



Clean Water State Revolving Fund



Fiscal Year 2014
National Financial Reports

July 1, 2013 - June 30, 2014



Introduction to the FY 2014 CWSRF Financial Statements

The Clean Water Act requires an annual financial audit of the 51 state-level CWSRF programs. Each state and Puerto Rico conducts these audits according to the generally accepted auditing standards established by the Governmental Accounting Standards Board (GASB). States often define their CWSRF programs as ongoing enterprise funds under the GASB definitions of funds. The standardized financial statements used for CWSRF programs include the following:

Statement of Fund Activity (page 2)

This statement provides an overview of major indicators of fund activity, including capitalization grant levels, project commitments, project disbursements, and subsidies provided. Both annual and cumulative data are given.

Statement of Revenues, Expenses, and Earnings (page 3)

This statement describes the overall performance of the CWSRF fund over the reporting period that is reflected in the increase or decrease in Net Assets.

Statement of Cash Flows (page 4)

This statement provides a detailed accounting of the actual flow of cash into and out of the CWSRF fund.

Statement of Net Assets (page 5)

This statement describes a fund's assets and liabilities through the end of the fiscal year. Assets include financial assets and capital assets, liabilities include both current and long term liabilities. CWSRF fund assets include grant funds that have been drawn from the federal treasury to date, but do not include total grant awards. CWSRF fund assets also include state matching contributions that have been deposited into the fund

Because the 51 constituent CWSRF programs are independent state-level entities, no nationally audited CWSRF program financial reports are available. However, using EPA's National Information Management System, national aggregate financial statements have been developed and are included in the following pages. The statements are best viewed as nonaudited, cash flow-based financial reports.

Note: The sum of individual values may not exactly equal the total due to rounding error. 2013 data was revised from the FY2013 National Financial Reports to incorporate updated state information.

Source: EPA's CWSRF National Information Management System (June 30, 2014).

Financial Information for CWSRF - Fiscal Year 2014
(Millions of Dollars)

Statement of Fund Activity	FY2013	FY2014
Annual Fund Activity		
Federal Capitalization Grants	1,190.9	1,342.6
State Matching Funds	235.2	305.3
New Funds Available for Assistance	5,577.0	4,846.8
Project Commitments (Executed Loan Agreements)	4,597.8	5,441.7
Project Disbursements	5,207.5	4,655.7
Cash Draws from Federal Capitalization Grants	2,104.1	1,595.1
Total Annual Subsidy*	200.6	176.0
Grants	56.1	51.5
Negative Interest	0.0	0.0
Principal Forgiveness	144.6	124.6
Cumulative Fund Activity		
Federal Capitalization Grants	36,244.2	37,586.9
State Matching Funds	6,791.1	7,096.4
Funds Available for Assistance	103,077.0	107,923.9
Project Commitments (Executed Loan Agreements)	99,932.1	105,373.8
Project Disbursements	87,663.1	92,318.8
Cash Draws from Federal Capitalization Grants	34,432.7	36,027.8
Total Cumulative Subsidy*	3,796.8	3,972.9
Grants	414.2	465.6
Negative Interest	0.0	0.0
Principal Forgiveness	3,382.7	3,507.2

Comments:

In 2014, CWSRF programs had \$5.4 billion in executed loan agreements, an increase of \$840 million, or 18 percent, from the previous year. CWSRF programs remain enormously successful, providing \$2.80 in loan funding for every \$1 in federal capitalization awarded.

Cumulative Executed Loan Agreements as a percent of Funds Available for Assistance ("pace") was 98 percent in FY2014, which shows that states have remained very successful in directing funds toward projects that address important water quality problems. This strong rate of fund utilization demonstrates a high demand for CWSRF financing and is a direct result of the program's below market interest rates and flexible financing options, targeted marketing and outreach initiatives, and effective program management. States have continued to be effective at targeting their additional subsidies (in the forms of principal forgiveness and grants) to projects that would not otherwise be able to afford a loan and projects that have the greatest impact on public health and the environment.

* Subsidy data includes subsidies provided by the 2009 American Recovery and Reinvestment Act (ARRA) and the FY2010 through FY2014 capitalization grants.

Statement of Revenues, Expenses and Earnings	FY2013	FY2014
Operating Revenues		
Interest on Investments	318.6	257.3
Interest on Loans	1,035.4	1,040.4
<i>Total Operating Revenues</i>	1,354.1	1,297.6
Operating Expenses		
Bond Interest Expense	1,018.0	975.9
Amortized Bond Issuance Expense	21.7	20.2
Administrative Expenses	62.8	62.7
Additional Subsidy Provided	200.6	176.0
<i>Total Expenses</i>	1,303.2	1,234.9
Nonoperating Revenues and Expenses		
Federal Contribution	2,104.1	1,595.1
State Contributions	178.0	145.6
Transfers from (to) DWSRF	30.0	(100.0)
<i>Total Nonoperating Revenues (Expenses)</i>	2,312.1	1,640.7
Increase (Decrease) in Net Assets	2,363.0	1,703.4
Net Assets		
Beginning of Year	40,327.9	42,690.9
End of Year	42,690.9	44,394.3

Comments:

Operating revenues exceeded operating expenses by almost \$63 million. While the current low interest environment continued to depress CWSRF interest earnings, states have reduced their expenditures on bonds by refinancing their debt at lower interest rates. The impact of reduced interest expenses on bonds could be expected to benefit growth in net assets for the foreseeable future.

Operating revenues are also affected by the additional subsidies in the form of grants or principal forgiveness that have been required since the FY2010 CWSRF appropriation. The subsidies reduce the principal and interest repayments to the program, which benefit borrowers but at the same time reduce program revenues. The subsidy also increases the operating expenses.

CWSRF program equity (net assets) increased by \$1.7 billion in FY2014. Program equity has increased by at least \$1 billion in 23 of the last 24 years. This reflects the states' efforts to minimize expenses while maximizing funds awarded for projects.



Statement of Cash Flows	FY2013	FY2014
Operating Activities		
Cash Draws from Federal Capitalization Grants	2,104.1	1,595.1
Contributions from States	178.0	145.6
Loan Disbursements (Including Additional Subsidy)	(5,207.5)	(4,655.7)
Loan Principal Repayments	4,303.3	3,462.9
Interest Received on Loans	1,035.4	1,040.4
Administrative Expenses	(62.8)	(62.7)
<i>Total Cash Flows from Operating Activities</i>	2,350.6	1,525.6
Noncapital Financing Activities		
Gross Leveraged Bond Proceeds	432.0	403.4
Bond Issuance Expense	(4.5)	(6.4)
State Match Bond Proceeds	57.2	159.7
Cash Received from Transfers with DWSRF	30.0	(100.0)
Interest Paid on Leveraged and State Match Bonds	(1,018.0)	(975.9)
CWSRF Funds Used for Refunding	(177.6)	(375.6)
Principal Repayment of Leveraged Bonds	(1,540.9)	(1,421.2)
Principal Repayment of State Match Bonds	(61.1)	(90.6)
<i>Net Cash Provided by Noncapital Financing Activities</i>	(2,283.1)	(2,406.5)
Cash Flows from Capital and Related Financing Activities	0.0	0.0
Investing Activities		
Interest Received on Investments	318.6	257.3
Release (Deposit) of Leveraged Bond Debt Service Reserve	474.0	753.5
<i>Net Cash Provided by Investing Activities</i>	792.7	1,010.8
Net Increase (Decrease) in Cash and Cash Equivalents	860.2	129.8
Cash and Cash Equivalents		
Beginning of Year	11,030.5	11,890.7
End of Year	11,890.7	12,020.5

Comments:

Loan disbursements were down \$550 million in FY2014 compared to the previous year, which reflects the temporary decrease in new loan agreements signed during FY2013. With new loan agreements topping \$5.4 billion in FY2014, disbursements are expected to increase in the next year. In FY2014, \$4.5 billion in principal and interest repayments were received from assistance recipients. These repayments flow back into the CWSRF and, along with federal grant funds, state match, and leveraged bond proceeds, are used for future loans.

Leveraged bond proceeds added \$403 million to program cash flows in Fiscal Year 2014. New leveraged bond issuance has been lower in the last three years than it has been historically. A number of states have refined their bond issuance activities to better match cash flow needs and the construction cycle. Total leveraged bonds outstanding decreased by more than \$1 billion in each of the years 2013 and 2014.

In FY2014, states paid \$2.5 billion each year in principal and interest on leveraged and state match bonds, similar to the 8-year average. States carefully plan their bond issuance activity each year to satisfy loan demand but also ensure that they are maintaining the CWSRF in perpetuity, as required by Title VI of the Clean Water Act, which authorized the CWSRF.

Statement of Net Assets

	FY2013	FY2014
Assets		
Cash and Cash Equivalents	11,890.7	12,020.5
Debt Service Reserve - Leveraged Bonds	5,477.0	4,723.5
Loans Outstanding	46,582.6	47,599.4
Unamortized Bond Issuance Expenses*	278.6	264.8
<i>Total Assets</i>	64,229.0	64,608.2
Liabilities		
Match Bonds Outstanding	564.2	633.3
Leveraged Bonds Outstanding	20,973.8	19,580.5
<i>Total Liabilities</i>	21,538.1	20,213.9
Net Assets		
Federal Contributions	34,432.7	36,027.8
State Contributions	5,027.6	5,173.2
Transfers - Other SRF Funds	(401.0)	(501.0)
Other Net Assets	3,631.6	3,694.4
<i>Total Net Assets</i>	42,690.9	44,394.3
Total Liabilities & Net Assets	64,229.0	64,608.2

* Unamortized Bond Issuance Expenses are costs that have been incurred but have not been fully recognized (amortized). These costs will be recognized (amortized) over time over the remaining life of the bonds outstanding, similar to a pre-paid expense, and consistent with GAAP.

Comments:

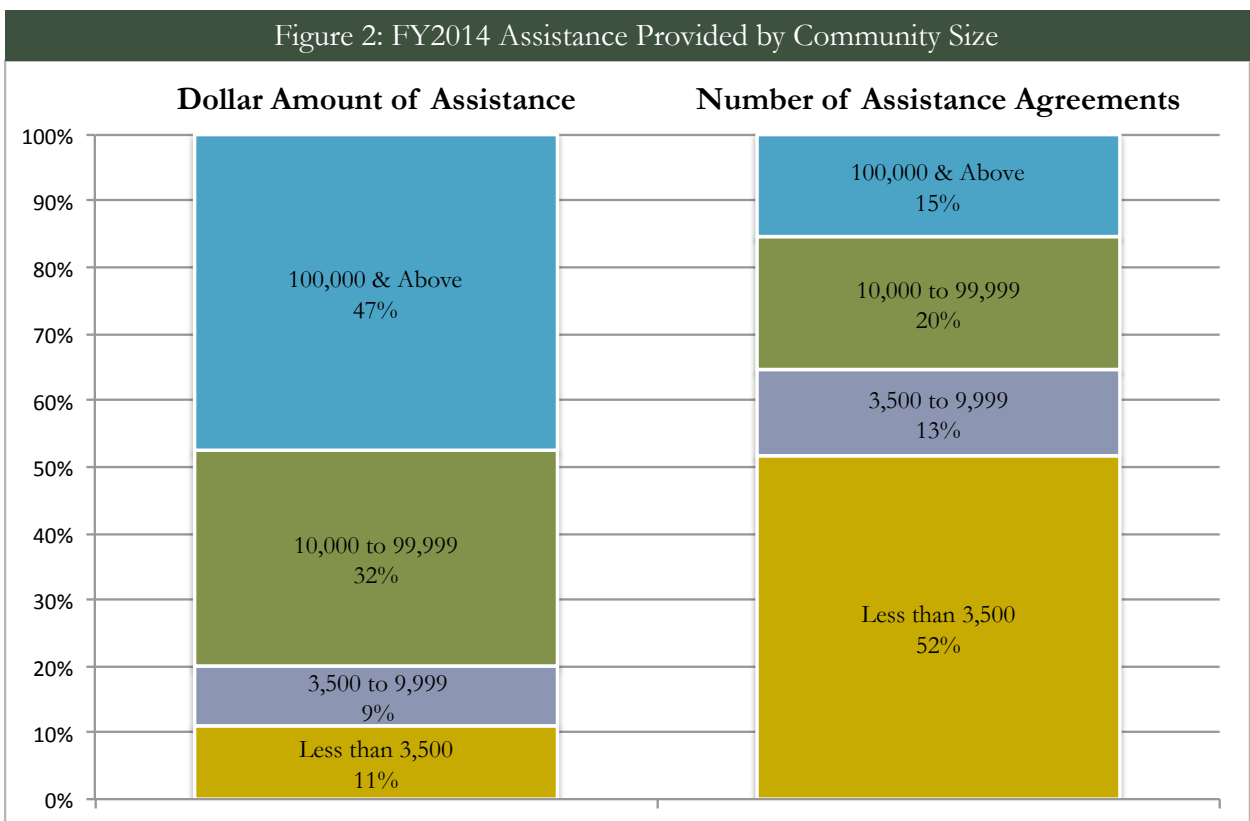
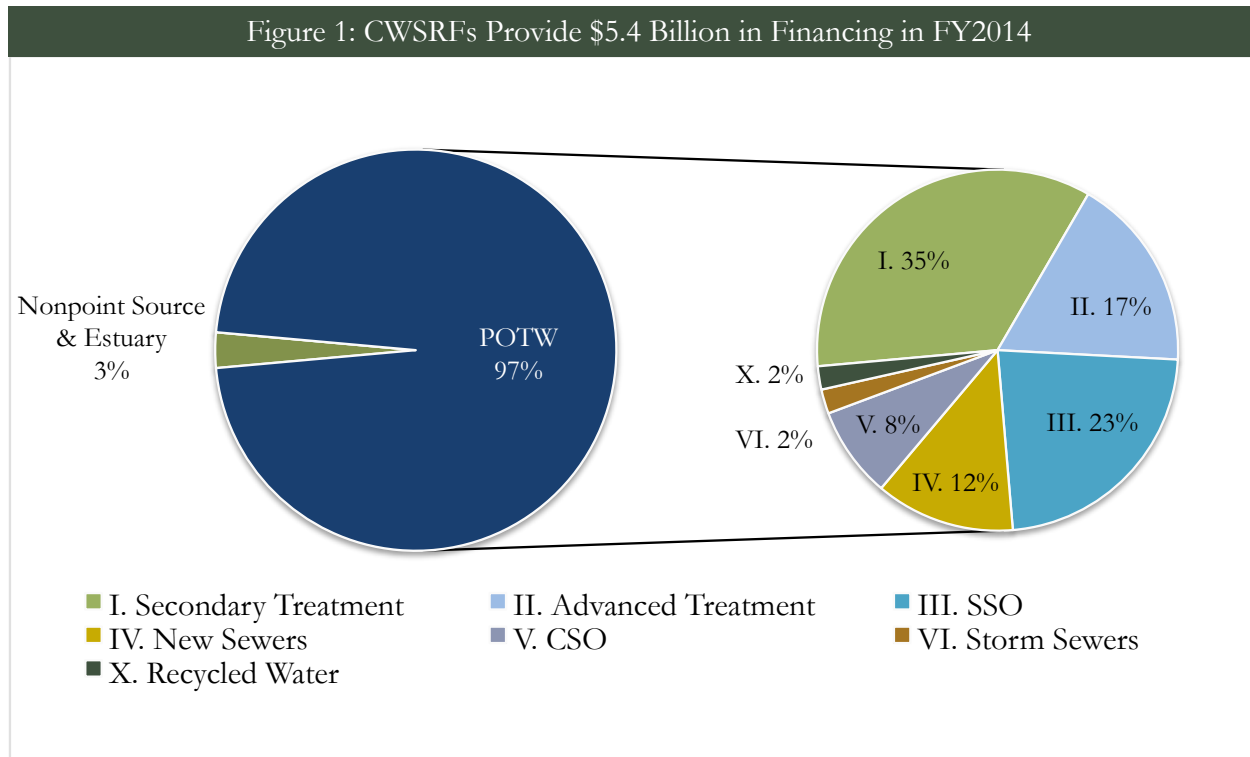
Total assets increased by \$380 million while total liabilities decreased by \$1.3 billion; as a result, net assets increased by \$1.7 billion, or 4.0 percent. Total program assets have grown by 36 percent in the last ten years while liabilities have grown only 6 percent, reflecting the strong overall growth of the CWSRF.

Total Assets have grown at a slower rate from FY2012 through FY2014 than in previous years. This is believed to be due to the continued high levels of bond refunding activity in these years, resulting in slower growth in Cash and Cash Equivalents and a reduction of funds held in Debt Service Reserves. At the same time, Loans Outstanding continue to grow, increasing 52 percent in the last ten years. Lower interest rates on CWSRF bonds will increase funds available for loans as bond interest expenses are reduced.



CWSRF Annual Activity - FY2014

In FY2014, the CWSRF provided \$5.4 billion in assistance to 1,525 communities. Communities under 10,000 accounted for 20 percent of all assistance provided and 65 percent of all assistance agreements.



CWSRF Cumulative Activity - FY1988 through FY2014

Since 1988, over \$105 billion in assistance has been provided to 34,902 communities. Communities under 10,000 accounted for 22 percent of all assistance provided and 67 percent of all agreements.

Figure 3: CWSRFs Provide \$105 Billion in Financing through FY2014

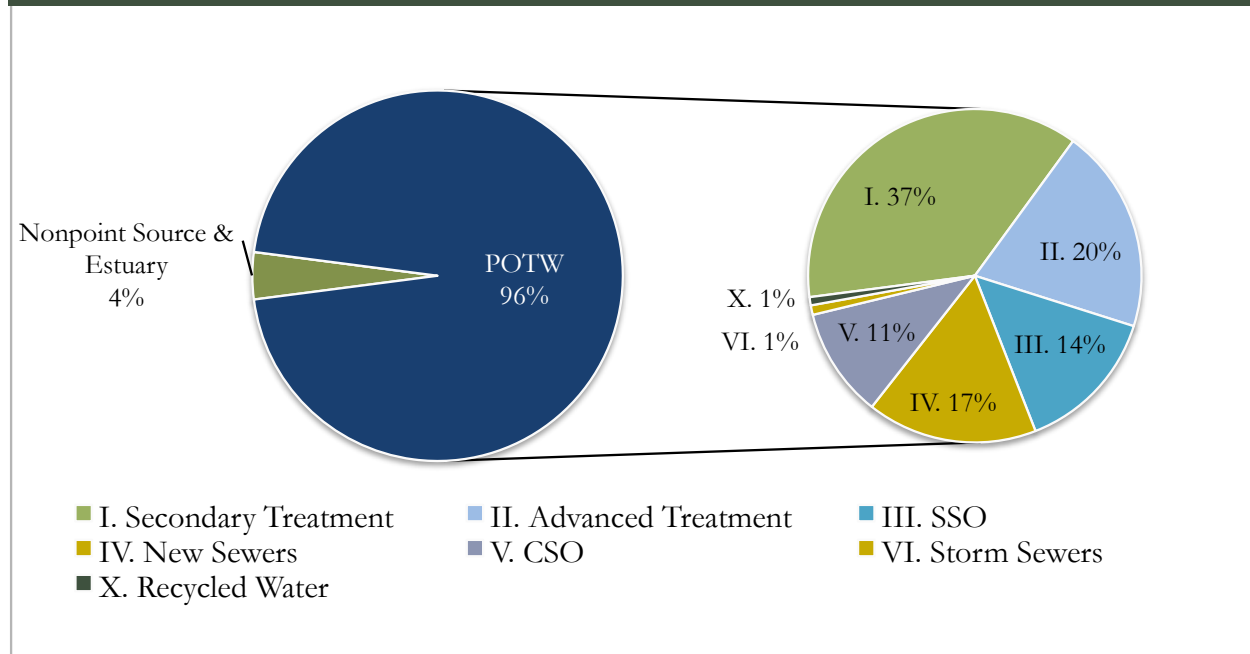


Figure 4: Assistance by Community Size, FY1988 - FY2014

