

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

**FINANCIAL STATEMENTS
AS OF
JUNE 30, 2015 AND 2014
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, 2015 and 2014**

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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, 2015 and 2014, 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, 2015 and 2014, 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, 2015, 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, 2015



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, 2015. 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 3% from \$226,276,551 in FY-2014 to \$234,112,065 in FY-2015. The increase in net position is primarily attributable to an increase in federal grant revenue retained to fund loans.
- The Program experienced an increase of \$6,942,246 in the amount of outstanding loans. At June 30, 2015, the Program had 134 outstanding loans with a principal balance of \$416,752,021. At June 30, 2014 the Program had 124 outstanding loans with a principal balance of \$409,809,775.

PROGRAM HIGHLIGHTS

- During FY 2015, six (6) construction and two (2) refinance loans, totaling approximately \$46 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 thirteen (13) projects totaling \$50.9 million.
- Made binding commitments for seven (7) new loans, totaling approximately \$46 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, 2015 and 2014**

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash	\$ 28,592,946	\$ 24,201,425
Federal letter of credit payments receivable	535,653	262,056
Accrued interest on loans receivable	3,184,502	3,118,368
Other interest receivable	93,162	95,493
Due from Drinking Water Admin Fund	50	86,271
Loans receivable	19,700,845	19,171,095
Total current assets	<u>52,107,158</u>	<u>46,934,708</u>
Noncurrent Assets:		
Restricted cash	30,290,790	44,901,560
Restricted investments	27,453,340	28,573,093
Loans receivable, net of current portion and allowance for uncollectible loans of \$156,167 in 2015 and \$93,288 in 2014	397,051,176	390,638,680
Equipment, net	31,938	-
Total noncurrent assets	<u>454,827,244</u>	<u>464,113,333</u>
Total assets	<u>506,934,402</u>	<u>511,048,041</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	40,538	18,430
Due to Oklahoma Department of Environmental Quality ("ODEQ")	503,862	257,421
Compensated absences	123,244	48,133
Interest payable	2,765,139	2,786,395
Current maturities of long-term debt	11,855,000	11,440,000
Total current liabilities	<u>15,287,783</u>	<u>14,550,379</u>
Noncurrent Liabilities:		
Compensated absences	38,918	89,394
Long-term debt, net of current maturities	239,920,000	251,775,000
Unamortized (discount)/ premium	17,575,636	18,356,717
Total noncurrent liabilities	<u>257,534,554</u>	<u>270,221,111</u>
Total liabilities	<u>272,822,337</u>	<u>284,771,490</u>
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	31,938	-
Restricted for loans and debt service	234,242,289	226,414,078
Unrestricted net liability	<u>(162,162)</u>	<u>(137,527)</u>
Total net position	<u>\$ 234,112,065</u>	<u>\$ 226,276,551</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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
REVENUES		
Operating revenues:		
Federal grants	\$ 3,835,810	\$ 2,407,453
Loan program income (net of bad debt recovery of \$62,879 in 2015 and bad debt recovery of \$20,362 in 2014)	11,086,723	12,392,436
Total operating revenue	<u>14,922,533</u>	<u>14,799,889</u>
EXPENSES		
Operating expenses:		
Salaries and benefits	2,502,639	1,669,999
Professional services	242,129	233,841
Travel	43,246	37,567
Office	59,610	752
Depreciation	3,549	6,000
Indirect costs	791,215	476,981
Other expense	186,119	32,737
Interest expense	10,514,804	10,799,653
Debt issuance costs	15,000	707,951
Trustee fees	35,797	43,479
Total operating expenses	<u>14,394,108</u>	<u>14,008,960</u>
Operating income (loss)	<u>528,425</u>	<u>790,929</u>
NONOPERATING REVENUES (EXPENSES)		
Federal grants	8,198,441	8,181,830
Federal grants-principal forgiveness	(2,473,763)	(2,104,324)
Investment income	1,068,956	1,959,236
Interest income-invested cash balances	477,294	290,721
Total nonoperating revenues	<u>7,270,928</u>	<u>8,327,463</u>
Income (loss) before transfers	7,799,353	9,118,392
Transfers in - Drinking Water Treatment Loan Administrative Fund	<u>36,161</u>	<u>16,766</u>
Increase in net position	7,835,514	9,135,158
NET POSITION		
Net position, beginning of year	<u>226,276,551</u>	<u>217,141,393</u>
Net position, end of year	<u>\$ 234,112,065</u>	<u>\$ 226,276,551</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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Federal grant receipts	\$ 3,562,213	\$ 2,900,424
Collection of interest on loans to local governmental units	11,083,468	13,349,005
Payments to employees	(2,370,363)	(1,608,823)
Payments to suppliers	(1,212,208)	(2,045,700)
Interest paid on debt	(11,317,141)	(15,360,402)
Net cash provided (used) by operating activities	<u>(254,031)</u>	<u>(2,765,496)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from sale of bonds, net	-	80,233,051
Principal paid on bonds	(11,440,000)	(154,370,000)
Federal grant receipts	5,724,678	6,077,506
Transfers in - Drinking Water Treatment Loan Administrative Fund	36,161	16,766
Net cash provided (used) by noncapital financing activities	<u>(5,679,161)</u>	<u>(68,042,677)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(35,487)	-
Net cash (used) in capital and related financing activities	<u>(35,487)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to local governmental units	(28,346,248)	(48,191,403)
Collection of principal on loans to local governmental units	18,867,360	120,064,477
Collection of principal on loans to local governmental units from federal grant proceeds	2,473,763	2,104,324
Interest on investments	1,072,627	2,199,783
Interest on invested cash balances	475,954	279,284
Sales of investments	1,205,974	28,129,426
Net cash provided (used) by investing activities	<u>(4,250,570)</u>	<u>104,585,891</u>
Net increase (decrease) in cash	(10,219,249)	33,777,718
Cash and cash equivalents, beginning of year	69,102,985	35,325,267
Cash and cash equivalents, end of year	<u>\$ 58,883,736</u>	<u>\$ 69,102,985</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 528,425	\$ 790,929
Adjustment to reconcile net operating income to net cash provided by operating activities:		
Depreciation	3,549	6,000
Amortization of bond/note premium	(781,081)	(3,405,245)
Provision (recovery) for uncollectible loans	62,879	(20,362)
Changes in operating assets and liabilities:		
Decrease (Increase) in letter of credit payments receivable	(273,597)	492,971
Decrease (Increase) in interest receivable	(66,134)	976,931
Increase (Decrease) in accounts payable	27,156	(193,454)
Increase (Decrease) in due to/from ODEQ	246,441	(299,517)
Increase (Decrease) in compensated absences	24,635	44,424
Increase (Decrease) in other accrued liabilities	(5,048)	(2,669)
Increase (Decrease) in interest payable	(21,256)	(1,155,504)
Net cash provided (used) by operating activities	<u>\$ (254,031)</u>	<u>\$ (2,765,496)</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, 2015 and 2014

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

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.

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, 2015 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-2014. The amount has been set-aside into a Debt Service Reserve Fund. The Debt Service Reserve fund portion of restricted investments totals \$27,453,340 and \$28,573,093, at June 30, 2015 and June 30, 2014, respectively (See Note 5).

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

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.

Bond Issue Premium

The Program's State Revolving Fund Revenue Bonds, Series 2013A, Series 2012A, Series 2011, Series 2010, Series 2004 and Series 2003 were initially sold at a premium of \$29,663,981. The bond premium is being amortized over the remaining life of the bonds. Net amortization expense of \$781,081 and \$3,405,245 was recorded in 2015 and 2014, respectively, and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net position. Amortization expense for FY-2014 included the remaining unamortized balances associated with the Series 2003 and Series 2004 Revenue Bonds, which were repaid during FY-2014.

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, 2015 and 2014 was as follows:

Balance, July 1, 2014	\$	<u>6,611,938</u>	Balance, July 1, 2013	\$	<u>4,684,912</u>
Fee income		2,115,497	Fee income		2,227,631
Interest income		118,819	Interest income		87,377
Operating expenses		(244,084)	Operating expenses		(371,216)
Transfers		<u>(36,161)</u>	Transfers		<u>(16,766)</u>
Balance, June 30, 2015	\$	<u>8,566,009</u>	Balance, June 30, 2014	\$	<u>6,611,938</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

Unrestricted Net Liability

The unrestricted net liability at June 30, 2015 and 2014, 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.

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 \$28,592,946 and \$24,201,425 at June 30, 2015 and 2014 respectively, was on deposit in the State Treasurer's office's internal investment pool – *OK Invest*. Restricted cash of \$30,290,790 and \$44,901,560 at June 30, 2015 and 2014 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.

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

- 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.

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

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

At June 30, 2015, the Program's investments in fixed income obligations and money market mutual funds had the following ratings and maturities:

Description	S & P		Fair Value	Maturities in Years			
	Credit Rating	Financial Institution		0-1	1-5	6-10	More than 10
OK Invest	Not rated.	State Treasurer	\$ 28,592,946	28,592,946	-	-	-
Federated Treasury Obligations Fund	AAAm	BancFirst	11,220,729	11,220,729	-	-	-
Federated Government Obligations Fund	AAAm	BancFirst	15,957,364	15,957,364	-	-	-
Goldman Sach Fin. Sq. Treasury Oblig. Fund	AAAm	BancFirst	1,663,801	1,663,801	-	-	-
Goldman Sach Fin. Sq. Federal Fund	AAAm	BancFirst	1,448,896	1,448,896	-	-	-
Federal Farm Credit Bank	AA+	n/a	2,984,336	-	-	1,967,905	1,016,431
Federal Home Loan Bank	AA+	n/a	1,125,615	-	374,074	751,541	-
Federal Home Loan Mortgage Corp. Int. Strips	AA+	n/a	2,210,135	-	-	-	2,210,135
Federal National Mortgage Assoc. Int. Strips	AA+	n/a	1,052,391	-	1,033,554	18,837	-
Federal National Mortgage Assoc. Princ. Strips	AA+	n/a	24,078	-	24,078	-	-
Federal National Mortgage Assoc.	AA+	n/a	60,088	60,088	-	-	-
Federal Home Loan Mortgage Corp.	AA+	n/a	73,460	-	73,460	-	-
Tennessee Valley Authority	AA+	n/a	1,159,855	-	1,159,855	-	-
Tennessee Valley Authority Coupon Strips	AA+	n/a	18,654,528	1,929,190	7,259,010	9,466,328	-
U.S. Treasury Strip Principal Strip	AA+	n/a	108,854	108,854	-	-	-
Total			\$ 86,337,076	60,981,868	9,924,031	12,204,611	3,226,566

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, 2015: 35% or \$30,290,790 is invested in government obligations money market mutual funds, 32% or \$27,453,340 is invested directly in fixed income securities, and 33% or \$28,592,946 is invested in OK Invest.

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.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

3. FEDERAL LETTERS OF CREDIT

Federal letters of credit ("LOC") balances at June 30, 2015 and 2014 are as follows:

	Year Ended June 30, 2015					
	Program					Totals
	Administrative	Management & Reserve	Small Systems	Local Assistance	Loan	
LOC available for draw	\$ 9,132,386	18,625,333	3,844,208	20,211,932	208,225,141	260,039,000
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	\$ <u>95,361</u>	<u>1,835,979</u>	<u>272,350</u>	<u>1,901,458</u>	<u>3,849,020</u>	<u>7,954,168</u>
	Year Ended June 30, 2014					
	Program					Totals
	Administrative	Management & Reserve	Small Systems	Local Assistance	Loan	
LOC available for draw	\$ 8,587,345	17,200,233	3,559,188	18,074,283	198,391,951	245,813,000
Cumulative cash draws	8,488,011	15,641,459	3,323,201	16,693,827	196,177,680	240,324,178
LOC balance available for draw at June 30, 2014	\$ <u>99,334</u>	<u>1,558,774</u>	<u>235,987</u>	<u>1,380,456</u>	<u>2,214,271</u>	<u>5,488,822</u>

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.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

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 4.01% at June 30, 2015 and 2014.

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, 2015 and 2014, the Program made loans that have or will receive principal forgiveness to three and nine 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, 2015 and 2014, principal payments of \$21,341,123 and \$122,168,801, respectively, had been received.

The allowance for loan losses at June 30, 2015 of \$156,167 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, 2013 to June 30, 2015, is as follows:

Balance, June 30, 2013	\$ 483,766,811
Loan disbursements	48,191,403
Loan principal repayments and forgiveness	<u>(122,168,801)</u>
	409,789,413
Change in provision for uncollectible loans	<u>20,362</u>
Balance, June 30, 2014	\$ <u>409,809,775</u>
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><u>416,752,021</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

5. RESTRICTED INVESTMENTS

A description of the restricted investments held at June 30, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Federal Farm Credit Bank	\$ 2,984,336	\$ 2,936,221
Federal Home Loan Bank	1,125,615	1,118,735
Federal Home Loan Mortgage Corp. Int. Strips	2,210,135	2,041,361
Federal National Mortgage Assoc. Int. Strips	1,052,391	1,028,273
Federal National Mortgage Assoc. Princ. Strips	24,078	23,734
Federal National Mortgage Assoc.	60,088	126,215
Federal Home Loan Mortgage Corp.	73,460	73,251
Tennessee Valley Authority	1,159,855	1,169,193
Tennessee Valley Authority Coupon Strips	18,654,528	19,947,697
U.S. Treasury Strip Principal Strip	108,854	108,413
	<hr/>	<hr/>
Total restricted investments	\$ <u>27,453,340</u>	\$ <u>28,573,093</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 \$470,000 at June 30, 2015 and 2014, respectively.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

7. EQUIPMENT

A summary of changes to equipment is as follows:

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

	Year ended 2014		
	June 30, 2013	Additions	June 30, 2014
Equipment	\$ 763,271	-	\$ 763,271
Accumulated depreciation	<u>(757,271)</u>	<u>(6,000)</u>	<u>(763,271)</u>
Net	\$ <u>6,000</u>	<u>(6,000)</u>	\$ <u>-</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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

8. LONG-TERM DEBT (Cont'd)

Bonds Payable (Cont'd)

On October 26, 2004, the Program issued State Revolving Fund Revenue Bonds, Series 2004 in the amount of \$83,405,000. 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. The bonds represent a portion of the overall \$204,480,000 Revolving Fund Revenue Bonds, Series 2004 (Master Trust) issued by the Oklahoma Water Resources Board. The balance of the bonds and related debt issue costs, bond premium, etc. were allocated proportionately to the Clean Water State Revolving Fund Loan Account Program for similar purposes related to its wastewater treatment facilities projects.

On April 1, 2014, the outstanding balance of the Series 2004 Revenue bonds were redeemed at par.

On October 29, 2003, the Program issued Drinking Water State Revolving Fund Revenue Bonds, Series 2003, in the amount of \$122,910,000. 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. The proceeds from the Series 2003 Bonds are to be used to provide program loans, pay cost of issuance, finance a portion of the state matching funds requirement, and pay interest on the bonds during the period when financed projects are under construction.

On October 1, 2013, the outstanding balance of the Series 2003 Revenue bonds were redeemed at par.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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, 2015 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 11,855,000	11,086,556	22,941,556
2017	12,145,000	10,666,677	22,811,677
2018	13,390,000	10,312,392	23,702,392
2019	14,120,000	9,841,648	23,961,648
2020	14,590,000	9,291,361	23,881,361
2021-2025	66,465,000	37,424,709	103,889,709
2026-2030	61,030,000	22,651,982	83,681,982
2031-2035	33,960,000	9,874,538	43,834,538
2036-2040	17,120,000	2,072,513	19,192,513
2041-2043	7,100,000	595,913	7,695,913
	<u>\$ 251,775,000</u>	<u>123,818,289</u>	<u>375,593,289</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, 2010, Series 2004 and Series 2003 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, 2015 to be immaterial for the Series 2010, Series 2011, Series 2012A, and Series 2013A bonds.

Prior to the redemption of the Series 2004 Revenue Bond Series, the Drinking Water State Revolving Fund Loan Program bonds shared in an aggregate debt service reserve with the Clean Water State Revolving Fund Loan Program. During FY-2014, the aggregate debt service reserve funds, along with other monies, were used to retire all of the outstanding Series 2004 Revenue bonds.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

8. LONG-TERM DEBT (Cont'd)

Bonds Payable (Cont'd)

Changes in long-term debt outstanding at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Beginning Balances:		
Serial 2013B bonds due April 1, 2016 to April 1, 2025, interest at 1.115% to 4.116%	\$ 31,755,000	\$ -
Serial 2013A bonds due April 1, 2016 to April 1, 2043, interest at 4.00% to 5.00%	41,410,000	-
Serial 2012A bonds due April 1, 2016 to April 1, 2042, interest at 3.00% to 5.00%	47,945,000	49,240,000
Serial 2011 bonds due April 1, 2016 to April 1, 2042, interest at 2.50% to 5.25%	55,415,000	56,680,000
Serial 2010 bonds due April 1, 2016 to April 1, 2032, interest at 2.75% to 5.00%	86,690,000	89,555,000
Unamortized (discount)/ premium	18,356,717	18,443,911
	<u>\$ 281,571,717</u>	<u>\$ 359,113,911</u>
Add: Serial 2013B bonds due April 1, 2015 to April 1, 2025, interest at 0.643% to 4.116%	-	41,410,000
Add: Serial 2013A bonds due April 1, 2016 to April 1, 2043, interest at 4.00% to 5.00%	-	35,505,000
Add: 2013A Bond Premium	-	3,318,051
Less: Debt Repayments	(11,440,000)	(154,370,000)
Less: Current Amortization of Premium	(781,081)	(3,405,245)
Ending Balances:	<u>\$ 269,350,636</u>	<u>\$ 281,571,717</u>
Amounts due in one year	<u>\$ 11,855,000</u>	<u>\$ 11,440,000</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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.

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, 2015

	Set-Aside Funds					Totals
	Administrative	Program Management	Small Systems	Local Assistance and Other State Programs	Loan Fund	
ASSETS						
Current Assets:						
Cash	\$ -	-	-	-	28,592,946	28,592,946
Federal letter of credit payments receivable (payable)	(1,243)	555,470	91,237	(109,811)	-	535,653
Accrued interest on loans receivable	-	-	-	-	3,184,502	3,184,502
Other interest receivable	-	-	-	-	93,162	93,162
Due from Clean Water Revolving Loan Fund	-	-	-	-	50	50
Loans receivable	-	-	-	-	19,700,845	19,700,845
Total current assets	<u>(1,243)</u>	<u>555,470</u>	<u>91,237</u>	<u>(109,811)</u>	<u>51,571,505</u>	<u>52,107,158</u>
Noncurrent Assets:						
Restricted Cash	-	-	-	-	30,290,790	30,290,790
Restricted investments	-	-	-	-	27,453,340	27,453,340
Loans receivable, net of current portion and allowance for uncollectible loans of \$156,167	-	-	-	-	397,051,176	397,051,176
Equipment, net	-	-	-	31,938	-	31,938
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,938</u>	<u>454,795,306</u>	<u>454,827,244</u>
Total assets	<u>(1,243)</u>	<u>555,470</u>	<u>91,237</u>	<u>(77,873)</u>	<u>506,366,811</u>	<u>506,934,402</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	275	2,480	73	28,963	8,747	40,538
Due to (from) Oklahoma Department of Environmental Quality ("ODEQ")	(1,518)	552,990	91,164	(138,774)	-	503,862
Compensated absences	14,191	61,634	8,766	38,653	-	123,244
Interest Payable	-	-	-	-	2,765,139	2,765,139
Current maturities of long-term debt	-	-	-	-	11,855,000	11,855,000
Total current liabilities	<u>12,948</u>	<u>617,104</u>	<u>100,003</u>	<u>(71,158)</u>	<u>14,628,886</u>	<u>15,287,783</u>
Noncurrent Liabilities:						
Compensated absences	4,481	19,463	2,768	12,206	-	38,918
Long-term debt, net of current maturities	-	-	-	-	239,920,000	239,920,000
Unamortized (discount)/premium	-	-	-	-	17,575,636	17,575,636
Total noncurrent liabilities	<u>4,481</u>	<u>19,463</u>	<u>2,768</u>	<u>12,206</u>	<u>257,495,636</u>	<u>257,534,554</u>
Total liabilities	<u>17,429</u>	<u>636,567</u>	<u>102,771</u>	<u>(58,952)</u>	<u>272,124,522</u>	<u>272,822,337</u>
NET POSITION						
Invested in capital assets, net of related debt	-	-	-	31,938	-	31,938
Restricted for loans and debt service	-	-	-	-	234,242,289	234,242,289
Unrestricted net liability	<u>(18,672)</u>	<u>(81,097)</u>	<u>(11,534)</u>	<u>(50,859)</u>	<u>-</u>	<u>(162,162)</u>
Total net position	<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>

**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, 2015**

	Set-Aside Funds					Totals
	Administrative	Program Management	Small Systems	Local Assistance and Other State Programs	Loan Fund	
REVENUES						
Operating revenues:						
Federal grants	\$ 550,883	1,608,190	270,038	1,406,699	-	3,835,810
Loan program income (net of recovery of \$62,879)	-	-	-	-	11,086,723	11,086,723
Total operating revenue	<u>550,883</u>	<u>1,608,190</u>	<u>270,038</u>	<u>1,406,699</u>	<u>11,086,723</u>	<u>14,922,533</u>
EXPENSES						
Operating expenses:						
Salaries and benefits	240,451	1,227,369	207,983	826,836	-	2,502,639
Professional services	216,215	-	74	25,840	-	242,129
Travel	13,652	12,634	2,866	14,094	-	43,246
Office	2,634	31,032	147	25,797	-	59,610
Depreciation	-	-	-	3,549	-	3,549
Indirect costs	77,933	377,046	64,002	272,234	-	791,215
Other expense	1,141	8,874	412	175,692	-	186,119
Interest expense	-	-	-	-	10,514,804	10,514,804
Debt issuance costs	-	-	-	-	15,000	15,000
Trustee fees	-	-	-	-	35,797	35,797
Total operating expenses	<u>552,026</u>	<u>1,656,955</u>	<u>275,484</u>	<u>1,344,042</u>	<u>10,565,601</u>	<u>14,394,108</u>
Operating income (loss)	<u>(1,143)</u>	<u>(48,765)</u>	<u>(5,446)</u>	<u>62,657</u>	<u>521,122</u>	<u>528,425</u>
NONOPERATING REVENUES (EXPENSES)						
Federal grants	-	-	-	-	8,198,441	8,198,441
Federal grants-Principal Forgiveness	-	-	-	-	(2,473,763)	(2,473,763)
Investment income	-	-	-	-	1,068,956	1,068,956
Interest income-invested cash balances	-	-	-	-	477,294	477,294
Net nonoperating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,270,928</u>	<u>7,270,928</u>
Income (loss) before transfers	(1,143)	(48,765)	(5,446)	62,657	7,792,050	7,799,353
Transfers in - Drinking Water Treatment Loan Admin Fund	-	-	-	-	36,161	36,161
Increase (decrease) in net position	(1,143)	(48,765)	(5,446)	62,657	7,828,211	7,835,514
NET POSITION						
Net position, beginning of year	<u>(17,529)</u>	<u>(32,332)</u>	<u>(6,088)</u>	<u>(81,578)</u>	<u>226,414,078</u>	<u>226,276,551</u>
Net position, end 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>

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, 2015

	Set-Aside Funds					Totals
	Administrative	Program Management	Small Systems	Local Assistance and Other State Programs	Loan Fund	
CASH FLOWS FROM OPERATING ACTIVITIES						
Federal grant receipts	\$ 549,014	1,147,895	248,657	1,616,647	-	3,562,213
Collection of interest on loans to local governmental units	-	-	-	-	11,083,468	11,083,468
Payments to employees	(239,308)	(1,178,604)	(94,896)	(857,555)	-	(2,370,363)
Payments to other suppliers	(309,706)	30,709	(153,761)	(723,605)	(55,845)	(1,212,208)
Interest paid on debt	-	-	-	-	(11,317,141)	(11,317,141)
Net cash provided (used) by operating activities	-	-	-	35,487	(289,518)	(254,031)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Principal paid on bonds	-	-	-	-	(11,440,000)	(11,440,000)
Federal grant receipts	-	-	-	-	5,724,678	5,724,678
Transfers in - Drinking Water Treatment Loan Admin. Fund	-	-	-	-	36,161	36,161
Net cash provided (used) by noncapital financing activities	-	-	-	-	(5,679,161)	(5,679,161)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of equipment	-	-	-	(35,487)	-	(35,487)
Net cash provided (used) by capital and related financing activities	-	-	-	(35,487)	-	(35,487)
CASH FLOWS FROM INVESTING ACTIVITIES						
Loans to local governmental units	-	-	-	-	(28,346,248)	(28,346,248)
Collection of principal on loans to local governmental units	-	-	-	-	18,867,360	18,867,360
Collection of principal on loans to local governmental units from federal grant proceeds	-	-	-	-	2,473,763	2,473,763
Interest on investments	-	-	-	-	1,072,627	1,072,627
Interest on invested cash balances	-	-	-	-	475,954	475,954
Sale (Purchase) of investments	-	-	-	-	1,205,974	1,205,974
Net cash provided (used) by investing activities	-	-	-	-	(4,250,570)	(4,250,570)
Net increase (decrease) in cash	-	-	-	-	(10,219,249)	(10,219,249)
Cash and cash equivalents, beginning of year	-	-	-	-	69,102,985	69,102,985
Cash and cash equivalents, end of year	\$ -	-	-	-	58,883,736	58,883,736

RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (1,143)	(48,765)	(5,446)	62,657	521,122	528,425
Adjustment to reconcile net operating income to net cash provided by operating activities:						
Depreciation	-	-	-	3,549	-	3,549
Amortization of bond/note premium	-	-	-	-	(781,081)	(781,081)
Provision (recovery) for uncollectible loans	-	-	-	-	62,879	62,879
Changes in operating assets and liabilities:						
Decrease (Increase) in letter of credit payments receivable	(1,869)	(460,295)	(21,381)	209,948	-	(273,597)
Decrease (Increase) in interest receivable	-	-	-	-	(66,134)	(66,134)
Increase (Decrease) in accounts payable	275	(1,236)	73	28,044	-	27,156
Increase (Decrease) in due to/from ODEQ	1,594	461,531	21,308	(237,992)	-	246,441
Increase (Decrease) in compensated absences	1,143	48,765	5,446	(30,719)	-	24,635
Increase (Decrease) in other accrued liabilities	-	-	-	-	(5,048)	(5,048)
Increase (Decrease) in interest payable	-	-	-	-	(21,256)	(21,256)
Net cash provided (used) by operating activities	\$ -	-	-	35,487	(289,518)	(254,031)