



# 2016 Financial Overview

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 accounting standards (GAAP) 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 a statements of fund activity, revenues, expenses, earnings, and assets. Because the 51 constituent CWSRF programs are independent state-level entities, no nationally audited CWSRF program financial reports are available. However, national aggregate financial statements have been developed using data entered in EPA's National Information Management System between July 1, 2015 and June 30, 2016. The statements are best viewed as non-audited, cash flow-based financial reports. We begin by providing the 2016 Financial Highlights.

## **Statement of Fund Activity**

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**

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**

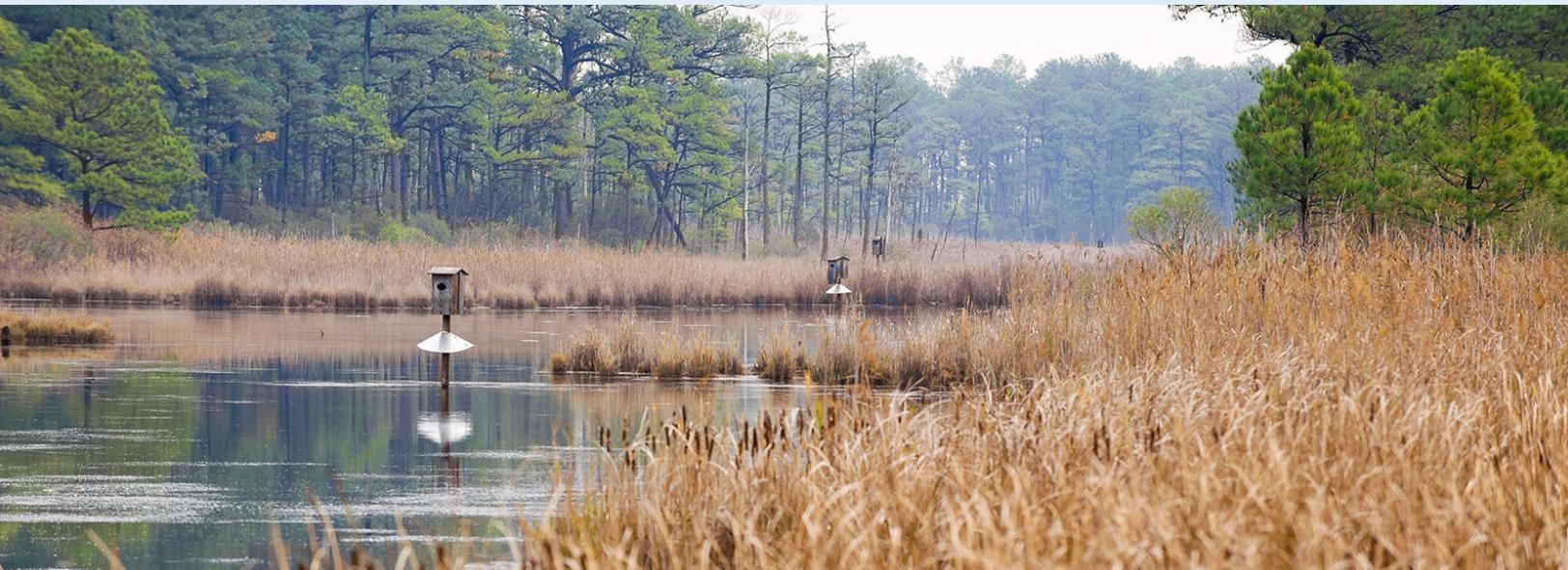
This statement provides a detailed accounting of the actual flow of cash into and out of the CWSRF fund.

## **Statement of Net Assets**

This statement describes CWSRF 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 assets include grant funds that have been drawn from the federal treasury to date, but do not include total grant awards. CWSRF assets also include state matching contributions that have been deposited in the fund.

## 2016 Financial Highlights

- In FY 2016, the CWSRF programs provided over \$7.6 billion in funding.
- CWSRF program equity (net assets) totals \$48.2 billion, a \$1.8 billion or 3.9 percent increase from 2015.
- Project disbursements increased by \$883 million in FY 2016 compared to the previous year. In FY 2016, \$5.1 billion in principal and interest repayments were received, an increase of 4 percent over FY 2015.
- Interest earnings from loans and investments totaled more than \$1.2 billion, allowing operating revenues to exceed operating expenses by \$128 million.
- Leveraged bond proceeds added \$1.9 billion to program cash flows in FY 2016, allowing the CWSRF programs to fund additional projects. This was a threefold increase compared to FY 2015.
- In FY 2016, states paid more than \$2.4 billion in principal and interest on leveraged and state match bonds, within 1.5 percent of the 9-year average.
- State match bond proceeds added \$113 million to program cash flows in FY 2016, a slight decrease compared to FY 2015.



## Statement of Fund Activity (Millions of Dollars)

<b>Annual Fund Activity</b>	<b>FY 2015</b>	<b>FY 2016</b>
Federal Capitalization Grants	1,870.6	1,517.9
State Matching Funds	268.3	274.7
New Funds Available for Assistance	5,515.5	6,789.3
Executed Assistance Agreements	5,757.7	7,628.2
Project Disbursements	5,111.0	5,994.3
Cash Draws from Federal Capitalization Grants	1,715.7	1,505.7
Total Annual Subsidy	130.5	175.0
Grants	26.5	41.6
Negative Interest	0.0	0.0
Principal Forgiveness	103.9	133.4
<b>Cumulative Fund Activity</b>		
Federal Capitalization Grants	39,464.3	40,982.2
State Matching Funds	7,373.2	7,647.9
Funds Available for Assistance	113,772.8	120,562.1
Executed Assistance Agreements	111,102.7	118,730.9
Project Disbursements	97,351.6	103,345.9
Cash Draws from Federal Capitalization Grants	37,743.5	39,249.2
Total Cumulative Subsidy	4,100.4	4,275.4
Grants	485.7	527.3
Negative Interest	0.0	0.0
Principal Forgiveness	3,614.7	3,748.0

Cumulative Executed Assistance Agreements as a percent of Funds Available for Assistance ("pace") was 98 percent in FY 2016, 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 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.

## Statement of Revenues, Expenses and Earnings (Millions of Dollars)

<b>Operating Revenues</b>	<b>FY 2015</b>	<b>FY 2016</b>
Interest on Investments	296.3	250.3
Interest on Loans	997.1	1,004.9
<i>Total Operating Revenues</i>	<b>1,293.3</b>	<b>1,255.1</b>
<b>Operating Expenses</b>		
Bond Interest Expense	915.8	874.5
Amortized Bond Issuance Expense	21.8	19.9
Administrative Expenses	55.0	58.4
Additional Subsidy Provided	130.5	175.0
<i>Total Expenses</i>	<b>1,123.1</b>	<b>1,127.8</b>
<b>Nonoperating Revenues and Expenses</b>		
Federal Contribution (Cash Draws)	1,715.7	1,505.7
State Contributions	150.0	162.2
Transfers from (to) DWSRF	7.6	<span style="color: red;">(7.9)</span>
<i>Total Nonoperating Revenues (Expenses)</i>	<b>1,873.2</b>	<b>1,660.0</b>
<b>Increase (Decrease) in Net Assets</b>	<b>2,043.5</b>	<b>1,787.3</b>
<b>Net Assets</b>		
Beginning of Year	44,378.0	46,421.5
End of Year	46,421.5	48,208.8

Operating revenues exceeded operating expenses by \$128 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, particularly as rising market rates increase earnings on investments.

Operating revenues are also affected by the additional subsidies in the form of grants or principal forgiveness that have been required since the American Recovery and Reinvestment Act of 2009. 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 \$1.8 billion in FY 2016. This increase reflects the states' efforts to minimize expenses while maximizing funds awarded for projects.

## Statement of Cash Flows (Millions of Dollars)

<b>Operating Activities</b>	<b>FY 2015</b>	<b>FY 2016</b>
Cash Draws from Federal Capitalization Grants	1,715.7	1,505.7
Contributions from States	150.0	162.2
Project Disbursements (Including Additional Subsidy)	(5,111.0)	(5,994.3)
Loan Principal Repayments	3,915.6	4,093.0
Interest Received on Loans	997.1	1,004.9
Administrative Expenses	(55.0)	(58.4)
<i>Total Cash Flows from Operating Activities</i>	1,612.3	713.1
 <b>Noncapital Financing Activities</b>		
Gross Leveraged Bond Proceeds	612.4	1,902.3
Bond Issuance Expense	(7.7)	(14.1)
State Match Bond Proceeds	118.3	112.5
Cash Received from Transfers with DWSRF	7.6	(7.9)
Interest Paid on Leveraged and State Match Bonds	(915.8)	(874.5)
CWSRF Funds Used for Refunding	(161.6)	(327.4)
Principal Repayment of Leveraged Bonds	(1,515.7)	(1,465.8)
Principal Repayment of State Match Bonds	(155.1)	(106.8)
<i>Net Cash Provided by Noncapital Financing Activities</i>	(2,017.4)	(781.9)
 <b>Cash Flows from Capital and Related Financing Activities</b>	<b>0.0</b>	<b>0.0</b>
 <b>Investing Activities</b>		
Interest Received on Investments	296.3	250.3
Release (Deposit) of Leveraged Bond Debt Service Reserve	247.1	354.3
<i>Net Cash Provided by Investing Activities</i>	543.4	604.5
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>138.3</b>	<b>535.8</b>
 <b>Cash and Cash Equivalents</b>		
Beginning of Year	12,286.3	12,424.6
End of Year	12,424.6	12,960.4

## Statement of Net Assets (Millions of Dollars)

<b>Assets</b>	<b>FY 2015</b>	<b>FY 2016</b>
Cash and Cash Equivalents	12,424.6	12,960.4
Debt Service Reserve - Leveraged Bonds	4,389.9	4,035.6
Loans Outstanding	48,596.2	50,322.5
Unamortized Bond Issuance Expenses*	254.3	248.6
<b>Total Assets</b>	<b>65,665.0</b>	<b>67,567.0</b>
<b>Liabilities</b>		
Match Bonds Outstanding	598.8	604.5
Leveraged Bonds Outstanding	18,644.8	18,753.8
<b>Total Liabilities</b>	<b>19,243.6</b>	<b>19,358.3</b>
<b>Net Assets</b>		
Federal Contributions (Cash Draws)	37,743.5	39,249.2
State Contributions	5,329.4	5,491.6
Transfers - Other SRF Funds	(511.9)	(519.8)
Other Net Assets	3,860.5	3,987.8
<b>Total Net Assets</b>	<b>46,421.5</b>	<b>48,208.8</b>
<b>Total Liabilities and Net Assets</b>	<b>65,665.0</b>	<b>67,567.0</b>

\* 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.

Total assets and total liabilities both saw an increase in FY 2016, by \$1.9 billion and \$115 million respectively. As a result, net assets increased by \$1.8 billion. This was a 3.9 percent increase from the previous year and reflects the strong overall growth of the CWSRF programs.

Total assets have grown at a slower rate from FY 2012 through FY 2016 than in many of the previous years. This is believed to be due lower overall levels of leveraging activity, additional subsidization, and lower investment earnings. At the same time, Loans Outstanding continue to grow at a steady rate, increasing 28 percent in the last ten years.



## PISCES: Performance and Innovation in the SRF Creating Environmental Success

The 29 year history of the CWSRF programs is a story of tremendous financial and environmental success, but it is also a story marked by change. State programs don't have the luxury of remaining static in their approach to infrastructure finance because the environmental and economic challenges communities face are continually evolving. CWSRF programs and the communities they serve are collaborating to meet infrastructure challenges head on, and their efforts are producing tangible results. The funding partnership between borrower and funding agency is a well spring of creativity that produces infrastructure solutions and safeguards public health and water quality.

EPA's Performance and Innovation in the SRF Creating Environmental Success (PISCES) Program proposes to bring these efforts to light and recognize individuals at the community level for their hard work and dedication. In 2017, PISCES will recognize eligible recipients that make innovative contributions to the advancement of water quality through the CWSRF programs. Projects will be recognized based on their merits under the following evaluation criteria:

Water Quality, Public  
Health, or Economic  
Benefits

Sustainability

Environmental  
Innovation

Participation in PISCES is voluntary, but EPA welcomes participation from all CWSRF programs. In the spring of each calendar year, a national call will go out inviting states to nominate one project for recognition. States that elect to participate will fill out a nomination template that describes the project and how it satisfies one or more of the evaluation criteria. Nomination templates must be submitted to EPA by July 1 of each year. Once approved, a certificate of recognition will be prepared for the recipient community for each project. Approved projects and their associated funding agencies will also be published in an annual project compendium produced by EPA.



**For more information about the Clean Water State Revolving Fund, please contact us at:**

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