

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

**FINANCIAL STATEMENTS
AS OF
JUNE 30, 2025 AND 2024
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, 2025 and 2024

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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, 2025 and 2024, 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 respective financial position of the Program as of June 30, 2025 and 2024, and the respective 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 opinions.

Responsibilities of Management for the Financial Statements

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

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Program's basic financial statements. The accompanying 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 25, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Oklahoma City, Oklahoma
September 25, 2025



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, 2025. 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 12.8% from \$379,007,984 in FY-2024 to \$427,622,015 in FY-2025. The increase in net position is primarily attributable to the increase in federal grant revenue from the Infrastructure Investment and Jobs Act supplemental grant, state matching funds from a legislative appropriation and a transfer from the Drinking Water Treatment Loan Administrative Fund.
- The Program experienced an increase of \$140,187,404 in the amount of outstanding loans. At June 30, 2025, the Program had 170 outstanding loans with a principal balance of \$1,055,110,360. At June 30, 2024, the Program had 173 outstanding loans with a principal balance of \$914,922,956.

PROGRAM HIGHLIGHTS

- During FY 2025, eighteen (18) construction loans, totaling approximately \$206.5 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 2025, we completed construction on fifteen (15) projects totaling \$94.6 million.
- During FY 2025, we made binding commitments for seventeen (17) new loans, totaling approximately \$135.2 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, 2025 and 2024**

	<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
Current Assets:			
Cash	\$	147,807,905	\$ 113,988,429
Federal letter of credit payments receivable		3,693,280	2,257,903
Accrued interest on loans receivable		6,156,936	5,047,163
Other interest receivable		46,845	397,986
Loans receivable		44,637,534	41,741,526
Total current assets		<u>202,342,500</u>	<u>163,433,007</u>
Noncurrent Assets:			
Restricted cash		33,759,958	7,377,758
Restricted investments		-	8,215,792
Loans receivable, net of current portion		1,010,472,826	873,181,430
Equipment, net		725,549	628,964
Total noncurrent assets		<u>1,044,958,333</u>	<u>889,403,944</u>
Total assets		<u>1,247,300,833</u>	<u>1,052,836,951</u>
	<u>LIABILITIES</u>		
Current Liabilities:			
Accounts payable		469,350	648,714
Due to Oklahoma Department of of Environmental Quality ("ODEQ")		3,908,616	2,207,186
Compensated absences		122,346	177,506
Interest payable		5,693,946	5,847,380
Other accrued liabilities		746,644	-
Current maturities of long-term debt		19,800,000	22,715,000
Total current liabilities		<u>30,740,902</u>	<u>31,595,786</u>
Noncurrent Liabilities:			
Compensated absences		52,433	76,073
Long-term debt, net of current maturities		721,755,000	581,555,000
Unamortized (discount)/premium		61,671,453	54,817,166
Total noncurrent liabilities		<u>783,478,886</u>	<u>636,448,239</u>
Total liabilities		<u>814,219,788</u>	<u>668,044,025</u>
	<u>DEFERRED INFLOW OF RESOURCES</u>		
Unamortized (gain/loss) on refunding		<u>5,459,030</u>	<u>5,784,942</u>
	<u>NET POSITION</u>		
Invested in capital assets, net of related debt		725,549	628,964
Restricted for loans and debt service		427,755,931	379,230,596
Unrestricted net position		<u>(859,465)</u>	<u>(851,576)</u>
Total net position	\$	<u>427,622,015</u>	\$ <u>379,007,984</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
For the periods ending June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
REVENUES		
Operating revenues:		
Federal grants	\$ 5,254,841	\$ 6,106,349
Loan program income	20,735,568	21,072,740
Other Income	5,400,000	-
Total operating revenue	<u>31,390,409</u>	<u>27,179,089</u>
EXPENSES		
Operating expenses:		
Salaries and benefits	2,700,432	3,034,955
Personnel	791	-
Professional services	1,223,810	1,264,976
Travel	143,112	154,198
Office	50,321	93,448
Equipment	1,477	213,312
Depreciation	298,842	314,966
Indirect costs	744,583	861,463
Other expense	2,778	193,357
Interest expense	20,081,858	20,983,326
Debt issuance costs	893,614	-
Administration expense	367,030	-
Total operating expenses	<u>26,508,647</u>	<u>27,114,001</u>
Operating income (loss)	<u>4,881,762</u>	<u>65,088</u>
NONOPERATING REVENUES (EXPENSES)		
Federal grants	36,405,855	37,670,594
Federal grants-principal forgiveness	(11,392,472)	(18,727,329)
Loss on investments	245,226	397,423
Investment income	25,110	81,191
Interest income-invested cash balances	1,767,150	3,087,030
Net nonoperating revenues	<u>27,050,869</u>	<u>22,508,909</u>
Income (loss) before transfers	31,932,631	22,573,997
Transfers in - Oklahoma Water Resources Board	10,000,000	-
Transfers in - Drinking Water Treatment Loan Admin Fund	6,681,400	495,636
Total Transfers	<u>16,681,400</u>	<u>495,636</u>
Increase (decrease) in net position	48,614,031	23,069,633
NET POSITION		
Net position, beginning of year	<u>379,007,984</u>	<u>355,938,351</u>
Net position, end of year	<u>\$ 427,622,015</u>	<u>\$ 379,007,984</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, 2025 and 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Federal grant receipts	\$ 3,891,212	\$ 5,571,770
Collection of interest on loans to local governmental units	20,005,409	20,553,877
Payments to employees	(2,803,638)	(3,021,374)
Payments to suppliers	(692,147)	(2,018,721)
Interest paid on debt	(23,389,523)	(23,437,302)
Other income	5,400,000	-
Net cash used by operating activities	<u>2,411,313</u>	<u>(2,351,750)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from bond issuance	169,682,606	-
Bond issuance cost	(893,614)	-
Principal paid on bonds	(22,715,000)	(20,525,000)
Federal grant receipts	25,013,383	18,943,265
Transfers in (out) - Oklahoma Water Resources Board	10,000,000	-
Transfers in (out) - Drinking Water Treatment Loan Administrative Fund	6,681,400	495,636
Net cash provided (used) by noncapital financing activities	<u>187,768,775</u>	<u>(1,086,099)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(395,427)	(531,675)
Net cash used in capital and related financing activities	<u>(395,427)</u>	<u>(531,675)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to local governmental units	(192,724,292)	(165,682,107)
Collection of principal on loans to local governmental units	41,144,416	40,865,706
Collection of principal on loans to local governmental units from federal grant proceeds	11,392,472	18,727,329
Interest on investments	25,110	81,191
Interest on invested cash balances	2,118,291	3,046,584
Sale (Purchase) of investments	8,461,018	2,559,021
Net cash used by investing activities	<u>(129,582,985)</u>	<u>(100,402,276)</u>
Net increase (decrease in cash)	60,201,676	(104,371,800)
Cash and cash equivalents, beginning of year	121,366,187	225,737,987
Cash and cash equivalents, end of year	<u>\$ 181,567,863</u>	<u>\$ 121,366,187</u>
Reconciliation to Statement of Net Position:		
Cash	\$ 147,807,905	\$ 113,988,429
Restricted Cash	33,759,958	7,377,758
Total cash and cash equivalents	<u>\$ 181,567,863</u>	<u>\$ 121,366,187</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 4,857,356	\$ 65,088
Adjustment to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation	298,842	314,966
Amortization of bond premium	(2,828,319)	(2,825,872)
Deferred amount on refunding	(325,912)	(325,912)
Debt issuance cost	893,614	-
Changes in operating assets and liabilities:		
Decrease (Increase) in letter of credit payments receivable	(1,363,629)	(534,579)
Decrease (Increase) in interest receivable	(1,109,773)	(518,863)
Increase (Decrease) in accounts payable	(154,958)	360,923
Increase (Decrease) in letter of credit payments payable	(71,748)	(430,337)
Increase(Decrease) in due to/from DEQ	1,701,430	831,447
Increase(Decrease) in compensated absences	(78,800)	13,581
Increase(Decrease) in accrued liabilities	746,644	-
Increase(Decrease) in interest payable	(153,434)	697,808
Net cash provided (used) by operating activities	<u>\$ 2,411,313</u>	<u>\$ (2,351,750)</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, 2025 and 2024

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025 and 2024

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

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, 2025 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 \$0 and \$8,215,792 at June 30, 2025 and June 30, 2024, respectively (See Note 5). The 2013B Revenue Bonds were paid off in April 2025.

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.

Bond Issue Discount and Premium

The Program's State Revolving Fund Revenue Bonds Series 2025, Series 2021, Series 2020, Series 2018, and Series 2016 were initially sold at a premium of \$88,429,935. 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 \$2,828,318 and \$2,826,532 was recorded in 2025 and 2024, respectively, and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net position.

Deferred Amount on Refunding

The Program's State Revolving Fund Revenue Bonds, Series 2019, were used to refund the 2011B and 2012A Series Revenue Bonds. The refunding resulted in a deferred inflow of \$7,251,547 which is being amortized over twenty-three years. Net amortization of \$325,912 was recorded in FY 2025 and 2024, respectively, and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net position.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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

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, 2025 and 2024, was as follows:

Balance, July 1, 2024	\$ <u>15,169,138</u>	Balance, July 1, 2023	\$ <u>11,941,920</u>
Fee income	5,077,876	Fee income	4,405,922
Interest income	430,938	Interest income	367,471
Operating expenses	(811,594)	Operating expenses	(1,050,575)
Transfers	<u>(6,681,400)</u>	Transfers	<u>(495,600)</u>
Balance, June 30, 2025	\$ <u><u>13,184,958</u></u>	Balance, June 30, 2024	\$ <u><u>15,169,138</u></u>

Unrestricted Net Liability

The unrestricted net liability at June 30, 2025 and 2024, respectively, 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, 2025 and 2024**

2. CASH DEPOSITS AND INVESTMENT RISK

Cash of \$147,807,905 and \$113,988,429 at June 30, 2025 and 2024, respectively, was on deposit in the State Treasurer's office's internal investment pool – OK Invest. Restricted cash of \$33,759,958 and \$7,377,758 at June 30, 2025 and 2024, 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 \$147,807,905 and \$113,988,429 in cash and cash equivalents on deposit with the State Treasurer at June 30, 2025 and June 30, 2024, 100% represent amounts held within OK INVEST, an internal investment pool. Agencies and funds that are considered to be part of the State's reporting entity in the State's Annual Comprehensive Financial Report ("ACFR") 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 <https://oklahoma.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.

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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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

- 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.

At June 30, 2025 and 2024, 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	
				2025	2024
OK Invest	On Demand	Not Rated	N/A	\$ 147,807,905	\$ 113,988,429
Federated Government Obligation Fund	16 days	AAA-m	Level 1	33,759,958	6,160,605
Goldman Sach Fin. Sq. Treasury Oblig. Fund	16 days	AAA-m	Level 1	-	1,217,153
Federal Farm Credit Bank	2022/2025	AA+	Level 2	-	882,440
Federal Loan Mortgage Corp. Int. Strips	2025	AA+	Level 2	-	2,815,900
Tennessee Valley Authority Coupon Strips	2022/2025	AA+	Level 2	-	4,517,452
				<u>\$ 181,567,863</u>	<u>\$ 129,581,979</u>
Reconciliation to Statement of Net Position					
			Cash	\$ 147,807,905	\$ 113,988,429
			Restricted Cash	33,759,958	7,377,758
			Restricted Investments	-	8,215,792
				<u>\$ 181,567,863</u>	<u>\$ 129,581,979</u>

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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

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, 2025: 19% or \$33,759,958 is invested in government obligations money market mutual funds, and 81% or \$147,807,896 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.

3. FEDERAL LETTERS OF CREDIT

The Fund has access to a line of credit with the Federal government through the Environmental Protection Agency that can be accessed for various projects by the Fund. Federal letters of credit ("LOC") balances available at June 30, 2025 and 2024, are as follows:

	Year Ended June 30, 2025					
	Administrative	Program Management & Reserve	Small Systems	Local Assistance	Loan	Totals
LOC Available for draw	\$ (12,306,666)	\$ (23,425,474)	\$ (7,390,605)	\$ (33,090,514)	\$ (334,492,933)	\$ (410,706,192)
Grant available in 2025	2,011,562	2,693,673	1,009,784	8,894,490	69,278,491	83,888,000
LOC reprogrammed	(1,000,000)	(3,000,000)	-	(4,000,000)	8,000,000	-
Cumulative cash draws	(14,637,408)	(28,883,998)	(7,794,735)	(38,108,229)	(386,540,640)	(475,965,010)
LOC balance available for draw at June 30, 2025	<u>\$ (25,932,512)</u>	<u>\$ (52,615,799)</u>	<u>\$ (14,175,556)</u>	<u>\$ (66,304,253)</u>	<u>\$ (643,755,082)</u>	<u>\$ (802,783,202)</u>

	Year Ended June 30, 2024					
	Administrative	Program Management & Reserve	Small Systems	Local Assistance	Loan	Totals
LOC Available for draw	\$ 15,729,106	\$ 33,467,643	\$ 6,979,404	\$ 39,788,597	\$ 348,814,834	\$ 444,779,584
Grant available in 2024	430,546	854,874	280,714	1,213,724	15,501,142	18,281,000
LOC reprogrammed	(503,252)	(1,801,323)	(373,325)	(1,070,155)	3,748,055	-
Cumulative cash draws	(13,981,533)	(27,973,334)	(7,138,699)	(36,511,340)	(351,278,482)	(436,883,388)
LOC balance available for draw at June 30, 2024	<u>\$ 1,674,867</u>	<u>\$ 4,547,860</u>	<u>\$ (251,906)</u>	<u>\$ 3,420,826</u>	<u>\$ 16,785,549</u>	<u>\$ 26,177,196</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, 2025 and 2024

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 3.96% at June 30, 2025, and from 0% to 3.50% at June 30, 2024.

At least 14% of the 2024 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, 2025, the Program made one (1) loan to borrowers in this category.

At least 12% up to a maximum of 35% of the 2024 federal grant must be used for principal forgiveness for project meeting disadvantaged criteria. For the period ending June 30, 2025, the program made six (6) loans to borrowers in this category.

During FY 2025, DEQ was awarded new grants from the Infrastructure Investment and Jobs Act allotments. The first new grant, DWSRF General Supplemental (GS), required a 49% subsidy. For the period ending June 30, 2025, the program made thirteen (13) 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, 2025, the program made one (1) loan to borrowers in this category. The third new grant, Emerging Contaminants, (EC) requires 100% principal forgiveness. For the period ending June 30, 2025, the program made zero (0) loans to a borrower in this category.

As of FY25, the Fund remains in compliance with the relevant requirements for the programs outlined above.

The Program also provides for extended loan terms to borrowers meeting the “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, 2025 and 2024, the Program made 8 and 9 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, 2025 and 2024, principal payments of \$52,536,888 and \$59,593,035, respectively, had been received.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

4. LOANS RECEIVABLE (Cont'd)

Loans receivable activity from July 1, 2024 to June 30, 2025 is as follows:

Balance, June 30, 2023	\$	808,833,884
Loan Disbursements		165,682,107
Loan Principal repayments and forgiveness		<u>(59,593,035)</u>
		<u>106,089,072</u>
Balance, June 30, 2024	\$	<u>914,922,956</u>
Loan Disbursements		192,724,292
Loan Principal repayments and forgiveness		<u>(52,536,888)</u>
		<u>140,187,404</u>
Balance, June 30, 2025	\$	<u><u>1,055,110,360</u></u>

5. RESTRICTED INVESTMENTS

A description of the restricted investments held at June 30, 2025 and 2024, is as follows:

<u>Type</u>	<u>2025</u>	<u>2024</u>
Federal Farm Credit Bank	\$ -	\$ 882,440
Federal Loan Mortgage Corp. Int. Strips	-	2,815,900
Tennessee Valley Authority Coupon Strips	-	4,517,452
	<u>\$ -</u>	<u>\$ 8,215,792</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 \$75,261,000 at June 30, 2025 and 2024, respectively.

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

7. EQUIPMENT

A summary of changes to equipment is as follows:

	Year ended 2025			
	June 30, 2024	Additions	Disposals	June 30, 2025
Equipment	\$ 2,732,963	\$ 395,427	\$ -	\$ 3,128,390
Accumulated depreciation	(2,103,999)	(298,842)	-	(2,402,841)
Net	\$ 628,964	\$ 96,585	\$ -	\$ 725,549

	Year ended 2024			
	June 30, 2023	Additions	Disposals	June 30, 2024
Equipment	\$ 2,201,288	\$ 531,675	\$ -	\$ 2,732,963
Accumulated depreciation	(1,789,032)	(314,967)	-	(2,103,999)
Net	\$ 412,256	\$ 216,708	\$ -	\$ 628,964

8. LONG-TERM DEBT

Bonds Payable

On June 25, 2025, the Program issued State Revolving Fund Revenue Bonds, Series 2025, in the amount of \$160,000,000. 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 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025 and 2024

8. LONG-TERM DEBT (Cont'd)

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 monies 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.

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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

8. LONG-TERM DEBT (Cont'd)

Advanced Refunding

The Program used \$24,581,196 of funds available in the 2013A revenue fund along with cash on hand to 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.

The advance 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, 2025, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 19,800,000	\$ 28,563,204	\$ 48,363,204
2027	20,300,000	29,609,971	49,909,971
2028	23,030,000	28,656,857	51,686,857
2029	23,880,000	27,611,831	51,491,831
2030	24,230,000	26,505,033	50,735,033
2031-2035	126,545,000	115,401,350	241,946,350
2036-2040	137,520,000	91,601,527	229,121,527
2041-2045	139,160,000	68,172,731	207,332,731
2046-2050	142,950,000	39,370,175	182,320,175
2051-2054	84,140,000	6,944,564	91,084,564
Total	\$ <u>741,555,000</u>	\$ <u>462,437,242</u>	\$ <u>1,203,992,242</u>

In addition to their normal scheduled maturity dates as shown above, the bonds may also be redeemed at the option of the Board, in whole or in part, at such dates and for such prices, plus accrued interest as 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, 2025 and 2024

8. LONG-TERM DEBT (Cont'd)

Changes in long-term debt outstanding at June 30, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Series 2023A bonds due April 1, 2027 to April 1, 2053, interest at 4.125% to 5.00%	\$ 175,000,000	\$ 175,000,000
Series 2021 bonds due April 1, 2022 to April 1, 2051, interest at 1.75% to 5.00%	192,550,000	196,325,000
Series 2020 bonds due April 1, 2021 to April 1, 2040, interest at 2.00% to 5.00%	84,320,000	87,895,000
Serial 2019 bonds due April 1, 2020 to April 1, 2042, interest at 1.73% to 3.17%	25,935,000	26,490,000
Serial 2018 bonds due April 1, 2020 to April 1, 2038, interest at 3.38% to 5.00%	46,375,000	52,325,000
Serial 2016 bonds due April 1, 2020 to April 1, 2041, interest at 4.00% to 5.00%	79,265,000	84,500,000
Serial 2013B bonds due April 1, 2020 to April 1, 2025, interest at 2.71% to 4.12%	825,000	2,260,000
Unamortized premium	54,817,166	57,643,038
	<u>\$ 659,087,166</u>	<u>\$ 682,438,038</u>
Add: Series 2025 bonds due April 1, 2027 to April 1, 2055, interest at 5.00% to 5.25%	160,000,000	-
Add: bond Premium from series 2025 issuance	9,682,606	-
Less: debt principal repayments	(22,715,000)	(20,525,000)
Less: current amortization of premium	<u>(2,828,319)</u>	<u>(2,825,872)</u>
Ending Balances:	<u>\$ 803,226,453</u>	<u>\$ 659,087,166</u>
Amounts due in one year	<u>\$ 19,800,000</u>	<u>\$ 22,715,000</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025 and 2024

9. ARBITRAGE REBATE DUE TO FEDERAL GOVERNMENT

In order for the interest on the Program's Series 2025, 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 to be \$367,030 and \$0 was recorded in 2025 and 2024, respectively, for Series 2025, 2023A, 2021, 2020, 2018, and 2016 bonds.

10. 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.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 19, 2025, the date on which the financial statements were available to be issued.

**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
For the Year Ended June 30, 2025**

	Set Aside Funds					
	Administrative	Program Management	Small Systems	Local Assistance and Other State Programs	Loan Fund	Totals
<u>ASSETS</u>						
Current Assets:						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 147,807,905	\$ 147,807,905
Federal letter of credit payments receivable	218,453	2,376,344	-	1,316,942	-	3,911,739
Due from Oklahoma Department of of Environmental Quality ("ODEQ")	-	-	352,773	-	-	352,773
Accrued interest on loans receivable	-	-	-	-	6,156,936	6,156,936
Other interest receivable	-	-	-	-	46,845	46,845
Loans receivable	-	-	-	-	44,637,534	44,637,534
Total current assets	218,453	2,376,344	352,773	1,316,942	198,649,220	202,913,732
Noncurrent Assets:						
Restricted cash	-	-	-	-	33,759,958	33,759,958
Loans receivable, net of current portion	-	-	-	-	1,010,472,826	1,010,472,826
Equipment, net	-	725,549	-	-	-	725,549
Total noncurrent assets	-	725,549	-	-	1,044,232,784	1,044,958,333
Total assets	218,453	3,101,893	352,773	1,316,942	1,242,882,004	1,247,872,065
<u>LIABILITIES</u>						
Current Liabilities:						
Accounts payable	791	185,600	134,310	148,649	-	469,350
Federal letter of credit payments payable	-	-	218,459	-	-	218,459
Due to Oklahoma Department of of Environmental Quality ("ODEQ")	218,455	2,916,294	-	1,126,640	-	4,261,389
Compensated absences	31,300	32,825	16,523	41,698	-	122,346
Interest payable	-	-	-	-	5,693,946	5,693,946
Other accrued liabilities	-	-	-	-	746,644	746,644
Current maturities of long-term debt	-	-	-	-	19,800,000	19,800,000
Total current liabilities	250,546	3,134,719	369,292	1,316,987	26,240,590	31,312,134
Noncurrent Liabilities:						
Compensated absences	13,413	14,068	7,083	17,869	-	52,433
Long-term debt, net of current maturities	-	-	-	-	721,755,000	721,755,000
Unamortized (discount)/premium	-	-	-	-	61,671,453	61,671,453
Total noncurrent liabilities	13,413	14,068	7,083	17,869	783,426,453	783,478,886
Total liabilities	263,959	3,148,787	376,375	1,334,856	809,667,043	814,791,020
<u>DEFERRED INFLOW OF RESOURCES</u>						
Unamortized (gain/loss) on refunding	-	-	-	-	5,459,030	5,459,030
<u>NET POSITION</u>						
Invested in capital assets, net of related debt	-	725,549	-	-	-	725,549
Restricted for loans and debt service	-	-	-	-	427,755,931	427,755,931
Unrestricted net position	(45,506)	(772,443)	(23,602)	(17,914)	-	(859,465)
Total net position	\$ (45,506)	\$ (46,894)	\$ (23,602)	\$ (17,914)	\$ 427,755,931	\$ 427,622,015

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, 2025**

	Set Aside Funds						
	Administrative	Program Management	Small Systems	Local Assistance and Other State Programs	Loan Fund	Totals	
REVENUES							
Operating revenues:							
Federal grants	\$ 696,306	\$ 1,031,333	\$ 727,784	\$ 2,799,418	\$ -	\$ 5,254,841	
Loan program income	-	-	-	-	20,735,568	20,735,568	
Other income	-	-	-	-	5,400,000	5,400,000	
Total operating revenue	<u>696,306</u>	<u>1,031,333</u>	<u>727,784</u>	<u>2,799,418</u>	<u>26,135,568</u>	<u>31,390,409</u>	
EXPENSES							
Operating expenses:							
Salaries and benefits	528,396	607,641	207,586	1,356,809	-	2,700,432	
Personnel	791	-	-	-	-	791	
Professional services	43,950	30,000	390,412	759,448	-	1,223,810	
Travel	141	5,080	10,129	127,762	-	143,112	
Office	147	14,590	1,149	34,435	-	50,321	
Equipment	-	-	-	1,477	-	1,477	
Depreciation	-	298,842	-	-	-	298,842	
Indirect costs	163,283	51,097	81,936	448,267	-	744,583	
Other expense	-	-	-	2,778	-	2,778	
Interest expense	-	-	-	-	20,081,858	20,081,858	
Administration expense	-	-	-	-	367,030	367,030	
Debt issuance costs	-	-	-	-	893,614	893,614	
Total operating expenses	<u>736,708</u>	<u>1,007,249</u>	<u>691,212</u>	<u>2,730,976</u>	<u>21,342,502</u>	<u>26,508,647</u>	
Operating income (loss)	<u>(40,402)</u>	<u>24,084</u>	<u>36,572</u>	<u>68,442</u>	<u>4,793,066</u>	<u>4,881,762</u>	
NONOPERATING REVENUES (EXPENSES)							
Federal grants	-	-	-	-	36,405,855	36,405,855	
Federal grants-principal forgiveness	-	-	-	-	(11,392,472)	(11,392,472)	
Loss on investments	-	-	-	-	245,226	245,226	
Investment income	-	-	-	-	25,110	25,110	
Interest income-invested cash balances	-	-	-	-	1,767,150	1,767,150	
Net nonoperating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,050,869</u>	<u>27,050,869</u>	
Income (loss) before transfers	(40,402)	24,084	36,572	68,442	31,843,935	31,932,631	
Transfers in - Oklahoma Water Resources Board	-	-	-	-	10,000,000	10,000,000	
Transfers in - Drinking Water Treatment Loan Admin Fund	-	-	-	-	6,681,400	6,681,400	
Total Transfers	-	-	-	-	16,681,400	16,681,400	
Increase (decrease) in net position	(40,402)	24,084	36,572	68,442	48,525,335	48,614,031	
NET POSITION							
Net position, beginning of year	<u>(5,104)</u>	<u>(70,978)</u>	<u>(60,174)</u>	<u>(86,356)</u>	<u>379,230,596</u>	<u>379,007,984</u>	
Net position, end of year	<u>\$ (45,506)</u>	<u>\$ (46,894)</u>	<u>\$ (23,602)</u>	<u>\$ (17,914)</u>	<u>\$ 427,755,931</u>	<u>\$ 427,622,015</u>	

See accompanying notes to the financial statements

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

STATEMENTS OF CASH FLOWS - BY PROGRAM COMPONENT
For the Year Ended June 30, 2025

	Set Aside Funds					
	Administrative	Program Management	Small Systems	Local Assistance and Other State Programs	Loan Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Federal grant receipts	\$ 655,875	\$ 910,664	\$ 727,784	\$ 1,596,889	\$ -	\$ 3,891,212
Collection of interest on loans to local governmental units	-	-	-	-	20,005,409	20,005,409
Payments to employees	(496,789)	(641,629)	(252,775)	(1,412,445)	-	(2,803,638)
Payments to suppliers	(159,086)	126,392	(475,009)	(184,444)	-	(692,147)
Interest paid on debt	-	-	-	-	(23,389,523)	(23,389,523)
Other income	-	-	-	-	5,400,000	5,400,000
Net cash provided (used by) operating activities	-	395,427	-	-	2,015,886	2,411,313
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Proceeds from bond issuance	-	-	-	-	169,682,606	169,682,606
Bond Issuance Cost	-	-	-	-	(893,614)	(893,614)
Principal paid on bonds	-	-	-	-	(22,715,000)	(22,715,000)
Federal grant receipts	-	-	-	-	25,013,383	25,013,383
Transfers in (out) - Oklahoma Water Resources Board	-	-	-	-	10,000,000	10,000,000
Transfers in (out) - Drinking Water Treatment Loan Administrative Fund	-	-	-	-	6,681,400	6,681,400
Net cash provided (used) by noncapital financing activities	-	-	-	-	187,768,775	187,768,775
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of equipment	-	(395,427)	-	-	-	(395,427)
Net cash provided (used) in capital and related financing activities	-	(395,427)	-	-	-	(395,427)
CASH FLOWS FROM INVESTING ACTIVITIES						
Loans to local governmental units	-	-	-	-	(192,724,292)	(192,724,292)
Collection of principal on loans to local governmental units	-	-	-	-	41,144,416	41,144,416
Collection of principal on loans to local governmental units from federal grant proceeds	-	-	-	-	11,392,472	11,392,472
Interest on investments	-	-	-	-	25,110	25,110
Interest on invested cash balances	-	-	-	-	2,118,291	2,118,291
Sale (Purchase) of investments	-	-	-	-	8,461,018	8,461,018
Net cash provided (used) by investing activities	-	-	-	-	(129,582,985)	(129,582,985)
Net increase (decrease in cash)	-	-	-	-	60,201,676	60,201,676
Cash and cash equivalents, beginning of year	-	-	-	-	121,366,187	121,366,187
Cash and cash equivalents, end of year	\$ -	\$ -	\$ -	\$ -	\$ 181,567,863	\$ 181,567,863
Reconciliation to Statement of Net Position:						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 147,807,905	\$ 147,807,905
Restricted Cash	-	-	-	-	33,759,958	33,759,958
Total cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 181,567,863	\$ 181,567,863
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (40,402)	\$ 24,084	\$ 36,572	\$ 44,036	\$ 4,793,066	\$ 4,857,356
Adjustment to reconcile net operating income (loss) to net cash provided by operating activities:						
Depreciation	-	298,842	-	-	-	298,842
Amortization of bond premium	-	-	-	-	(2,828,319)	(2,828,319)
Amortization of gain from refunding	-	-	-	-	(325,912)	(325,912)
Debt issuance cost	-	-	-	-	893,614	893,614
Changes in operating assets and liabilities:						
Decrease (Increase) in letter of credit payments receivable	(40,431)	(120,669)	-	(1,202,529)	-	(1,363,629)
Decrease (Increase) in interest receivable	-	-	-	-	(1,109,773)	(1,109,773)
Increase (Decrease) in accounts payable	241	(239,346)	(36,369)	120,516	-	(154,958)
Increase (Decrease) in letter of credit payments payable	-	-	(71,748)	-	-	(71,748)
Increase(Decrease) in due to/from DEQ	48,985	466,504	116,734	1,069,207	-	1,701,430
Increase(Decrease) in compensated absences	31,607	(33,988)	(45,189)	(31,230)	-	(78,800)
Increase(Decrease) in accrued liabilities	-	-	-	-	746,644	746,644
Increase(Decrease) in interest payable	-	-	-	-	(153,434)	(153,434)
Net cash provided (used) by operating activities	\$ -	\$ 395,427	\$ -	\$ -	\$ 2,015,886	\$ 2,411,313

See accompanying notes to the financial statements