627
Interest on invested cash balances	546,495	475,954
Sales of investments	755,178	1,205,974
Net cash provided (used) by investing activities	<u>49,785,704</u>	<u>(4,250,570)</u>
Net increase (decrease) in cash	54,326,295	(10,219,249)
Cash and cash equivalents, beginning of year	58,883,736	69,102,985
Cash and cash equivalents, end of year	<u>\$ 113,210,031</u>	<u>\$ 58,883,736</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 1,271,450	\$ 528,425
Adjustment to reconcile net operating income to net cash provided by operating activities:		
Depreciation	13,751	3,549
Amortization of bond/note premium	(781,081)	(781,081)
Provision (recovery) for uncollectible loans	(18,698)	62,879
Changes in operating assets and liabilities:		
Decrease (Increase) in letter of credit payments receivable	(9,708)	(273,597)
Decrease (Increase) in interest receivable	550,108	(66,134)
Increase (Decrease) in accounts payable	119,980	27,156
Increase (Decrease) in due to/from ODEQ	(110,272)	246,441
Increase (Decrease) in compensated absences	(41,744)	24,635
Increase (Decrease) in other accrued liabilities	(397)	(5,048)
Increase (Decrease) in interest payable	(98,470)	(21,256)
Net cash provided (used) by operating activities	<u>\$ 894,919</u>	<u>\$ (254,031)</u>

See accompanying notes and independent auditor's report.

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Oklahoma Department of Environmental Quality/Oklahoma Drinking Water State Revolving Fund Loan Program (the "Program") was created pursuant to the Federal Safe Drinking Water Act Amendments of 1995 (the "Act"), Section 1452, to provide a perpetual fund for financing the construction of drinking water treatment facilities for municipalities and other entities. The program utilizes Federal Capitalization grants, required State matching funds equal to 20% of federal funds received, and interest income for drinking water loan assistance. Standard loans made by the Program must be repaid within 30 years from construction completion. All repayments, including interest and principal, must remain in the fund.

The Program consists of two program components: 1) set-aside funds and 2) loan fund. The set-aside funds are administered by the Oklahoma Department of Environmental Quality ("ODEQ"). ODEQ's primary activities include providing direct assistance and managing the coordination of the Program to meet its primary objective pursuant to the Act. The loan fund is administered by the Oklahoma Water Resources Board ("OWRB") pursuant to an interagency agreement between ODEQ and OWRB. The OWRB handles certain financial functions, including the originating, approving and servicing loans made to qualifying recipients.

Basis of Accounting and Measurement Focus

The Program prepares its financial statements in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). The Program is accounted for and presented similar to a special-purpose government engaged solely in business type activities.

The financial statements of the Program are prepared under the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred. The Program uses the economic resources measurement focus where all assets, liabilities, net position, revenues, expenses and transfers relating to the Program and net income and capital maintenance are measured.

Federal Letter of Credit Payments Receivable

Funding from Federal grants is provided through a Federal letter of credit ("LOC"). The Program records revenue as qualifying expenditures are made or as expenses are incurred, as appropriate. Availability of funds under the LOC is specified by the terms of the grant. The Program draws on the available funds as necessary to fund operations and selected loans.

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Federal Grants

Federal grants are recognized as operating revenue upon payment of allowable grant expenditures eligible for reimbursement from the EPA and not covered by state matching or program income.

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.

Restricted Cash

Restricted cash represents the portion of the Program's cash balance at year-end that has been obligated for known future expenditures, such as loans, which have been approved and are complete as to all application requirements. The restricted portion fluctuates as obligated funds are used or as funds are de-obligated.

Restricted Investments

Restricted investments at June 30, 2016 represents a portion of the Series 2013B Revenue Bonds as well as the residual investment amounts related to the Series 2003 Revenue Bonds remaining after the retirement of the Series 2003 Revenue bonds during FY-2015. The amount has been set-aside into a Debt Service Reserve Fund. The Debt Service Reserve fund portion of restricted investments totals \$26,698,212 and \$27,453,340, at June 30, 2016 and June 30, 2015, respectively (See Note 5).

Equipment

Equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to nine years. The Program's policy is to capitalize individual asset purchases in excess of \$5,000.

Debt Issuance Costs

Debt issuance costs are expensed as incurred.

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
 OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Bond Issue Premium

The Program's State Revolving Fund Revenue Bonds, Series 2013A, Series 2012A, Series 2011, and Series 2010, were initially sold at a premium of \$20,744,132. The bond premium is being amortized over the remaining life of the bonds. Net amortization expense of \$781,081 and \$781,081 was recorded in 2016 and 2015, respectively, and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net position.

Loan Administration Fees

Loan administrative fees are assessed to each participating borrower by the OWRB at the rate of one-half of one percent per annum of the amount of each borrower's loan balance outstanding. Fees paid by the participating borrowers are remitted directly to OWRB and, therefore, are not included in the accompanying Program financial statements. These fees are deposited into the Drinking Water Loan Administration Fund, an account held outside the Program. The activity within this fund for the years ended June 30, 2016 and 2015 was as follows:

Balance, July 1, 2015	\$ <u>8,566,009</u>	Balance, July 1, 2014	\$ <u>6,611,938</u>
Fee income	2,285,693	Fee income	2,115,497
Interest income	117,384	Interest income	118,819
Operating expenses	(574,076)	Operating expenses	(244,084)
Transfers	<u>(2,799,590)</u>	Transfers	<u>(36,161)</u>
Balance, June 30, 2016	\$ <u>7,595,420</u>	Balance, June 30, 2015	\$ <u>8,566,009</u>

Unrestricted Net Liability

The unrestricted net liability at June 30, 2016 and 2015, is attributed to the accrual for compensated absences for financial reporting purposes in advance of reimbursement of such costs under the Program's federal funding arrangements.

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

2. CASH DEPOSITS AND INVESTMENT RISK

Cash of \$19,865,281 and \$28,592,946 at June 30, 2016 and 2015 respectively, was on deposit in the State Treasurer's office's internal investment pool – *OK Invest*. Restricted cash of \$93,344,750 and \$30,290,790 at June 30, 2016 and 2015 respectively, was on deposit with the Program's trustee. Amounts on deposit with the Program's trustee bank are invested in the *Federated Treasury Obligations, Federated Government Obligation, Goldman Sachs Financial Square Treasury Obligations and the Goldman Sachs Financial Square Federal Funds* money market mutual funds.

Custodial credit risk for deposits is the risk that in the event of a bank or other institution failure, the Program's 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's deposits with the State Treasurer are pooled with the funds of other State agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

Of the \$19,865,281 and \$28,592,946 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2016 and June 30, 2015, 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 Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day-to-day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. An evaluation of the use and purpose of the Program's participation in the internal investment

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
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NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

2. CASH DEPOSITS AND INVESTMENT RISK (Cont'd)

pool determined that the amounts on deposit with OK INVEST are considered demand deposits 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 evidences of deposit issued by a bank, savings bank, savings and loan association or credit union located in the state.
- c. With certain ratings and maturity limitations, negotiable certificates of deposit, bankers acceptances and commercial paper.
- d. Obligations of state and local governments, including obligations of Oklahoma state public trusts, with certain ratings and maturity limitations.
- e. Collateralized repurchase agreements tri-party repurchase agreements.
- f. Money market mutual funds and short term bond funds regulated by the Securities and Exchange Commission (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 evidences of deposit at banks, savings banks, savings and loan associations or credit unions located in the State of Oklahoma.
- 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

2. CASH DEPOSITS AND INVESTMENT RISK (Cont'd)

The Program implemented GASB Statement No. 72, Fair Value Measurement and Application, during the fiscal year ended June 30, 2016. The Program categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based 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, 2016 and 2015, 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:

Type	Maturities	Credit Rating	Fair Value Hierarchy	Carrying Value	
				2016	2015
OK Invest	On Demand	Not Rated	N/A	\$ 19,865,281	\$ 28,592,946
Federated Treasury Obligations Fund	16 days	AAAm	Level 1	4,599,190	11,220,729
Federated Government Obligations Fund	16 days	AAAm	Level 1	88,188,547	15,957,364
Goldman Sach Fin. Sq. Treasury Oblig. Fund		AAAm	Level 1	557,013	1,663,801
Goldman Sach Fin. Sq. Federal Fund		AAAm	Level 1	-	1,448,896
Federal Farm Credit Bank	2022/2025	AA+	Level 2	3,120,343	2,984,336
Federal Home Loan Bank	2020/2023	AA+	Level 2	1,160,247	1,125,615
Federal Home Loan Mortgage Corp. Int. Strips	2025	AA+	Level 2	2,440,575	2,210,135
Federal National Mortgage Assoc. Int. Strips	2017/2022	AA+	Level 2	1,092,010	1,052,391
Federal National Mortgage Assoc. Princ. Strips	2018	AA+	Level 2	24,620	24,078
Federal National Mortgage Assoc.	2016	AA+	Level 2	-	60,088
Federal Home Loan Mortgage Corp.	2017	AA+	Level 2	73,239	73,460
Tennessee Valley Authority	2018/2021	AA+	Level 2	1,166,209	1,159,855
Tennessee Valley Authority Coupon Strips	2017/2025	AA+	Level 2	17,620,969	18,654,528
U.S. Treasury Strip Principal Strip	2016	AA+	Level 2	-	108,854
Total				<u>\$ 139,908,243</u>	<u>\$ 86,337,076</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. The Program has the following concentration of credit risk at June 30, 2016: 67% or \$93,344,750 is invested in government obligations money market mutual funds, 19% or \$26,698,212 is invested directly in fixed income securities, and 14% or \$19,865,281 is invested in OK Invest.

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
 OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

2. CASH DEPOSITS AND INVESTMENT RISK (Cont'd)

A "pooled cash" concept is used by ODEQ in maintaining cash and equivalents for the Program's Set Aside accounts. Under this method, cash and equivalents are pooled and each ODEQ program has equity in the pooled amount. There were no pooled cash overdrafts included in Due to ODEQ in the current year.

3. FEDERAL LETTERS OF CREDIT

Federal letters of credit ("LOC") balances at June 30, 2016 and 2015 are as follows:

	Year Ended June 30, 2016					
	Administrative	Program Management & Reserve	Small Systems	Local Assistance	Loan	Totals
LOC available for draw	\$ 9,074,939	17,135,177	3,634,256	19,051,770	211,142,858	260,039,000
Grant available in 2016	566,280	1,415,700	283,140	2,123,550	9,768,330	14,157,000
LOC reprogrammed	(6,067)	-	(22,074)	(841,402)	869,543	-
Cumulative cash draws	<u>9,590,723</u>	<u>18,299,818</u>	<u>3,891,283</u>	<u>19,276,750</u>	<u>219,099,730</u>	<u>270,158,304</u>
LOC balance available for draw at June 30, 2016	\$ <u>44,429</u>	<u>251,059</u>	<u>4,039</u>	<u>1,057,168</u>	<u>2,681,001</u>	<u>4,037,696</u>

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

3. FEDERAL LETTERS OF CREDIT

	Year Ended June 30, 2015					Totals
	Administrative	Program Management & Reserve	Small Systems	Local Assistance	Loan	
LOC available for draw	\$ 8,542,550	16,489,003	3,465,774	17,844,109	199,471,564	245,813,000
Grant available in 2015	545,041	1,425,100	285,020	2,137,649	9,833,190	14,226,000
LOC reprogrammed	(12,652)	(778,926)	(116,538)	(929,988)	1,838,104	-
Cumulative cash draws	9,037,025	16,789,354	3,571,858	18,310,474	204,376,121	252,084,832
LOC balance available for draw at June 30, 2015	\$ 37,914	345,823	62,398	741,296	6,766,737	7,954,168

Due to the fact that the grants cover a period of more than 8 quarters, not all of the balances presented above are available for immediate drawdown.

4. LOANS RECEIVABLE

The Program originates loans with Oklahoma municipalities and other entities for financing the construction of drinking water treatment facilities which are payable in semiannual installments at subsidized rates. Funded projects of the Program must meet established eligibility requirements. Effective interest rates on the outstanding loans vary from 0% to 3.49% at June 30, 2016 and from 0% to 4.01% at June 30, 2015.

Not less than 20% up to a maximum of 30% of the annual federal grant must be used for principal forgiveness for communities meeting the "disadvantaged" criteria. For the periods ending June 30, 2016 and 2015, the Program made loans that have or will receive principal forgiveness to two and one borrowers, respectively, under the "disadvantaged" criteria. Loans are collateralized by various revenue sources including, but not limited to, user charges and sales taxes collected by the borrowers. Principal payments must start within one year of construction completion or at an earlier date set in the loan agreement. Loan terms are available up to a maximum of twenty years, except for loans qualifying under the "disadvantaged" criteria for which the maximum term is thirty years. During the years ended June 30, 2016 and 2015, principal payments of \$90,692,081 and \$21,341,123, respectively, had been received.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

4. LOANS RECEIVABLE (Cont'd)

The allowance for loan losses at June 30, 2016 of \$137,469 is based upon management's evaluation of the collectability of the loans. The evaluation takes into consideration such factors as size of the individual loans, overall quality, current economic conditions and trends that may affect the borrowers' ability to pay.

Loans receivable activity from July 1, 2014 to June 30, 2016, is as follows:

Loan disbursements	28,346,248
Loan principal repayments and forgiveness	<u>(21,341,123)</u>
	416,814,900
Change in provision for uncollectible loans	<u>(62,879)</u>
Balance, June 30, 2015	\$ <u>416,752,021</u>
Loan disbursements	43,984,431
Loan principal repayments and forgiveness	<u>(90,962,081)</u>
	369,774,371
Change in provision for uncollectible loans	<u>18,698</u>
Balance, June 30, 2016	\$ <u>369,793,069</u>

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
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NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

5. RESTRICTED INVESTMENTS

A description of the restricted investments held at June 30, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Federal Farm Credit Bank	\$ 3,120,343	\$ 2,984,336
Federal Home Loan Bank	1,160,247	1,125,615
Federal Home Loan Mortgage Corp. Int. Strips	2,440,575	2,210,135
Federal National Mortgage Assoc. Int. Strips	1,092,010	1,052,391
Federal National Mortgage Assoc. Princ. Strips	24,620	24,078
Federal National Mortgage Assoc.	-	60,088
Federal Home Loan Mortgage Corp.	73,239	73,460
Tennessee Valley Authority	1,166,209	1,159,855
Tennessee Valley Authority Coupon Strips	17,620,969	18,654,528
U.S. Treasury Strip Principal Strip	-	108,854
	<u>                    </u>	<u>                    </u>
Total restricted investments	\$ <u>26,698,212</u>	\$ <u>27,453,340</u>

6. BINDING COMMITMENTS

The OWRB, pursuant to an interagency agreement entered into between ODEQ and OWRB, approves funding of various 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. Binding commitments approved by the OWRB for which a loan agreement and promissory note have not been executed totaled \$0 and \$0 at June 30, 2016 and 2015, respectively.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

7. EQUIPMENT

A summary of changes to equipment is as follows:

	Year ended 2016		
	June 30, 2015	Additions	June 30, 2016
Equipment	\$ 798,758	66,544	\$ 865,302
Accumulated depreciation	(766,820)	(13,751)	(780,571)
Net	\$ <u>31,938</u>	<u>52,793</u>	\$ <u>84,731</u>

	Year ended 2015		
	June 30, 2014	Additions	June 30, 2015
Equipment	\$ 763,271	35,487	\$ 798,758
Accumulated depreciation	(763,271)	(3,549)	(766,820)
Net	\$ <u>-</u>	<u>31,938</u>	\$ <u>31,938</u>

8. LONG-TERM DEBT

Bonds Payable

On September 19, 2013, the Program issued State Revolving Fund Revenue Bonds, Series 2013A in the amount of \$41,410,000. The bonds are secured by the loans made to the local entities by the OWRB, investment income in the Drinking Water State Revolving Fund Account and monies held in the Debt Service Reserve Fund. These bonds were issued to provide low interest cost financing for Oklahoma Local governmental entities for acquiring, constructing, or improving their wastewater treatment systems, to reimburse the Program for amounts previously advanced to local governments, and to enable the Program to meet the State matching requirements in order to obtain Federal grants.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

8. LONG-TERM DEBT (Cont'd)

Bonds Payable (Cont'd)

On September 19, 2013, the Program issued State Revolving Fund Revenue Bonds, Series 2013B in the amount of \$35,505,000. The bonds are secured by the loans made to the local entities by the OWRB, investment income in the Drinking Water State Revolving Fund Account and monies held in the Debt Service Reserve Fund. These bonds were issued to provide funds, together with certain other available moneys and investments, to retire the Program's Series 2003 Revenue Bonds, and to fund a debt service reserve fund.

On June 12, 2012, the Program issued State Revolving Fund Revenue Bonds, Series 2012A in the amount of \$49,395,000. The bonds are secured by the loans made to the local entities by the OWRB, investment income in the Drinking Water State Revolving Fund Account and monies held in the Debt Service Reserve Fund. 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 April 13, 2011, the Program issued State Revolving Fund Revenue Bonds, Series 2011 in the amount of \$57,910,000. The bonds are secured by the loans made to the local entities by the OWRB, investment income in the Drinking Water State Revolving Fund Account and monies held in the Debt Service Reserve Fund. 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 January 13, 2010, the Program issued State Revolving Fund Revenue Bonds, Series 2010 in the amount of \$94,460,000. The bonds are secured by the loans made to the local entities by the OWRB, investment income in the Drinking Water State Revolving Fund Account and monies held in the Debt Service Reserve Fund. 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.

Subsequent to year end, on July 12, 2016, the Program defeased all of the outstanding Series 2010 bonds. The defeasance was funded with available excess cash.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

8. LONG-TERM DEBT (Cont'd)

Bonds Payable (Cont'd)

Future debt service payments required by the Program's serial bonds as of June 30, 2016 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 89,195,000	8,835,593	98,030,593
2018	9,905,000	6,743,586	16,648,586
2019	10,530,000	6,377,392	16,907,392
2020	9,815,000	5,970,705	15,785,705
2021	9,320,000	5,580,326	14,900,326
2022-2026	34,070,000	22,585,078	56,655,078
2027-2031	30,435,000	15,368,100	45,803,100
2032-2036	26,235,000	8,197,975	34,432,975
2037-2041	16,295,000	3,126,813	19,421,813
2042-2043	4,120,000	274,800	4,394,800
	<u>\$ 239,920,000</u>	<u>83,060,368</u>	<u>322,980,368</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 part, as 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 2013A, 2012A, 2011, and 2010 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 note/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 issues. Management has estimated the arbitrage rebate liability at June 30, 2016 to be immaterial for the Series 2010, Series 2011, Series 2012A, and Series 2013A bonds.

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
 OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

8. LONG-TERM DEBT (Cont'd)

Bonds Payable (Cont'd)

Changes in long-term debt outstanding at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Beginning Balances:		
Serial 2013B bonds due April 1, 2017 to April 1, 2025, interest at 1.795% to 4.116%	\$ 28,750,000	\$ 31,755,000
Serial 2013A bonds due April 1, 2017 to April 1, 2043, interest at 4.00% to 5.00%	39,220,000	41,410,000
Serial 2012A bonds due April 1, 2017 to April 1, 2042, interest at 3.00% to 5.00%	45,985,000	47,945,000
Serial 2011 bonds due April 1, 2017 to April 1, 2042, interest at 2.50% to 5.25%	54,115,000	55,415,000
Serial 2010 bonds due April 1, 2017 to April 1, 2032, interest at 2.75% to 5.00%	83,705,000	86,690,000
Unamortized (discount)/ premium	17,575,636	18,356,717
	<u>\$ 269,350,636</u>	<u>\$ 281,571,717</u>
Less: Debt Repayments	(11,855,000)	(11,440,000)
Less: Current Amortization of Premium	(781,081)	(781,081)
Ending Balances:	<u>\$ 256,714,555</u>	<u>\$ 269,350,636</u>
Amounts due in one year	<u>\$ 89,195,000</u>	<u>\$ 11,855,000</u>

9. COMMITMENTS AND CONTINGENCIES

The Program is exposed to various risks of loss related to torts, thefts of assets, efforts and omissions, injuries to employees while performing Program business, or acts of God. The Program maintains insurance through the State of Oklahoma Risk Management Division, which is included in the indirect costs charged to the Program. There have not been any claims against the Program since its inception in 1998.

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OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION INFORMATION - BY PROGRAM COMPONENT  
June 30, 2016

	Set-Aside Funds					Totals
	Administrative	Program Management	Small Systems	Local Assistance and Other State Programs	Loan Fund	
<b><u>ASSETS</u></b>						
Current Assets:						
Cash	\$ -	-	-	-	19,865,281	19,865,281
Federal letter of credit payments receivable (payable)	(18,649)	285,798	64,374	213,838	-	545,361
Accrued interest on loans receivable	-	-	-	-	2,634,394	2,634,394
Other interest receivable	-	-	-	-	89,106	89,106
Loans receivable	-	-	-	-	18,356,042	18,356,042
Total current assets	(18,649)	285,798	64,374	213,838	40,944,823	41,490,184
Noncurrent Assets:						
Restricted Cash	-	-	-	-	93,344,750	93,344,750
Restricted investments	-	-	-	-	26,698,212	26,698,212
Loans receivable, net of current portion and allowance for uncollectible loans of \$137,469	-	-	-	-	351,437,027	351,437,027
Equipment, net	-	-	-	84,731	-	84,731
Total noncurrent assets	-	-	-	84,731	471,479,989	471,564,720
Total assets	(18,649)	285,798	64,374	298,569	512,424,812	513,054,904
<b><u>LIABILITIES</u></b>						
Current Liabilities:						
Accounts payable	-	894	-	150,877	118,898	270,669
Due to (from) Oklahoma Department of Environmental Quality ("ODEQ")	(18,649)	284,904	64,374	62,961	-	393,590
Compensated absences	9,217	38,520	6,712	39,164	-	93,613
Interest Payable	-	-	-	-	2,666,669	2,666,669
Current maturities of long-term debt	-	-	-	-	89,195,000	89,195,000
Total current liabilities	(9,432)	324,318	71,086	253,002	91,980,567	92,619,541
Noncurrent Liabilities:						
Compensated absences	2,639	11,030	1,922	11,214	-	26,805
Long-term debt, net of current maturities	-	-	-	-	150,725,000	150,725,000
Unamortized (discount)/premium	-	-	-	-	16,794,555	16,794,555
Total noncurrent liabilities	2,639	11,030	1,922	11,214	167,519,555	167,546,360
Total liabilities	(6,793)	335,348	73,008	264,216	259,500,122	260,165,901
<b><u>NET POSITION</u></b>						
Invested in capital assets, net of related debt	-	-	-	84,731	-	84,731
Restricted for loans and debt service	-	-	-	-	252,924,690	252,924,690
Unrestricted net liability	(11,856)	(49,550)	(8,634)	(50,378)	-	(120,418)
Total net position	\$ (11,856)	(49,550)	(8,634)	34,353	252,924,690	252,889,003

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
 OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 NET POSITION INFORMATION - BY PROGRAM COMPONENT  
 For the Year Ended June 30, 2016

	Set-Aside Funds					Totals
	Administrative	Program Management	Small Systems	Local Assistance and Other State Programs	Loan Fund	
<b>REVENUES</b>						
Operating revenues:						
Federal grants	\$ 536,292	1,240,792	292,562	1,289,925	-	3,359,571
Loan program income (net of recovery of \$18,698)	-	-	-	-	11,391,054	11,391,054
Total operating revenue	<u>536,292</u>	<u>1,240,792</u>	<u>292,562</u>	<u>1,289,925</u>	<u>11,391,054</u>	<u>14,750,625</u>
<b>EXPENSES</b>						
Operating expenses:						
Salaries and benefits	232,470	895,640	219,973	801,290	-	2,149,373
Professional services	217,618	-	-	-	-	217,618
Travel	6,233	13,974	1,932	9,585	-	31,724
Office	2,404	26,259	184	40,009	-	68,856
Depreciation	-	-	-	13,751	-	13,751
Indirect costs	68,657	271,372	67,337	237,490	-	644,856
Other expense	2,094	2,000	236	134,526	-	138,856
Interest expense	-	-	-	-	10,181,006	10,181,006
Trustee fees	-	-	-	-	33,135	33,135
Total operating expenses	<u>529,476</u>	<u>1,209,245</u>	<u>289,662</u>	<u>1,236,651</u>	<u>10,214,141</u>	<u>13,479,175</u>
Operating income (loss)	<u>6,816</u>	<u>31,547</u>	<u>2,900</u>	<u>53,274</u>	<u>1,176,913</u>	<u>1,271,450</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Federal grants	-	-	-	-	14,723,609	14,723,609
Federal grants-Principal Forgiveness	-	-	-	-	(2,066,531)	(2,066,531)
Investment income	-	-	-	-	1,506,043	1,506,043
Interest income-invested cash balances	-	-	-	-	542,777	542,777
Net nonoperating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,705,898</u>	<u>14,705,898</u>
Income (loss) before transfers	6,816	31,547	2,900	53,274	15,882,811	15,977,348
Transfers in - Drinking Water Treatment Loan Admin Fund	-	-	-	-	2,799,590	2,799,590
Increase (decrease) in net position	6,816	31,547	2,900	53,274	18,682,401	18,776,938
<b>NET POSITION</b>						
Net position, beginning of year	<u>(18,672)</u>	<u>(81,097)</u>	<u>(11,534)</u>	<u>(18,921)</u>	<u>234,242,289</u>	<u>234,112,065</u>
Net position, end of year	<u>\$ (11,856)</u>	<u>(49,550)</u>	<u>(8,634)</u>	<u>34,353</u>	<u>252,924,690</u>	<u>252,889,003</u>

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY  
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS INFORMATION - BY PROGRAM COMPONENT  
For the Year Ended June 30, 2016

	Set-Aside Funds					Totals
	Administrative	Program Management	Small Systems	Local Assistance and Other State Programs	Loan Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Federal grant receipts	\$ 553,698	1,510,464	319,425	966,276	-	3,349,863
Collection of interest on loans to local governmental units	-	-	-	-	11,922,464	11,922,464
Payments to employees	(239,286)	(927,187)	(222,873)	(801,771)	-	(2,191,117)
Payments to other suppliers	(314,412)	(583,277)	(96,552)	(97,961)	(33,532)	(1,125,734)
Interest paid on debt	-	-	-	-	(11,060,557)	(11,060,557)
Net cash provided (used) by operating activities	-	-	-	66,544	828,375	894,919
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Principal paid on bonds	-	-	-	-	(11,855,000)	(11,855,000)
Federal grant receipts	-	-	-	-	12,657,078	12,657,078
Transfers in - Drinking Water Treatment Loan Admin. Fund	-	-	-	-	2,910,138	2,910,138
Net cash provided (used) by noncapital financing activities	-	-	-	-	3,712,216	3,712,216
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of equipment	-	-	-	(66,544)	-	(66,544)
Net cash provided (used) by capital and related financing activities	-	-	-	(66,544)	-	(66,544)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Loans to local governmental units	-	-	-	-	(43,984,431)	(43,984,431)
Collection of principal on loans to local governmental units	-	-	-	-	88,895,550	88,895,550
Collection of principal on loans to local governmental units from federal grant proceeds	-	-	-	-	2,066,531	2,066,531
Interest on investments	-	-	-	-	1,506,381	1,506,381
Interest on invested cash balances	-	-	-	-	546,495	546,495
Sale (Purchase) of investments	-	-	-	-	755,178	755,178
Net cash provided (used) by investing activities	-	-	-	-	49,785,704	49,785,704
Net increase (decrease) in cash	-	-	-	-	54,326,295	54,326,295
Cash and cash equivalents, beginning of year	-	-	-	-	58,883,736	58,883,736
Cash and cash equivalents, end of year	\$ -	-	-	-	113,210,031	113,210,031
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ 6,816	31,547	2,900	53,274	1,176,913	1,271,450
Adjustment to reconcile net operating income to net cash provided by operating activities:						
Depreciation	-	-	-	13,751	-	13,751
Amortization of bond/note premium	-	-	-	-	(781,081)	(781,081)
Provision (recovery) for uncollectible loans	-	-	-	-	(18,698)	(18,698)
Changes in operating assets and liabilities:						
Decrease (Increase) in letter of credit payments receivable	17,406	269,672	26,863	(323,649)	-	(9,708)
Decrease (Increase) in interest receivable	-	-	-	-	550,108	550,108
Increase (Decrease) in accounts payable	(275)	(1,586)	(73)	121,914	-	119,980
Increase (Decrease) in due to/from ODEQ	(17,131)	(268,086)	(26,790)	201,735	-	(110,272)
Increase (Decrease) in compensated absences	(6,816)	(31,547)	(2,900)	(481)	-	(41,744)
Increase (Decrease) in other accrued liabilities	-	-	-	-	(397)	(397)
Increase (Decrease) in interest payable	-	-	-	-	(98,470)	(98,470)
Net cash provided (used) by operating activities	\$ -	-	-	66,544	828,375	894,919