

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

**FINANCIAL STATEMENTS  
AS OF  
JUNE 30, 2023 AND 2022  
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, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

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

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are 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 15, 2023 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.

Edmond, Oklahoma  
September 15, 2023



## **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, 2023. Please read it in conjunction with the Program's financial statements, which begin on page 5. 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 9.9% from \$323,767,946 in FY-2022 to \$355,938,351 in FY-2023. The increase in net position is primarily attributable to an increase in federal grant revenue provided by the Infrastructure Investment and Jobs Act known as the Bipartisan Infrastructure Law (BIL).
- The Program experienced an increase of \$145,927,894 in the amount of outstanding loans. At June 30, 2023, the Program had 175 outstanding loans with a principal balance of \$808,833,884. At June 30, 2022, the Program had 160 outstanding loans with a principal balance of \$662,905,990.

#### PROGRAM HIGHLIGHTS

- During FY 2023, twenty-one (21) construction loans, totaling approximately \$82.4 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).
- During FY 2023, we completed construction on seventeen (17) projects totaling \$56.6 million.
- During FY 2023, we made binding commitments for twenty-one (21) new loans, totaling approximately \$86.5 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, 2023 and 2022**

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash	\$ 105,934,013	\$ 103,941,575
Federal letter of credit payments receivable	1,292,987	585,743
Accrued interest on loans receivable	4,528,300	3,860,038
Other interest receivable	357,540	147,451
Loans receivable	41,416,293	31,939,759
Total current assets	<u>153,529,133</u>	<u>140,474,566</u>
Noncurrent Assets:		
Restricted cash	119,803,974	78,736,915
Restricted investments	10,377,390	13,047,856
Loans receivable, net of current portion and allowance for uncollectible loans of \$0 for 2023 and \$20,383 in 2022	767,417,591	630,966,231
Equipment, net	412,256	619,995
Total noncurrent assets	<u>898,011,211</u>	<u>723,370,997</u>
Total assets	<u>1,051,540,344</u>	<u>863,845,563</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	287,791	230,119
Due to Oklahoma Department of Environmental Quality ("ODEQ")	1,406,706	990,930
Compensated absences	146,322	176,161
Interest payable	5,149,572	4,475,933
Current maturities of long-term debt	20,525,000	16,410,000
Total current liabilities	<u>27,515,391</u>	<u>22,283,143</u>
Noncurrent Liabilities:		
Compensated absences	62,710	75,497
Long-term debt, net of current maturities	604,270,000	449,795,000
Unamortized (discount)/premium	57,643,038	61,487,210
Total noncurrent liabilities	<u>661,975,748</u>	<u>511,357,707</u>
Total liabilities	<u>689,491,139</u>	<u>533,640,850</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Unamortized (gain/loss) on refunding	<u>6,110,854</u>	<u>6,436,767</u>
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	412,256	619,995
Restricted for loans and debt service	356,136,637	324,034,915
Unrestricted net position	<u>(610,542)</u>	<u>(886,964)</u>
Total net position	<u>\$ 355,938,351</u>	<u>\$ 323,767,946</u>

See accompanying notes and independent auditors report.

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

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>		
Operating revenues:		
Federal grants	\$ 4,432,871	\$ 4,666,993
Loan program income	<u>16,329,141</u>	<u>13,200,445</u>
Total operating revenue	<u>20,762,012</u>	<u>17,867,438</u>
<b>EXPENSES</b>		
Operating expenses:		
Salaries and benefits	2,380,977	2,693,492
Professional services	888,642	910,631
Travel	117,866	83,631
Office	136,857	161,840
Equipment	1,640	2,935
Depreciation	207,739	205,234
Indirect costs	641,918	622,559
Other expense	(11,451)	71,027
Interest expense	15,396,309	12,532,189
Bad debt expense	(20,383)	-
Debt issuance costs	<u>798,915</u>	<u>1,131,427</u>
Total operating expenses	<u>20,539,029</u>	<u>18,414,965</u>
Operating income (loss)	<u>222,983</u>	<u>(547,527)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Federal grants	37,839,485	12,898,931
Federal grants-principal forgiveness	(8,648,655)	(5,159,150)
Gain on Refunding	-	1,792,672
Loss on Investments	(51,466)	(707,475)
Investment income	115,702	137,370
Interest income-invested cash balances	<u>1,354,556</u>	<u>726,512</u>
Net nonoperating revenues	<u>30,609,622</u>	<u>9,688,860</u>
Income (loss) before transfers	30,832,605	9,141,333
Transfers out - Oklahoma Water Resources Board	-	(760,638)
Transfers in - Drinking Water Treatment Loan Admin Fund	<u>1,337,800</u>	<u>551,600</u>
Total Transfers	<u>1,337,800</u>	<u>(209,038)</u>
Increase (decrease) in net position	32,170,405	8,932,295
<b>NET POSITION</b>		
Net position, beginning of year	<u>323,767,946</u>	<u>314,835,651</u>
Net position, end of year	<u>\$ 355,938,351</u>	<u>\$ 323,767,946</u>

See accompanying notes and independent auditors report.

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

**STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Federal grant receipts	\$ 3,949,320	\$ 4,930,421
Collection of interest on loans to local governmental units	15,681,262	12,891,891
Payments to employees	(2,423,603)	(2,619,690)
Payments to suppliers	(1,525,717)	(1,922,424)
Interest paid on debt	(17,903,734)	(15,269,586)
Net cash provided (used by operating activities)	<u>(2,222,472)</u>	<u>(1,989,388)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from bond issuance	174,010,978	228,543,273
Bond defeasance costs	-	(20,600,000)
Bond issuance cost	(798,915)	(1,131,427)
Principal paid on bonds	(16,410,000)	(19,780,000)
Federal grant receipts	29,190,830	7,739,781
Transfers in (out) - Oklahoma Water Resources Board	-	(760,638)
Transfers in (out) - Drinking Water Treatment Loan Administrative Fund	1,337,800	551,600
Net cash provided (used) by noncapital financing activities	<u>187,330,693</u>	<u>194,562,589</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of equipment	-	(388,307)
Net cash provided (used) in capital and related financing activities	<u>-</u>	<u>(388,307)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loans to local governmental units	(183,967,782)	(142,545,098)
Collection of principal on loans to local governmental units	29,391,233	57,553,164
Collection of principal on loans to local governmental units from federal grant proceeds	8,648,655	5,159,150
Interest on investments	115,703	137,370
Interest on invested cash balances	1,144,467	726,512
Sale (Purchase) of investments	2,619,000	3,310,478
Net cash provided (used) by investing activities	<u>(142,048,724)</u>	<u>(75,658,424)</u>
Net increase (decrease in cash)	43,059,497	116,526,470
Cash and cash equivalents, beginning of year	182,678,490	66,152,020
Cash and cash equivalents, end of year	<u>\$ 225,737,987</u>	<u>\$ 182,678,490</u>
Reconciliation to Statement of Net Position:		
Cash	\$ 105,934,013	\$ 103,941,575
Restricted Cash	119,803,974	78,736,915
Total cash and cash equivalents	<u>\$ 225,737,987</u>	<u>\$ 182,678,490</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 222,983	\$ (547,527)
Adjustment to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation	207,739	205,234
Amortization of bond premium	(2,855,150)	(3,028,118)
Deferred amount on refunding	(325,913)	(325,912)
Loss on investment	-	(707,475)
Debt issuance cost	798,914	1,131,427
Provision (recovery) for uncollectable loans	-	20,383
Changes in operating assets and liabilities:		
Decrease (Increase) in letter of credit payments receivable	(228,325)	(149,032)
Decrease (Increase) in interest receivable	(668,262)	(360,686)
Increase (Decrease) in accounts payable	(62,628)	203,797
Increase (Decrease) in letter of credit payments payable	(105,473)	(11,522)
Increase(Decrease) in due to/from DEQ	162,630	150,386
Increase(Decrease) in compensated absences	(42,626)	73,800
Increase(Decrease) in interest payable	673,639	1,355,857
Net cash provided (used) by operating activities	<u>\$ (2,222,472)</u>	<u>\$ (1,989,388)</u>

See accompanying notes and independent auditors report.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The 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, bond proceeds, interest received on loans and invested cash balances. Standard loans made by the Program must be repaid within 30 years from construction completion.

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

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, 2023 and 2022**

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, 2023 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-2016. The amount has been set-aside into a Debt Service Reserve Fund. The Debt Service Reserve fund portion of restricted investments totals \$10,377,390 and \$13,047,856 at June 30, 2023 and June 30, 2022, 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. The useful life of software has been estimated at 3 years. The useful life of computers has been estimated at 3 to 5 years. The useful life of equipment has been estimated at 5 years. The useful life of furniture has been estimated at 9 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, 2023 and 2022**

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

Bond Issue Discount and Premium

The Program's State Revolving Fund Revenue Bonds Series 2021, Series 2020, Series 2018, and Series 2016 were initially sold at a premium of \$76,316,271. Series 2023A was initially sold at a discount of 984,845. The bond discount/premium is being amortized over the remaining life of the bonds. Net amortization expense of \$2,855,150 and \$4,833,194 was recorded in 2023 and 2022, 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, 2023 and 2022 was as follows:

Balance, July 1, 2022	\$ <u>9,950,345</u>	Balance, July 1, 2021	\$ <u>7,774,021</u>
Fee income	3,791,644	Fee income	3,099,310
Interest income	197,847	Interest income	90,288
Operating expenses	(660,116)	Operating expenses	(461,674)
Transfers	<u>(1,337,800)</u>	Transfers	<u>(551,600)</u>
Balance, June 30, 2023	\$ <u>11,941,920</u>	Balance, June 30, 2022	\$ <u>9,950,345</u>

Unrestricted Net Liability

The unrestricted net liability at June 30, 2023 and 2022, 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.

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 and 2022**

**2. CASH DEPOSITS AND INVESTMENT RISK**

Cash of \$105,934,013 and \$103,941,575 at June 30, 2023 and 2022 respectively, was on deposit in the State Treasurer's office's internal investment pool – *OK Invest*. Restricted cash of \$119,803,974 and \$78,736,915 at June 30, 2023 and 2022 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 \$105,934,013 and \$103,941,575 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2023 and June 30, 2022, 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 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

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

*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.

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.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

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

At June 30, 2023 and 2022, 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	
				2023	2022
OK Invest	On Demand	Not Rated	N/A	\$ 105,934,013	\$ 103,941,575
Federated Government Obligation Fund	16 days	AAAm	Level 1	111,688,806	73,770,315
Goldman Sach Fin. Sq. Treasury Oblig. Fund	16 days	AAAm	Level 1	8,115,168	4,966,599
Federal Farm Credit Bank	2022/2025	AA+	Level 2	1,933,798	2,020,903
Federal Home Loan Bank	2023	AA+	Level 2	-	654,043
Fedreal Loan Mortgage Corp. Int. Strips	2025	AA+	Level 2	2,675,694	2,688,969
Fedreal National Mortgage Assoc. Int. Strips	2022	AA+	Level 2	-	-
Tennessee Valley Authority	2021	AA+	Level 2	-	-
Tennessee Valley Authority Coupon Strips	2022/2025	AA+	Level 2	5,767,898	7,683,941
Sub-total				\$ 236,115,377	\$ 195,726,345
U.S. Treasury Notes	2020			-	-
				<u>\$ 236,115,377</u>	<u>\$ 195,726,345</u>
Reconciliation to Statement of Net Position					
			Cash	\$ 105,934,013	\$ 103,941,575
			Restricted Cash	119,803,974	78,736,915
			Restricted Investments	10,377,390	13,047,856
				<u>\$ 236,115,377</u>	<u>\$ 195,726,346</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, 2023: 51% or \$119,803,974 is invested in government obligations money market mutual funds, 4% or \$10,377,390 is invested directly in fixed income securities, and 45% or \$105,934,013 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, 2023 and 2022**

**3. FEDERAL LETTERS OF CREDIT**

Federal letters of credit ("LOC") balances at June 30, 2023 and 2022 are as follows:

	Year Ended June 30, 2023					
	Administrative	Program Management & Reserve	Small Systems	Local Assistance	Loan	Totals
LOC Available for draw	\$ 13,203,712	\$ 27,472,377	\$ 5,679,622	\$ 33,716,168	\$ 283,339,081	\$ 363,410,960
Grant available in 2023	397,400	993,500	198,700	1,490,250	6,855,150	9,935,000
LOC reprogrammed	-	-	-	-	-	-
Cumulative cash draws	13,340,896	27,290,771	5,624,172	33,860,427	291,047,308	371,163,574
LOC balance available for draw at June 30, 2023	<u>\$ 260,216</u>	<u>\$ 1,175,106</u>	<u>\$ 254,150</u>	<u>\$ 1,345,991</u>	<u>\$ (853,077)</u>	<u>\$ 2,182,386</u>

	Year Ended June 30, 2022					
	Administrative	Program Management & Reserve	Small Systems	Local Assistance	Loan	Totals
LOC Available for draw	\$ 12,579,912	\$ 25,912,777	\$ 5,367,702	\$ 31,376,768	\$ 272,577,841	\$ 347,815,000
Grant available in 2022	623,800	1,559,600	311,920	2,339,400	10,761,240	15,595,960
LOC reprogrammed	-	-	-	-	-	-
Cumulative cash draws	12,770,107	26,397,731	5,416,496	31,806,305	275,766,423	352,157,062
LOC balance available for draw at June 30, 2022	<u>\$ 433,605</u>	<u>\$ 1,074,646</u>	<u>\$ 263,126</u>	<u>\$ 1,909,863</u>	<u>\$ 7,572,658</u>	<u>\$ 11,253,898</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, 2023 and 2022**

**4. LOANS RECEIVABLE**

The Program originates loans with Oklahoma municipalities and other entities for financing of public water supply infrastructure construction projects such as drinking water treatment, transmission or storage projects eligible under the Safe Drinking Water Act, or the refinance of existing debt for these purposes. Effective interest rates on the outstanding loans vary from 0% to 3.50% at June 30, 2023 and from 0% to 3.50% at June 30, 2022.

At least 14% of the 2022 annual federal grant must be used for principal forgiveness for projects meeting health-based issues, regionalization, or consolidation criteria. For the period ending June 30, 2023, the Program made 3 loans to borrowers in this category.

At least 12% up to a maximum of 35% of the 2022 federal grant must be used for principal forgiveness for project meeting disadvantaged criteria. For the period ending June 30, 2023, the program made 6 loans borrowers in this category.

During SFY 2023, DEQ was awarded new grants from the Bipartisan Infrastructure Law allotments. The first new grant, DWSRF General Supplemental (GS), required a 49% subsidy. For the period ending June 30, 2023, the program made 19 loans to borrowers in this category. The second new grant, Lead Service Line Inventory/Replacement (LSLI/R), required 49% subsidy and 51% loan. For the period ending June 30, 2023, the program made 2 loans to borrowers in this category. The third new grant, Emerging Contaminants, (EC) requires 100% principal forgiveness. For the period ending June 30, 2023, the program made zero (0) loans to a borrower in this category.

The Program also provides for extended loan terms to borrowers meeting the “disadvantaged communities” criteria. Loan terms can be extended to up to thirty years and not to exceed the useful life of the proposed project. For the periods ending June 30, 2023 and 2022, the Program made 5 and 6 loans, 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, 2023 and 2022, principal payments of \$38,039,888 and \$62,732,697, respectively, had been received.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**4. LOANS RECEIVABLE (Cont'd)**

Loans receivable activity from July 1, 2022 to June 30, 2023, is as follows:

Balance, June 30, 2021	\$ 583,093,589
Loan Disbursements	142,545,098
Loan Principal repayments and forgiveness	<u>(62,732,697)</u>
	79,812,401
Balance, June 30, 2022	\$ <u>662,905,990</u>
Loan Disbursements	183,967,782
Loan Principal repayments and forgiveness	<u>(38,039,888)</u>
	<u>145,927,894</u>
Balance, June 30, 2023	\$ <u>808,833,884</u>

**5. RESTRICTED INVESTMENTS**

A description of the restricted investments held at June 30, 2023 and 2022, is as follows:

<u>Type</u>	<u>2023</u>	<u>2022</u>
Federal Farm Credit Bank	\$ 1,933,798	\$ 2,020,903
Federal Home Loan Bank	-	654,043
Fedreal Loan Mortgage Corp. Int. Strips	2,675,694	2,688,969
Fedreal National Mortgage Assoc. Int. Strips	-	-
Tennessee Valley Authority Coupon Strips	<u>5,767,898</u>	<u>7,683,941</u>
	<u>\$ 10,377,390</u>	<u>\$ 13,047,856</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**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, 2023 and 2022, respectively.

**7. EQUIPMENT**

A summary of changes to equipment is as follows:

	Year ended 2023			
	June 30, 2022	Additions	Disposals	June 30, 2023
Equipment	\$ 2,201,288	-	-	\$ 2,201,288
Accumulated depreciation	(1,581,293)	(207,739)	-	(1,789,032)
Net	\$ 619,995	(207,739)	-	\$ 412,256

	Year ended 2022			
	June 30, 2021	Additions	Disposals	June 30, 2022
Equipment	\$ 1,812,981	388,307	-	\$ 2,201,288
Accumulated depreciation	(1,376,059)	(205,234)	-	(1,581,293)
Net	\$ 436,922	183,073	-	\$ 619,995

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

8. LONG-TERM DEBT

Bonds Payable

On May 18, 2023, the Program issued State Revolving Fund Revenue Bonds, Series 2023A, in the amount of \$175,000,000. 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 drinking water treatment systems, to reimburse the Program for amounts previously advanced to local governments, and to enable the Program to meet the State matching requirements to obtain Federal grants.

On December 22, 2021, the Program issued State Revolving Fund Revenue Bonds, Series 2021, in the amount of \$199,000,000. 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 drinking water treatment systems, to reimburse the Program for amounts previously advanced to local governments, and to enable the Program to meet the State matching requirements to obtain Federal grants.

On October 22, 2020, the Program issued State Revolving Fund Revenue Bonds, Series 2020 in the amount of \$95,000,000. 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 drinking water treatment systems, to reimburse the Program for amounts previously advanced to local governments, and to enable the Program to meet the State matching requirements to obtain Federal grants.

On December 19, 2019 the Program issued State Revolving Fund Refunding Bonds, Series 2019 in the amount of \$154,420,000. A portion of the bonds, \$28,210,000, were issued together with certain other available moneys and investments to refund the \$48,545,000 of the State Revolving Fund Revenue Bonds, Series 2011A and \$36,890,000 of the State Revolving Fund Revenue Bonds, Series 2012B, and to pay the cost of issuance of the bonds. The remaining portion of the issue was used to refund bonds in the OWRB Clean Water Loan Program.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

8. LONG-TERM DEBT (Cont'd)

Bonds Payable (Cont'd)

On March 22, 2018, the Program issued State Revolving Fund Revenue Bonds, Series 2018 in the amount of \$80,055,000. 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 drinking water treatment systems, to reimburse the Program for amounts previously advanced to local governments, and to enable the Program to meet the State matching requirements to obtain Federal grants.

On October 19, 2016, the Program issued State Revolving Fund Revenue Bonds, Series 2016 in the amount of \$90,000,000. 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 drinking water treatment systems, to reimburse the Program for amounts previously advanced to local governments, and to enable the Program to meet the State matching requirements to obtain Federal grants.

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 monies and investments, to retire the Program's Series 2003 Revenue Bonds, and to fund a debt service reserve fund.

*Advanced Refunding*

The Program used \$24,581,196 of funds available in the 2013A revenue fund along with cash on hand to current refund \$23,985,000 of outstanding principal of the 2013A Drinking Water State Revolving Fund bonds. The available funds were placed in escrow to refund the bonds on December 14, 2021. As a result, the 2013A Series bonds are considered defeased and the liability for the bond has been removed from the Statement of Net Position.

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 and 2022**

8. LONG-TERM DEBT (Cont'd)

Bonds Payable (Cont'd)

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,792,672. This difference, reported in the accompanying financial statements as a deferred inflow, is being charged to operations through the year 2043 using the straight line method. The Board completed the advance refunding to reduce its total debt service payments over the next twenty two years by \$1,065,459 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$7,473,559 for the DW Program.

Future debt service payments required by the Program's serial bonds as of June 30, 2023 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 20,525,000	\$ 23,432,074	\$ 43,957,074
2025	22,715,000	23,366,318	46,081,318
2026	19,800,000	22,295,981	42,095,981
2027	19,160,000	21,435,333	40,595,333
2028	20,385,000	20,539,220	40,924,220
2029-2033	105,955,000	87,641,302	193,596,302
2034-2038	110,955,000	66,952,508	177,907,508
2039-2043	110,370,000	50,015,038	160,385,038
2044-2049	133,800,000	35,611,650	169,411,650
2050-2053	61,130,000	4,500,719	65,630,719
Total	\$ <u>624,795,000</u>	\$ <u>355,790,143</u>	\$ <u>980,585,143</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.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

8. LONG-TERM DEBT (Cont'd)

Bonds Payable (Cont'd)

In order for the interest on the Program's Series 2023A, 2021, 2020, 2018, and 2016 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, 2023 to be immaterial for the Series 2023A, 2021, 2020, 2018, and 2016 bonds.

Changes in long-term debt outstanding at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Series 2021 bonds due April 1, 2022 to April 1, 2051, interest at 1.75% to 5.00%	\$ 196,590,000	\$ -
Series 2020 bonds due April 1, 2021 to April 1, 2040, interest at 2.00% to 5.00%	91,300,000	93,110,000
Serial 2019 bonds due April 1, 2020 to April 1, 2042, interest at 1.73% to 3.17%	27,475,000	28,210,000
Serial 2018 bonds due April 1, 2020 to April 1, 2038, interest at 3.38% to 5.00%	61,375,000	69,455,000
Serial 2016 bonds due April 1, 2020 to April 1, 2041, interest at 4.00% to 5.00%	85,500,000	86,500,000
Serial 2013B bonds due April 1, 2020 to April 1, 2025, interest at 2.71% to 4.12%	3,965,000	6,325,000
Series 2013A Bonds due April 1, 2020, to April 1, 2043, interest at 4.00% to 5.00%	-	23,985,000
Unamortized premium	61,487,210	36,764,727
	<u>\$ 527,692,210</u>	<u>\$ 344,349,727</u>

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 and 2022**

8. LONG-TERM DEBT (Cont'd)

Bonds Payable (Cont'd)

Add: Serial 2023 bonds due April 1, 2027 to April 1, 2053, interest at 4.125% to 5.00%	175,000,000	199,000,000
Less: bond discount from series 2023 issuance	(984,845)	-
Add: bond premium from series 2021 issuance	-	29,543,273
Less: debt principal repayments	(16,410,000)	(19,780,000)
Less: bond defeasance	-	(20,600,000)
Less: current amortization of premium	(2,859,327)	(4,820,790)
Ending Balances:	\$ <u>682,438,038</u>	\$ <u>527,692,210</u>
Amounts due in one year	\$ <u>20,525,000</u>	\$ <u>16,410,000</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.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2023, the date on which the financial statements were available to be issued.

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

**SUPPLEMENTAL SCHEDULE INFORMATION**

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, 2023

	Set Aside Funds					Totals
	Administrative	Program Management	Small Systems	Local Assistance and Other State Programs	Loan Fund	
<b>ASSETS</b>						
Current Assets:						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 105,934,013	\$ 105,934,013
Federal letter of credit payments receivable	175,200	1,838,331	-	-	-	2,013,531
Due from Oklahoma Department of Environmental Quality ("ODEQ")	-	-	694,281	192,234	-	886,515
Accrued interest on loans receivable	-	-	-	-	4,528,300	4,528,300
Other interest receivable	-	-	-	-	357,540	357,540
Loans receivable	-	-	-	-	41,416,293	41,416,293
Total current assets	175,200	1,838,331	694,281	192,234	152,236,146	155,136,192
Noncurrent Assets:						
Restricted cash	-	-	-	-	119,803,974	119,803,974
Restricted investments	-	-	-	-	10,377,390	10,377,390
Loans receivable, net of current portion and allowance for uncollectible loans of \$0 for 2023 and \$20,383 in 2022	-	-	-	-	767,417,591	767,417,591
Equipment, net	-	364,825	-	47,431	-	412,256
Total noncurrent assets	-	364,825	-	47,431	897,598,955	898,011,211
Total assets	175,200	2,203,156	694,281	239,665	1,049,835,101	1,053,147,403
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable	62,174	14,940	45,135	165,542	-	287,791
Federal letter of credit payments payable	-	-	649,145	71,399	-	720,544
Due to Oklahoma Department of Environmental Quality ("ODEQ")	113,026	2,180,195	-	-	-	2,293,221
Compensated absences	9,162	58,754	11,810	66,596	-	146,322
Interest payable	-	-	-	-	5,149,572	5,149,572
Current maturities of long-term debt	-	-	-	-	20,525,000	20,525,000
Total current liabilities	184,362	2,253,889	706,090	303,537	25,674,572	29,122,450
Noncurrent Liabilities:						
Compensated absences	3,926	25,181	5,063	28,540	-	62,710
Long-term debt, net of current maturities	-	-	-	-	604,270,000	604,270,000
Unamortized (discount)/premium	-	-	-	-	57,643,038	57,643,038
Total noncurrent liabilities	3,926	25,181	5,063	28,540	661,913,038	661,975,748
Total liabilities	188,288	2,279,070	711,153	332,077	687,587,610	691,098,198
<b>DEFERRED INFLOW OF RESOURCES</b>						
Unamortized (gain/loss) on refunding	-	-	-	-	6,110,854	6,110,854
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	-	364,825	-	47,431	-	412,256
Restricted for loans and debt service	-	-	-	-	356,136,637	356,136,637
Unrestricted net position	(13,088)	(440,739)	(16,872)	(139,843)	-	(610,542)
Total net position	\$ (13,088)	\$ (75,914)	\$ (16,872)	\$ (92,412)	\$ 356,136,637	\$ 355,938,351

See accompanying notes to the financial statements

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

SUPPLEMENTAL COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN  
NET POSITION INFORMATION - BY PROGRAM COMPONENT  
For the Year Ended June 30, 2023

	Set Aside Funds					
	Administrative	Program Management	Small Systems	Local Assistance and Other State Programs	Loan Fund	Totals
<b>REVENUES</b>						
Operating revenues:						
Federal grants	\$ 757,511	\$ 1,201,391	\$ 324,673	\$ 2,149,296	\$ -	\$ 4,432,871
Loan program income	-	-	-	-	16,329,141	16,329,141
Total operating revenue	757,511	1,201,391	324,673	2,149,296	16,329,141	20,762,012
<b>EXPENSES</b>						
Operating expenses:						
Salaries and benefits	271,886	770,389	199,468	1,139,234	-	2,380,977
Professional services	388,557	131	46,359	453,595	-	888,642
Travel	327	29,960	6,587	80,992	-	117,866
Office	282	50,880	2,379	83,316	-	136,857
Equipment	-	40	-	1,600	-	1,640
Depreciation	-	136,203	-	71,536	-	207,739
Indirect costs	77,917	204,393	56,452	303,156	-	641,918
Other expense	(1)	(8,545)	1	(2,906)	-	(11,451)
Interest expense	-	-	-	-	15,396,309	15,396,309
Bad debt expense	-	-	-	-	(20,383)	(20,383)
Refunding expense	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	798,915	798,915
Total operating expenses	738,968	1,183,451	311,246	2,130,523	16,174,841	20,539,029
Operating income (loss)	18,543	17,940	13,427	18,773	154,300	222,983
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Federal grants	-	-	-	-	37,839,485	37,839,485
Federal grants-principal forgiveness	-	-	-	-	(8,648,655)	(8,648,655)
Gain on Refunding	-	-	-	-	-	-
Loss on Investments	-	-	-	-	(51,466)	(51,466)
Investment income	-	-	-	-	115,702	115,702
Interest income-invested cash balances	-	-	-	-	1,354,556	1,354,556
Net nonoperating revenues	-	-	-	-	30,609,622	30,609,622
Income (loss) before transfers	18,543	17,940	13,427	18,773	30,763,922	30,832,605
Transfers out - Oklahoma Water Resources Board	-	-	-	-	-	-
Transfers in - Drinking Water Treatment Loan Admin Fund	-	-	-	-	1,337,800	1,337,800
Total Transfers	-	-	-	-	1,337,800	1,337,800
Increase (decrease) in net position	18,543	17,940	13,427	18,773	32,101,722	32,170,405
<b>NET POSITION</b>						
Net position, beginning of year	(31,631)	(93,854)	(30,299)	(111,185)	324,034,915	323,767,946
Net position, end of year	\$ (13,088)	\$ (75,914)	\$ (16,872)	\$ (92,412)	\$ 356,136,637	\$ 355,938,351

OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

STATEMENTS OF CASH FLOWS - BY PROGRAM COMPONENT  
For the Year Ended June 30, 2023

	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	\$ 582,311	\$ 893,040	\$ 324,673	\$ 2,149,296	\$ -	\$ 3,949,320
Collection of interest on loans to local governmental units	-	-	-	-	15,681,262	15,681,262
Payments to employees	(290,430)	(769,322)	(212,893)	(1,150,958)	-	(2,423,603)
Payments to suppliers	(291,881)	(123,718)	(111,780)	(998,338)	-	(1,525,717)
Interest paid on debt	-	-	-	-	(17,903,734)	(17,903,734)
Net cash provided (used) by operating activities	-	-	-	-	(2,222,472)	(2,222,472)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Proceeds from bond issuance	-	-	-	-	174,010,978	174,010,978
Bond defeasance costs	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	(798,915)	(798,915)
Principal paid on bonds	-	-	-	-	(16,410,000)	(16,410,000)
Federal grant receipts	-	-	-	-	29,190,830	29,190,830
Transfers in (out) - Drinking Water Treatment Loan Administrative Fund	-	-	-	-	1,337,800	1,337,800
Net cash provided (used) by noncapital financing activities	-	-	-	-	187,330,693	187,330,693
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of equipment	-	-	-	-	-	-
Net cash provided (used) in capital and related financing activities	-	-	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Loans to local governmental units	-	-	-	-	(183,967,782)	(183,967,782)
Collection of principal on loans to local governmental units	-	-	-	-	29,391,233	29,391,233
Collection of principal on loans to local governmental units from federal grant proceeds	-	-	-	-	8,648,655	8,648,655
Interest on investments	-	-	-	-	115,703	115,703
Interest on invested cash balances	-	-	-	-	1,144,467	1,144,467
Sale (Purchase) of investments	-	-	-	-	2,619,000	2,619,000
Net cash provided (used) by investing activities	-	-	-	-	(142,048,724)	(142,048,724)
Net increase (decrease in cash)	-	-	-	-	43,059,497	43,059,497
Cash and cash equivalents, beginning of year	-	-	-	-	182,678,490	182,678,490
Cash and cash equivalents, end of year	\$ -	\$ -	\$ -	\$ -	\$ 225,737,987	\$ 225,737,987
<b>Reconciliation to Statement of Net Position:</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 105,934,013	\$ 105,934,013
Restricted Cash	-	-	-	-	119,803,974	119,803,974
Total cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 225,737,987	\$ 225,737,987
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 18,543	\$ 17,940	\$ 13,427	\$ 18,773	\$ 154,300	\$ 222,983
Adjustment to reconcile net operating income (loss) to net cash provided by operating activities:						
Depreciation	-	136,203	-	71,536	-	207,739
Amortization of bond premium	-	-	-	-	(2,855,150)	(2,855,150)
Amortization of gain from refunding	-	-	-	-	(325,913)	(325,913)
Debt issuance cost	-	-	-	-	798,914	798,914
Changes in operating assets and liabilities:						
Decrease (Increase) in letter of credit payments receivable	175,200	(308,351)	-	(95,174)	-	(228,325)
Decrease (Increase) in interest receivable	-	-	-	-	(668,262)	(668,262)
Increase (Decrease) in accounts payable	(60,150)	(20,369)	45,135	(27,244)	-	(62,628)
Increase (Decrease) in letter of credit payments payable	11,524	-	(116,997)	-	-	(105,473)
Increase (Decrease) in due to/from DEQ	(126,573)	173,510	71,860	43,833	-	162,630
Increase (Decrease) in compensated absences	(18,544)	1,067	(13,425)	(11,724)	-	(42,626)
Increase (Decrease) in interest payable	-	-	-	-	673,639	673,639
Net cash provided (used) by operating activities	\$ -	\$ -	\$ -	\$ -	\$ (2,222,472)	\$ (2,222,472)