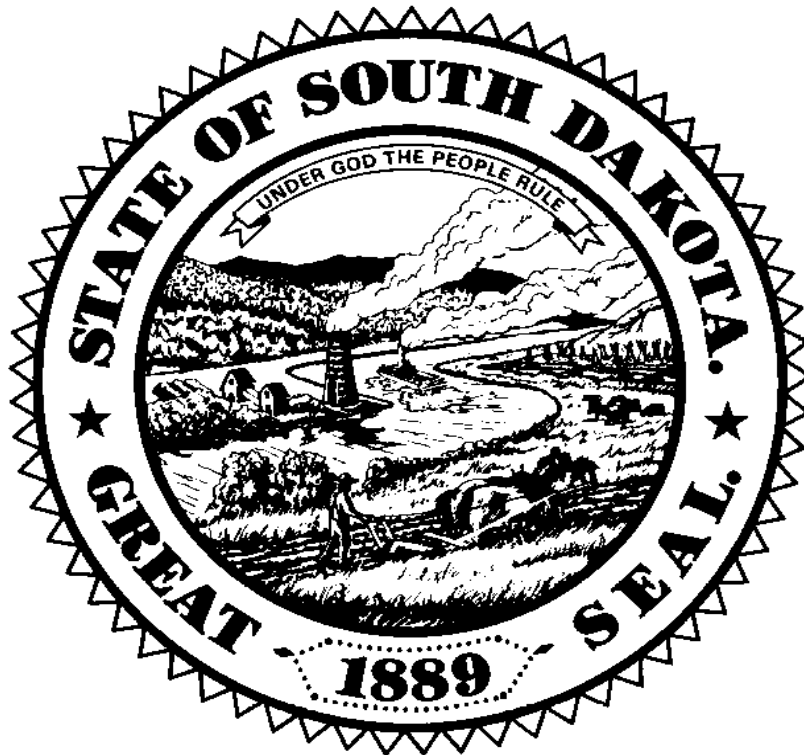


**THE SOUTH DAKOTA CONSERVANCY DISTRICT
DRINKING WATER STATE REVOLVING FUND
ANNUAL REPORT**

**FEDERAL FISCAL YEAR 2006
October 1, 2005 - September 30, 2006**



**Department of Environment and Natural Resources
Division of Financial and Technical Assistance
523 East Capitol Avenue
Pierre, South Dakota 57501-3181
PHONE: (605) 773-4216 FAX: (605) 773-4068**

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**THE SOUTH DAKOTA CONSERVANCY DISTRICT
BOARD MEMBERS**

BRAD JOHNSON, CHAIRMAN

Watertown
Member since 2003

GENE JONES, JR., VICE-CHAIRMAN (June 2006 – present)

Sioux Falls
Member since 2002

DON BOLLWEG, VICE-CHAIRMAN (June 2003 – June 2006)

Harrold
Member since 1994

DON ROUNDS, SECRETARY (June 2006 – present)

Pierre
Member since 2003

KELLY WHEELER, SECRETARY (July 2005 – June 2006)

Custer
Member since 2005

DALE KENNEDY

Beresford
Member since 1985

JOHN LOUCKS

Rapid City
Member since 1989

MISSION

The mission of the South Dakota Drinking Water State Revolving Fund loan program is to capitalize the fund to the fullest; ensure that the state's drinking water systems remain safe and affordable; protect public health; and promote the economic well-being of the citizens of the state of South Dakota.

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FEDERAL FISCAL YEAR

2006

ANNUAL REPORT

INTRODUCTION

The State of South Dakota herewith submits its Annual Report for Federal Fiscal Year (FFY) 2006 (October 1, 2005 through September 30, 2006). This report describes how South Dakota has met the goals and objectives of the Drinking Water State Revolving Fund (SRF) Loan program as identified in the 2006 Intended Use Plan, the actual use of funds, and the financial position of the Drinking Water SRF.

The Annual Report consists of three main sections. The *Executive Summary* section provides an overview of the Drinking Water SRF program and the FFY 2006 activities. The next section addresses the *Goals and Environmental Results* the State of South Dakota identified in its 2006 Intended Use Plan and the steps that have been taken to meet these measures. The *Details of Activities* section provides information on the financial status of the program, the financial assistance provided during FFY 2006, and compliance with the EPA grant and operating agreement conditions. The Annual Report is followed by a brief history of the Drinking Water SRF program.

The *Program History* is followed by the Drinking Water SRF Loan Portfolio. The loan portfolio provides information on the interest rates, loan amounts, projects, and loan terms. Exhibits I through IX provide detailed financial and environmental program information. Exhibits X through XII are the unaudited financial statements of the Drinking Water SRF program prepared by the Department of Environment and Natural Resources. Finally, Addendum A is the *Intended Use Plan for Federal Fiscal Year 2007*. The primary purpose of the Intended Use Plan is to outline the proposed use of the funds made available to the Drinking Water SRF program.

EXECUTIVE SUMMARY

The South Dakota Drinking Water SRF program received a federal capitalization grant of \$8,229,300 for FFY 2006. These funds were matched by \$1,645,860 in state-issued revenue bonds and were supplemented by accumulated loan repayments, leveraged bonds, and interest earnings.

DRINKING WATER SRF LOANS

The Conservancy District approved 12 loans to 12 entities totaling \$10,187,663. A breakdown of the loans made during FFY 2006 is detailed in Table 1.

**Table 1
Drinking Water Loans
Federal Fiscal Year 2006**

<u>Recipient</u>	<u>Project Description</u>	<u>Assistance Amount</u>	<u>Rate/Term</u>
Big Sioux CWS (DW-01)	Clearwell & Water Storage Improvements	\$831,000	3.25%/20
Burke (DW-01)	Franklin Street Utilities Replacement	115,600	2.50%/30
Dell Rapids (DW-02)	4 th Street Utility Improvements	162,263	3.25%/20
Elk Point (DW-03)	Utility System Improvements	218,000	3.25%/20
Eureka (DW-01)	Water Meter Reading Improvements	135,000	0.00%/10
Humboldt (DW-01)	Water Supply & Distribution System Improvements	412,300	3.25%/20
Kingbrook RWS (DW-04)	2006 Improvements	2,350,000	3.25%/20
Mobridge (DW-03)	Water Main Improvements	213,500	2.50%/30
Parker (DW-02)	Utility System Improvements	300,000	3.25%/20
Wagner (DW-01)	Water Tower & Water Line Improvements	750,000	0.00%/30
Waubay (DW-01)	Utility Improvements Phase I	750,000	2.50%/30
WEB WDA (DW-03)	Water Treatment Plant Expansion Phase III	3,950,000	3.25%/20
TOTAL		\$10,187,663	

Disbursements from the program during FFY 2006 totaled \$28,106,568.50. This total includes loan disbursements of \$27,598,080 to the various loan recipients with the balance going for set-asides purposes. See Exhibit V for a breakdown of all disbursements during FFY 2006.

Since the program was initiated in 1997, 104 loans have been awarded with two loans subsequently being rescinded. The projects associated with 70 loans are fully constructed or essentially complete and in operation. The following seven projects initiated operations this past year:

Aberdeen (DW-01)	Burke (DW-01)
Elk Point (DW-02)	Groton (DW-02)
Keystone (DW-01)	Salem (DW-02)
Worthing (DW-01)	

Drinking Water SRF program forms are provided in the Department of Environment and Natural Resources' State Water Planning Process document. This document contains application forms and instructions for the State Water Plan and various funding programs. A drinking water project self-assessment was incorporated into the State Water Plan application to facilitate the

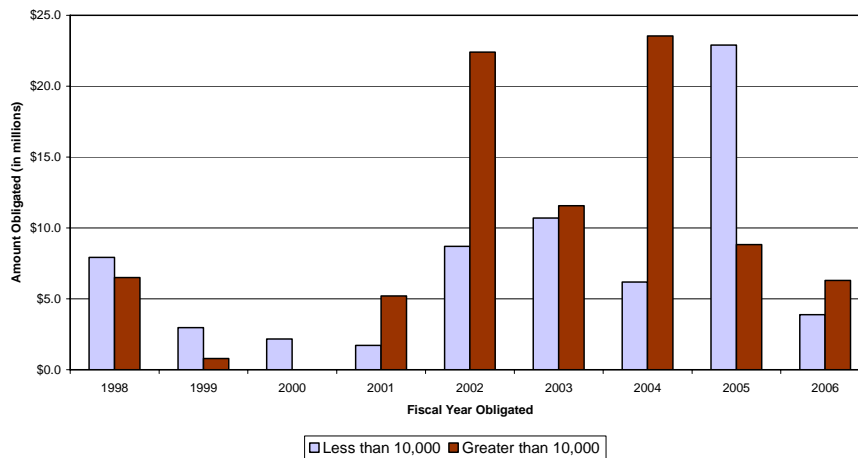
project priority determination process. All forms are also available from the department's website at www.state.sd.us/denr/dfta/wwfunding/wwfprg.htm.

The Drinking Water SRF loan application incorporates the Capacity Assessment Worksheets for Public Water Systems. The Safe Drinking Water Act requires that a public water system applying for a Drinking Water SRF loan must demonstrate that it has the financial, managerial, and technical capacity to operate its system in full compliance with the Act.

ASSISTANCE TO SMALL SYSTEMS

A requirement of the Drinking Water SRF program is to annually use at least 15 percent of all dollars credited to the Fund to provide loan assistance to small systems that serve fewer than 10,000 persons. In FFY 2006, \$3,887,663 or 38.2 percent of the binding commitments were made to systems serving less than 10,000. Since the Drinking Water SRF program was initiated, \$67,173,623 has been awarded to systems serving a population of 10,000 people or less. Of the total funds available to loan, this represents 42.2 percent. Figure 1 shows loans awarded to small systems for FFY 1997 through 2006.

**FIGURE 1
Drinking Water SRF Loans Obligated
by Service Population by Year**



BYPASSED PROJECTS

No projects with higher priority points were denied funding in FFY 2006. The projects listed on Table 2 were bypassed because they were not ready to proceed or had secured other financing.

Table 2
Status of High Priority Projects Bypassed in 2006

Rank/ Priority Points	Community/ Public Water System	Reason for Bypassing
1/152	West River/Lyman-Jones Rural Water System	The project is proceeding and will be funded using Bureau of Reclamation funds.
2/141	T-M Rural Water District	The District was awarded a state grant in June 2006 and chose to finance the balance of the project with a private bond issue.
3/135	Tripp County Water User District	The project was awarded a state grant in March 2006, and the District has made application to Rural Development for the balance of the funding.
4/129	Edgemont	The city received a state grant in June 2006 to install water meters and will proceed with further improvements at a later date.
5/122	BDM Rural Water System	The system was awarded a state grant in September 2005 for this project and is seeking the balance of the funding from Rural Development.
6/93	Fall River Water User District	The system was awarded a state grant in March 2006 for this project and has made application to Rural Development for the balance of the funding.
7/88	Sioux Falls	These projects were moved to future years on the city's Capital Improvement Plan.
8/83	B-Y Rural Water System	The project is still in the planning stage.
11/65	Salem	The project is still in the planning stage.
13/58	Green Valley Sanitary District	The project is still in the planning stage.
14/57	Rapid Valley Sanitary District	The District is financing the project through Rural Development.
15/53	Stagebarn Sanitary District	The District is negotiating with the SD DOT for reimbursement of wells that will be removed for a highway relocation project; additional funding may not be necessary.

INTEREST RATES

Interest rates are reviewed periodically to ensure that they are below market rate and are competitive with other funding sources, such as the federal Rural Development program. The SRF base rates during FFY 2006 were 2.50 percent for loans with a term of 10 years or less and 3.25 percent for loans with a term greater than 10 years up to a maximum of 20 years. The term of each loan is at the discretion of the borrower provided that the proposed repayment source produces the required debt service coverage.

Communities that meet the disadvantaged community criteria may receive a Drinking Water SRF loan at an interest rate below that for other recipients. Additionally, the maximum allowable repayment period for disadvantaged communities can be extended to 30 years. Disadvantaged communities qualify for 3.25 percent loans for 30 years if their median household income (MHI) is 80 percent to 100 percent of the statewide MHI. Municipalities, other

community water systems, and sanitary districts must have an MHI below 80 percent of the statewide MHI to be eligible for an interest rate of 2.5 percent, and an MHI less than 60 percent of the statewide MHI to be eligible for a loan at zero percent interest. Residential water bills must be at least \$20 for 5,000 gallons usage for municipalities and sanitary districts and \$50 for 7,000 gallons usage for other community water systems.

REPAYMENTS

Sixty-eight loans are currently in repayment, and six loans have been repaid in full. Repayments equaled \$6,463,638 in FFY 2006 and consisted of \$3,511,186 in principal, \$2,224,569 in interest, and \$727,883 in administrative surcharge fees.

BOND ISSUE

The South Dakota Conservancy District closed its Series 2005 bond issue for the State Revolving Fund programs in October 2005. The 2005 bond issue was rated AAA by Standard and Poor's and Aaa by Moody's, the highest ratings assigned by each agency. These ratings were based on the programs' strength and do not involve bond insurance. The par amount of the tax-exempt revenue bonds issued in October 2005 was \$50,000,000. The True Interest Cost was 4.36 percent and the Net Interest Cost was 4.47 percent.

The purpose of the bond issue was to fund the State Match and Leveraged Loans for both the Clean Water and Drinking Water SRF programs. Leveraged loans refer to loans funded entirely with bond proceeds to meet the high loan demand. The Clean Water program utilized \$1.5 million of proceeds for 2006-2007 match and \$41.0 million for leveraged loans. The remaining proceeds provided \$1.67 million for 2007 Drinking Water match and \$7.0 million for leveraged Drinking Water loans.

In conjunction with the bond issue, a Guaranteed Investment Contract (GIC) was awarded to AIG Matched Funding Corporation. The GIC earns 4.412 percent, and up to \$80 million of bond proceeds and repayments can be invested under this agreement.

The financial team for the 2005 bond issue included The First National Bank in Sioux Falls as trustee, Perkins Coie LLP as bond counsel, Public Financial Management as financial advisor, and UBS Financial Services as senior underwriter. The Trustee, Bond Counsel, and Financial Advisor provide professional financial services to the board and department on an ongoing basis.

DRINKING WATER SRF NON-PROJECT ACTIVITIES (SET-ASIDES)

The Safe Drinking Water Act authorizes states to set aside funding for certain non-project activities, provided that the amount of that funding does not exceed certain ceilings. Unused set-aside funds are banked for future use, where allowable, or transferred to the project loan account at the discretion of the state and with concurrence from the EPA Regional Administrator. Exhibit V details the FFY 2006 Drinking Water disbursements. Table 3 recaps the cumulative Drinking Water SRF set-aside status.

**Table 3
Drinking Water SRF Set-Aside Status**

Set-Aside	Allotment 1997-2005	Allotment 2006	Transfer to Loan Fund	Obligated as of 9/30/06	Balance
Administration	\$3,013,408	\$329,172	\$ 0	\$2,637,042	\$705,538
Small System Tech Assistance	892,822	164,586	0	881,902	175,506
State Program Mgmt	20,000	0	15,700	4,300	0
Local Assistance/ Other	1,305,880	200,000	1,284,674	221,206	0
TOTAL	\$5,232,110	\$693,758	\$1,300,374	\$3,744,450	\$881,044

- **Administration**

Four percent of the 2006 capitalization grant (\$329,172) was allocated to administer the Drinking Water SRF program. Specific activities funded from this set-aside include the following:

- | | |
|----------------|----------------------------|
| Staff salaries | Overhead |
| Travel | Trustee expenses |
| Bond counsel | Other administrative costs |
| Benefits | |

During FFY 2006, \$321,418 was disbursed for administrative expenses.

- **Small System Technical Assistance**

In 1997, the Drinking Water SRF program began obligating funds under the Small System Technical Assistance Set-Aside to provide technical assistance to public water systems serving 10,000 people or less. The objectives of this funding were to bring non-complying systems into compliance, to improve operations of water systems, and to facilitate completion of small systems' capacity assessments and ultimate access to the Drinking Water SRF program. These funds were used to establish contracts with each of the regional planning districts within South Dakota and the South Dakota Association of Rural Water Systems.

In FFY 2001, the Small Community Planning Grant program was initiated under a Small System Technical Assistance Set-Aside. This program was established to encourage proactive planning by small communities. Grants are available to communities of 2,500 or fewer to assist in preparing a water system engineering study. Participating systems are reimbursed 80 percent of the cost of the study, up to a maximum of \$6,000. Additional grants for studies incorporating a rate analysis using Rate Maker software are also available through this program. Reimbursement for performing a rate analysis is 80 percent of costs up to a maximum of \$1,600. Table 4 provides a list of the small community public water systems that received awards in 2006 through the Small Community Planning Grant program, and Table 5 lists those communities that conducted rate analyses.

The South Dakota Association of Rural Water Systems continues to provide on-site assistance such as leak detection, consumer confidence reports, water audits, board training, treatment plant operations, operator certification, and rate analysis. Through FFY 2006, the Association has provided nearly 7,900 hours of on-site small system technical assistance.

To assure continued technical assistance for South Dakota communities, the maximum allowable allocation of two percent of the capitalization grant was set aside in FFY 2006. This amounted to \$164,586 and is intended to be used for planning grants and Rural Water Association activities as needed.

**Table 4
Small System Technical Assistance
Planning Grants
FFY 2006**

Sponsor	Amount Obligated	Date Obligated	Project Description
Armour	\$3,040	03/13/2006	Water Distribution System Study
Big Stone City	\$6,000	06/29/2006	Water Supply Improvements Study
Canistota	\$4,800	01/30/2006	Water Distribution Study
Copper Oaks #1 Water Assn.	\$5,200	09/12/2006	Water Supply Study
Corsica	\$2,000	12/15/2005	Water System Improvements Study
Eastridge Acres Dev. Assn.	\$6,000	03/02/2006	Water System Study
Fall River Water User Dist.	\$5,120	06/21/2006	Water Supply Study
Mission Hill	\$2,960	03/27/2006	Water System Improvements Study
New Underwood	\$4,000	02/07/2006	Water System Upgrade Study
Oak Mountain Country Estates Homeowners	\$6,000	07/24/2006	Water System Improvements Study
TC&G Water Association	\$6,000	09/18/2006	Water System Improvement Study
TOTAL	\$51,120		

**Table 5
Drinking Water Rate Analysis Grants
FFY 2006**

Sponsor	Amount Obligated	Date Obligated
Colton	\$1,600	10/17/2005
Viborg	1,600	09/14/2006
Worthing	1,600	09/07/2006
TOTAL	\$4,800	

- **Operator Certification**

Operator certification training activities were allotted \$20,000 in 1997. A contract for the supplemental training was awarded to the South Dakota Association of Rural Water Systems (SDARWS). Through FFY 2001, disbursements under this contract totaled \$4,300, and the contract was terminated on September 30, 2001. The balance of \$15,700 was transferred to the Drinking Water SRF project loan account in FFY 2002.

- **Local Assistance and other state programs**

The Department of Environment and Natural Resources determined it would not expend any of the 1997 set-aside funds (\$1,255,880) to delineate and assess source water protection areas. These funds were transferred to the Drinking Water SRF project loan account in FFY 2002.

In FFY 2001, \$50,000 was allocated to develop a Capacity Development program Set-aside. Prior to FFY 2003, \$1,000 had been expended to complete a rate study for a small community. In FFY 2003, \$26,000 was allocated to the six South Dakota planning districts to be trained in RateMaker software and to then complete water rate analyses in twelve communities interested in using the software. Of the \$26,000 allocated, \$20,206 was expended in FFY 2004. The remaining \$28,794 was transferred to the loan fund in FFY 2005. In FFY 2006, \$200,000 was awarded to West Dakota Water Development District to conduct a two-year study to characterize the impacts to groundwater of decentralized wastewater treatment systems in the Rapid City area.

ADMINISTRATIVE SURCHARGE

In FFY 2005 the Board established a new program to provide administrative surcharge funds to planning districts to defray the cost of application preparation and on-going project administration activities. The planning districts may receive up to \$7,500 per loan for application and project administration duties. The planning districts assisted 12 systems with Drinking Water SRF applications in FFY 2006, and disbursements totaled \$37,500.

GOALS AND ENVIRONMENTAL RESULTS

The following goals were developed for the FFY 2006 Intended Use Plan. The short-term goals support the implementation of the program's long-term goals. The long-term goals provide a framework that guides management decisions for the Drinking Water SRF program.

SHORT-TERM GOAL

GOAL: To fully capitalize the fund.

As of September 30, 2006, South Dakota has made binding commitments equal to \$152,323,992. With these commitments, South Dakota has fully utilized all of its capitalization awards and associated state matching funds.

LONG-TERM GOALS

GOAL: To fully capitalize the fund.

The state has received and expended each capitalization grant in the required time period and has had state match moneys available for each capitalization grant. As of September 30, 2006, South Dakota has made binding commitments to fully utilize all of its capitalization awards and associated state matching funds.

GOAL: To ensure that the state's drinking water supplies remain safe and affordable, to ensure that the systems are operated and maintained, and to promote economic well-being.

The state has awarded 104 loans to 73 entities to assist with construction or refinancing of drinking water projects. Since the Drinking Water SRF program began in 1997, the state has set aside \$1,057,408 to be used to provide technical assistance to public water systems serving 10,000 people or less. Additionally, \$221,206 has been set aside for capacity development and \$4,300 to supplement the existing operator certification program.

ENVIRONMENTAL RESULTS

Effective January 1, 2005, EPA required states to establish program activity measures (outcomes) in its Intended Use Plan to receive the federal capitalization grant. Progress related to these measures is to be reported in the annual report. The specific measures and the results are as follows:

- 1. In fiscal year 2005, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 99.8 percent, which is above the national average of 83 percent. For fiscal year 2006, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.**

As of September 30, 2006, the state had made loans totaling \$152,323,992. The amount of funds (capitalization grants, state match, leveraged bonds, repayments, and interest earnings) totaled \$159,279,134. This results in a fund utilization rate of 95.6 percent.

2. **In fiscal year 2005, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 64.5 percent. For fiscal year 2006, the goal is to increase this construction pace to 75 percent.**

As of September 30, 2006, \$118,683,952 had been disbursed to loan recipients and loans totaling \$152,323,992 had been awarded. This results in a construction pace of 77.9 percent.

3. **For fiscal year 2006, the goal of the Drinking Water SRF program is to fund 14 loans, totaling \$19.0 million.**

In fiscal year 2006, 11 loans totaling \$10,187,663 million and serving a population of 78,177 were awarded.

4. **For fiscal year 2006, it is estimated that ten projects will initiate operations.**

Seven projects initiated operation in fiscal year 2006.

5. **For fiscal year 2006, it is estimated that 20 Small Community Planning Grants will be awarded to small systems to evaluate the system's infrastructure needs.**

In fiscal year 2006, 12 Small Community Planning Grants were awarded to small systems to evaluate infrastructure needs.

6. **For fiscal year 2006, it is estimated that the South Dakota Association of Rural Water Systems will provide 950 hours of technical assistance to small systems.**

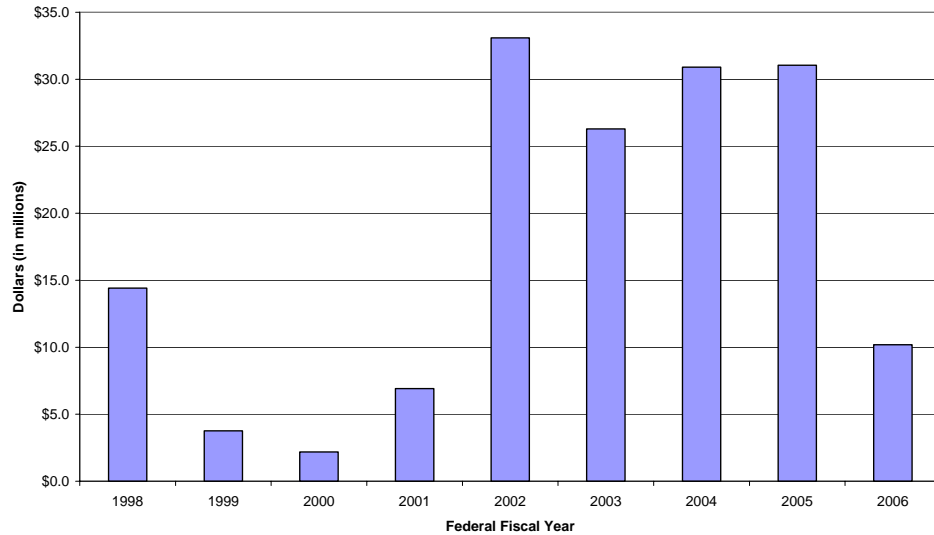
The South Dakota Association of Rural Water Systems provided 1,200 hours of technical assistance to small systems in fiscal year 2006.

DETAILS OF ACTIVITIES

FUND FINANCIAL STATUS

Binding Commitments: In order to provide financial assistance for drinking water projects, the state entered into 12 binding commitments totaling \$10,187,663. Exhibit I details the Drinking Water SRF binding commitments made during FFY 2006. Figure 2 shows binding commitments by year since the inception of the program.

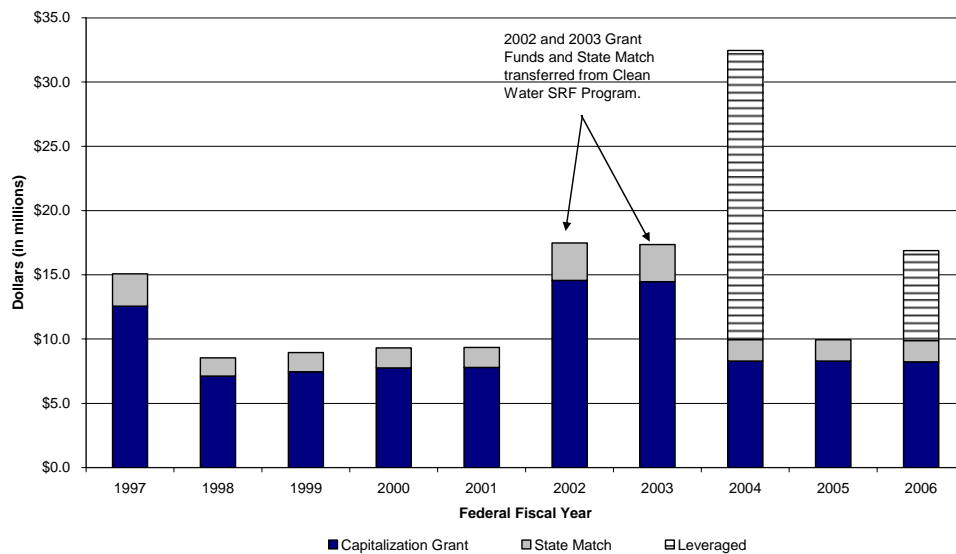
FIGURE 2
Binding Commitments by Year



Sources of Funds: During FFY 2006, the state was awarded a federal capitalization grant totaling \$8,229,300. State match totaling \$1,645,860 was provided. Exhibit III and Figure 3 show the annual allocation and source of Drinking Water SRF funds.

In FFY 2006, principal repayments amounted to \$3,511,186. After leveraged bond payments were made, \$1,524,178 was available to reloan. As of September 30, 2006, \$1,295,785 remains available.

FIGURE 3
Source of State Revolving Funds by Year



Revenues and Expenses: Fund revenues consisted of interest earned on loans, cash and investments, the special reserve account, and administrative expense surcharge payments received from each borrower. These revenues totaled \$13,218,914.29. Fund expenses included administration expenditures, interest payable on bonds, and the amortization of each bond's issuance costs. These expenses totaled \$2,573,369.50. Additionally, \$106,137.25 was transferred out to the DENR indirect cost pool. The Statement of Income and Retained Earnings is shown on Exhibit XI.

Disbursements and Guarantees: There were no loan guarantees during FFY 2006.

Findings and Recommendations of the Annual Audit and EPA Oversight Review: The Drinking Water SRF program was audited by the South Dakota Department of Legislative Audit for state fiscal year 2005 (July 1, 2004, through June 30, 2005). The audit did not contain any written findings or recommendations.

Region VIII conducted its annual oversight review of the South Dakota Drinking Water SRF program. A final report was received in May 2006, and the following observation was made:

1. Future DWSRF annual reports should document the status of high priority projects that were bypassed to receive funding. This was not an issue with FY05 accomplishments of South Dakota's DWSRF program.

EPA suggested that DENR "may want to consider establishing a Tier II environmental review process for each program, as allowed by 40 CFR §35.3140(c) for CWSRF projects and §35.3580(d) for DWSRF projects."

ASSISTANCE ACTIVITY

Exhibits I through IX illustrate the assistance activity of the Drinking Water SRF in FFY 2006 and projected cash flows for FFY 2007.

Exhibit I	Recipients by population category that received Drinking Water SRF loans during FFY 2006.
Exhibit II	The assistance amount provided to each project by needs category.
Exhibit III	Source of Drinking Water SRF funds by fiscal year.
Exhibit IV	Drinking Water SRF loans and source of funding.
Exhibit V	The cash draws and the projects or administrative assistance for which they were made.

- Exhibit VI The estimated and actual cash disbursement schedule from the federal Letter of Credit for FFY 2006. The estimated schedule was established by the state and EPA through the annual Capitalization Grant application process.
- Exhibit VII The environmental review and land purchase information for the loans made in FFY 2006.
- Exhibit VIII The cumulative report showing all loan recipients and balances through September 30, 2006.
- Exhibit IX The projected cash flow worksheet for FFY 2007.

PROVISIONS OF THE OPERATING AGREEMENT/CONDITIONS OF THE GRANT

The state of South Dakota agreed to 22 conditions in the Operating Agreement and Capitalization Grant Agreement. The following 21 conditions have been met and need no further description:

1. Enact legislation to establish Drinking Water SRF
2. Comply with all applicable state statutes and regulations
3. Allocate adequate personnel and resources to Drinking Water SRF program
4. Agreement to accept payments
5. Cash draws for Drinking Water SRF program separate
6. Provide state match
7. Deposit of all funds into Drinking Water SRF account
8. Establish fiscal controls and accounting procedures in accordance with Generally Accepted Accounting Principles
9. Annual audit
10. Loan covenants
11. Timely and expeditious use of funds
12. Project priority list additions and modifications
13. Annual revision of the intended use plan
14. Reports on the actual use of funds
15. Conduct environmental reviews
16. Set-asides will be identified each year
17. Compliance with specific Title I requirements
 - A. Authority to ensure new systems demonstrate technical, managerial, and financial capability
 - B. Funds provided only to systems with technical, managerial, and financial capability
 - C. Operator certification
18. Privately-owned systems may receive funding
19. Disadvantaged communities
20. Transfers between Clean Water SRF Program and Drinking Water SRF Program

21. Prior to executing binding commitments on Drinking Water SRF projects, the Regional Administrator must certify project compliance with Title VI of the Civil Rights Act. All loan recipients submitted project certification forms (EPA 4700-4) to DENR, but the department was notified in FY 2003 that it need no longer submit these forms to EPA for concurrence.

The following condition is described in detail below.

1. Compliance with all applicable federal cross-cutting authorities, including the establishment of Minority Business Enterprise (MBE)/Women's Business enterprise (WBE) goals and submission of MBE/WBE Utilization reports.

The state and EPA have agreed on "fair share" goals of 1 percent MBE and 3 percent WBE. The actual MBE/WBE participation achieved during FFY 2006 was 0.09 percent MBE and 1.97 percent WBE.

PROGRAM CHANGES

2007 INTENDED USE PLAN

The Annual Report contains the 2007 Intended Use Plan as approved by the Board of Water and Natural Resources on November 2, 2006, and is shown on page A1.

SOUTH DAKOTA
DRINKING WATER
STATE REVOLVING FUND
LOAN PROGRAM HISTORY

INITIATION OF THE PROGRAM

The Drinking Water State Revolving Fund (SRF) Loan program is a low interest loan program to finance drinking water projects. Funds are provided to the state in the form of capitalization grants awarded annually through the United States Environmental Protection Agency (EPA). The federal capitalization grants are matched by state funds at a ratio of 5 to 1.

The program was federally authorized by the Safe Drinking Water Act Amendments of 1996. The state authorized the loan program in 1994 in anticipation of federal action. EPA provided the final guidance for the Drinking Water SRF program on February 28, 1997. The South Dakota Conservancy District, acting in its capacity as the Board of Water and Natural Resources (the Board), conducted a public hearing on April 15, 1997, to adopt formal administrative rules for the program.

The Board conducted a public hearing on May 28, 1997, to adopt the 1997 Intended Use Plan. The State of South Dakota submitted an Operating Agreement and Capitalization Grant application for FFY 1997 in August of that year and received EPA approval on September 23, 1997. South Dakota's Drinking Water SRF program was the fourth in the nation to be approved by EPA.

CAPITALIZATION GRANTS

Since 1997, South Dakota's Drinking Water SRF program has received federal capitalization grants totaling \$96,543,100. In order to receive each of the capitalization grants, the federal grant must be matched with state funds equal to at least 20 percent of each grant. To meet this requirement, state appropriations as well as revenue bonds have provided the required \$19,308,620 state matching funds. Exhibit III shows the total amount of capitalization grants and state match by year.

STATE MATCHING FUNDS

The Safe Drinking Water Act amendments allowed states to defer the state match of the 1997 capitalization grant until September 30, 1999. South Dakota deferred its match until program bonds were issued in 1998. For the 1998 capitalization grant, the source of the state match had to be identified at the time of the grant application in December 1997. The 1997 state appropriation of \$1,424,260 was utilized to match the 1998 capitalization grant.

In June 1998, \$6,450,000 in program bonds were issued. This bond issue was insured by Ambac Assurance Corporation and was rated Aaa by Moody's Investors Services, Inc. The Series 1998A bonds were issued to provide \$2,511,760 to match the 1997 federal capitalization grant, \$1,492,760 to match the 1999 federal capitalization grant, and \$1,551,400 to match the 2000 federal capitalization grant. The balance was used to match a portion of the 2001 federal capitalization grant.

The entire program was upgraded to a Aa3 rating by Moody's in June 1998 and to Aa1 in August 2001.

In October 2001, \$5,270,000 in revenue bonds were issued. These funds provided the required state match for 2001, 2002, and 2003 capitalization grants.

Revenue bonds were issued in July 2004. State match bonds for grant years 2004, 2005, and 2006 amounted to \$5,001,620.

State match bonds were issued in October 2005 for grant year 2007 and amounted to \$1,670,000.

LEVERAGED PROGRAM BONDS

Leveraged funds issued in July 2004 for new loans amounted to \$22,503,662. In October 2005 an additional \$14.5 million of leveraged bonds were issued. These program bonds were leveraged to provide additional loan funds to communities. Subsequently, \$7.5 million of leveraged bond proceeds were transferred to the Clean Water SRF program.

TRANSFERS BETWEEN PROGRAMS

In federal fiscal years 2002 and 2003, because of the demand on the Drinking Water program, the Clean Water SRF capitalization grants and state match were transferred to the Drinking Water SRF program; see Table 6. These grants amounted to \$12,978,600, with a corresponding state match of \$2,595,720. In 2006, \$7.5 million of the Series 2005 Drinking Water bond proceeds were transferred to the Clean Water program to meet demand.

Table 6
Transfers between Clean Water SRF and Drinking Water SRF Programs

From	To	Grant Year	Capitalization Grant	State Match	Lev. Series	Bonds Transferred	Total
Clean Water SRF	Drinking Water SRF	2002	\$6,510,800	\$1,302,160			\$7,812,960
Clean Water SRF	Drinking Water SRF	2003	\$6,467,800	\$1,293,560			\$7,761,360
Drinking Water SRF	Clean Water SRF				2005	\$7,500,000	\$7,500,000

OTHER FUNDS

The Drinking Water SRF program is intended to revolve in perpetuity. As borrowers repay their loans, the principal repayments are used to pay debt serviced on leveraged bonds. Excess repayments are then available to be loaned out to other communities. The first use of principal repayment for a loan was in 1999. The interest repaid by borrowers and investment earnings are dedicated to pay debt service on state match bonds. The excess interest (unrestricted cumulative interest) is then available to be loaned out to other communities. No loans have been made from unrestricted cumulative interest. When the federal capitalization grants cease, all loans will be made from these sources. Exhibit IV details projects receiving principal repayment funds.

TRUSTEE

The First National Bank in Sioux Falls has been the trustee since the onset of the program in 1997. The trustee manages and invests all funds and accounts for the Drinking Water SRF program, issues amortization schedules, disburses loan funds, and receives all loan repayments.

BOND COUNSEL

Altheimer & Gray served as bond counsel for the Series 1998A and Series 2001 Drinking Water State Revolving Fund Program Bonds. In July 2003, Altheimer & Gray law firm dissolved, and Perkins Coie LLP was retained to serve as bond counsel.

UNDERWRITER

Piper Jaffray served as underwriter for the Series 1998A Drinking Water State Revolving Fund Program Bonds. Dougherty and Company served as underwriter for the Series 2001 bonds. UBS Financial Services served as underwriter for the Series 2004 and Series 2005 State Revolving Fund Program Bonds.

FINANCIAL ADVISOR

In September 2003, Public Financial Management (PFM) was retained to perform financial analyses of the SRF programs. PFM designed a comprehensive program cash flow model that assessed financial impacts of transfers between the Clean Water and Drinking Water programs, maintenance of SRF funds in perpetuity, short- and long-term effects of refunding some or all of the District's outstanding debt, financial impacts of leveraging the Drinking Water SRF program, and financial impacts of various methods by which required state matching funds may be provided.

EPA REGION VIII

Region VIII of the Environmental Protection Agency oversees the Drinking Water State Revolving Fund Loan program. EPA assists the state in securing capitalization grants and guides the conservancy district in its administration of the program.

DRINKING WATER
STATE REVOLVING FUND
LOAN PORTFOLIO

FIGURE 4
Drinking Water State Revolving Fund Loans

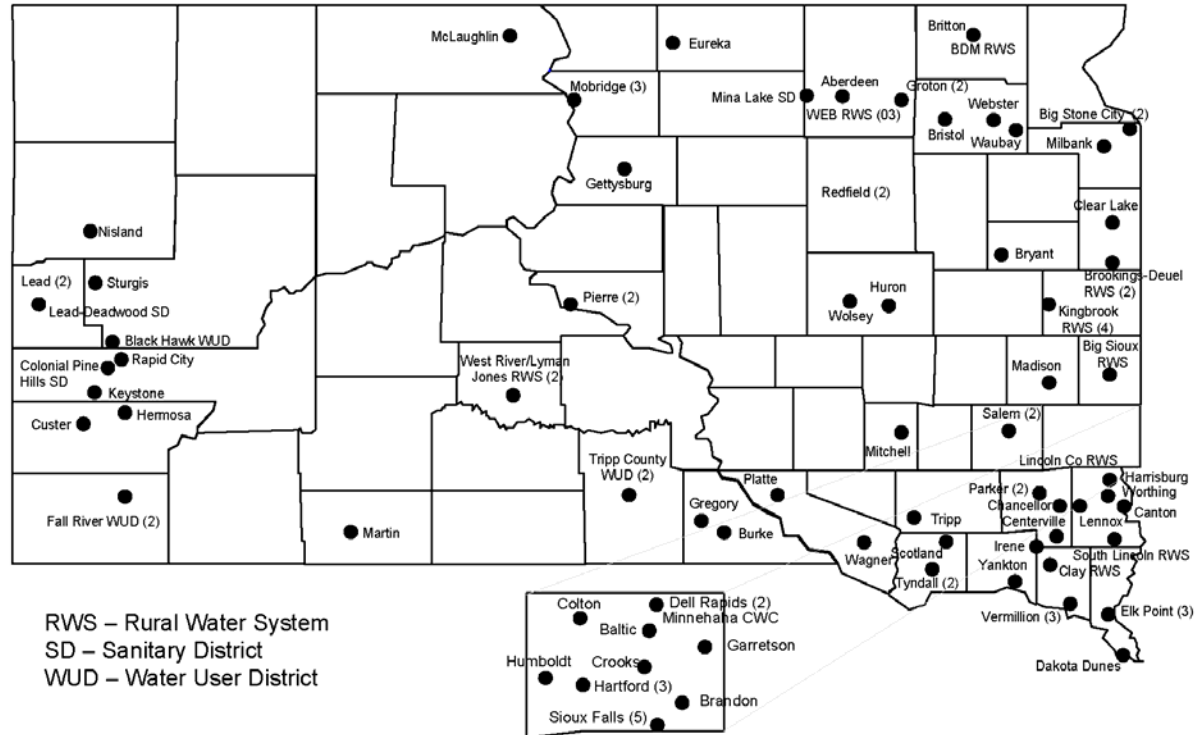


Table 7
State of South Dakota
Drinking Water State Revolving Fund Loan Program

Sponsor	Binding Commitment Date	Rate	Term (Years)	Original Binding Commitment Amount	Final Loan Amount
Aberdeen (DW-01A)	03/28/2003	3.50%	20	\$9,460,000	\$9,460,000
Aberdeen (DW-01B)	01/08/2004	3.50%	20	\$7,300,000	\$7,300,000
Baltic (DW-01)	06/27/2002	3.50%	20	\$250,000	\$250,000
BDM RWS (DW-01)	04/12/2002	3.50%	20	\$536,000	\$280,251
Big Sioux CWS (DW-01)	03/31/2006	3.25%	20	\$831,000	\$831,000
Big Stone City (DW-01)	07/22/1998	5.25%	20	\$600,000	\$570,000
Big Stone City (DW-02)	06/26/2003	3.50%	20	\$240,000	\$240,000
Black Hawk WUD (DW-01)	03/26/1998	5.25%	20	\$500,000	\$500,000
Brandon (DW-01)	11/13/1998	4.75%	15	\$1,950,000	\$1,877,375
Bristol (DW-01) ¹	04/25/2001	4.50%	20	\$139,000	\$0
Britton (DW-01)	04/25/2001	4.50%	20	\$320,000	\$320,000
Brookings-Deuel Rural Water System (DW-01)	01/06/2005	3.25%	30	\$1,200,000	\$1,200,000
Brookings-Deuel Rural Water System (DW-02)	06/23/2005	3.25%	30	\$1,750,000	\$1,750,000
Bryant (DW-01)	01/13/2000	3.00%	30	\$142,000	\$142,000
Burke (DW-01)	01/05/2006	2.50%	30	\$115,600	\$115,600
Canton (DW-01)	01/10/2003	3.50%	20	\$500,000	\$500,000
Centerville (DW-01)	03/25/2004	3.25%	30	\$870,000	\$870,000
Chancellor (DW-01)	09/22/2005	3.25%	30	\$230,000	\$230,000
Clay RWS (DW-01)	06/23/2005	3.25%	30	\$4,331,000	\$4,331,000
Clear Lake (DW-01)	12/10/1998	3.00%	30	\$565,000	\$540,637
Colonial Pine Hills Sanitary District (DW-01)	01/31/2002	3.50%	20	\$659,000	\$636,108
Colton (DW-01)	06/27/2002	3.50%	30	\$681,720	\$632,455
Crooks (DW-01)	06/25/2004	3.25%	20	\$302,900	\$302,900
Custer (DW-01)	01/10/2003	3.50%	20	\$800,000	\$800,000
Dakota Dunes CID (DW-01)	06/27/2002	3.50%	20	\$908,000	\$508,000
Dell Rapids (DW-01)	03/28/2003	3.50%	20	\$621,000	\$621,000
Dell Rapids (DW-02)	01/05/2006	3.25%	20	\$162,263	\$162,263
Elk Point (DW-01)	01/31/2002	3.50%	20	\$220,000	\$220,000
Elk Point (DW-02)	06/25/2004	3.25%	20	\$570,000	\$570,000
Elk Point (DW-03)	06/22/2006	3.25%	20	\$218,000	\$218,000
Eureka (DW-01)	09/28/2006	0.00%	10	\$135,000	\$135,000
Fall River Water User District (DW-01)	12/09/1999	3.00%	30	\$759,000	\$759,000

¹ Deobligated in full

Sponsor	Binding Commitment Date	Rate	Term (Years)	Original Binding Commitment Amount	Final Loan Amount
Fall River Water User District (DW-02)	11/09/2001	2.50%	30	\$400,000	\$260,958
Garretson (DW-01)	06/27/2002	3.50%	30	\$1,261,060	\$1,102,147
Gettysburg (DW-01)	06/14/2001	4.50%	20	\$565,000	\$565,000
Gregory (DW-01)	04/12/2002	2.50%	30	\$380,000	\$347,580
Groton (DW-01)	03/28/2003	3.50%	20	\$440,000	\$440,000
Groton (DW-02)	06/25/2004	3.25%	20	\$365,900	\$308,945
Harrisburg (DW-01)	10/12/2000	5.00%	20	\$525,000	\$525,000
Hartford (DW-01)	04/13/2000	5.00%	20	\$185,000	\$185,000
Hartford (DW-02)	01/10/2003	3.50%	20	\$800,957	\$800,957
Hartford (DW-03)	01/06/2005	3.25%	20	\$1,123,556	\$1,123,556
Hermosa (DW-01)	12/10/1998	5.00%	20	\$300,000	\$300,000
Humboldt (DW-01)	06/22/2006	3.25%	20	\$412,300	\$412,300
Huron (DW-01)	06/27/2002	3.50%	20	\$4,000,000	\$4,000,000
Irene (DW-01) ²	06/22/2000	5.00%	20	\$145,000	\$127,126
Keystone (DW-01)	03/25/2004	3.25%	20	\$762,000	\$762,000
Kingbrook RWS (DW-01)	04/13/2000	0.00%	30	\$475,000	\$474,204
Kingbrook RWS (DW-02)	01/06/2005	3.25%	30	\$2,115,000	\$2,115,000
Kingbrook RWS (DW-03)	03/30/2005	3.25%	20	\$3,324,000	\$3,324,000
Kingbrook RWS (DW-04)	06/22/2006	3.25%	20	\$2,350,000	\$2,350,000
Lead (DW-01)	07/27/2000	4.50%	10	\$192,800	\$192,800
Lead (DW-02)	01/06/2005	3.25%	30	\$205,800	\$205,800
Lead-Deadwood San Dist (DW-01) ²	06/24/1998	5.25%	20	\$2,700,000	\$2,683,957
Lennox (DW-01)	07/16/2004	3.25%	30	\$2,000,000	\$2,000,000
Lincoln County Rural Water (DW-01)	01/31/2002	3.50%	20	\$1,200,000	\$1,079,170
Madison (DW-01) ²	05/14/1998	5.00%	15	\$2,372,000	\$2,372,000
Martin (DW-01)	09/25/2003	2.50%	30	\$920,000	\$919,776
McLaughlin (DW-01)	06/25/2004	2.50%	30	\$350,000	\$350,000
Milbank (DW-01)	09/22/2005	2.50%	30	\$4,741,000	\$4,741,000
Mina Lake San Dist (DW-01)	11/13/1998	5.00%	20	\$255,200	\$255,200
Minnehaha CWC (DW-01)	06/27/2002	3.50%	20	\$6,500,000	\$6,022,816
Mitchell (DW-01)	10/12/2000	4.00%	20	\$6,000,000	\$2,850,115
Mobridge (DW-01) ²	03/26/1998	5.25%	20	\$965,000	\$965,000
Mobridge (DW-02) ²	07/22/1998	5.25%	20	\$355,000	\$352,207
Mobridge (DW-03)	09/28/2006	2.50%	30	\$213,500	\$213,500
Nisland (DW-01)	12/13/2001	0.00%	30	\$350,000	\$350,000
Parker (DW-01)	09/23/2004	3.25%	20	\$730,000	\$730,000
Parker (DW-02)	06/22/2006	3.25%	20	\$300,000	\$300,000

² Loans paid in full

Sponsor	Binding Commitment Date	Rate	Term (Years)	Original Binding Commitment Amount	Final Loan Amount
Pierre (DW-01)	01/31/2002	3.50%	15	\$1,094,200	\$988,188
Pierre (DW-02)	09/25/2003	3.50%	15	\$1,832,900	\$1,832,900
Platte (DW-01)	06/25/2004	2.50%	10	\$400,000	\$293,134
Rapid City (DW-01)	11/14/2003	3.50%	20	\$3,500,000	\$3,500,000
Redfield (DW-01)	04/25/2001	4.50%	20	\$85,000	\$85,000
Redfield (DW-02)	06/23/2005	2.50%	30	\$342,755	\$342,755
Salem (DW-01)	03/28/2003	3.50%	10	\$126,921	\$118,540
Salem (DW-02)	06/23/2005	3.25%	20	\$348,540	\$348,540
Scotland (DW-01)	03/28/2003	2.50%	30	\$340,000	\$340,000
Sioux Falls (DW-01)	07/22/1998	4.50%	10	\$7,022,000	\$6,496,745
Sioux Falls (DW-02)	01/11/2001	4.50%	10	\$2,750,000	\$2,348,168
Sioux Falls (DW-03)	04/12/2002	3.50%	10	\$7,930,000	\$7,930,000
Sioux Falls (DW-04)	01/10/2003	3.50%	10	\$5,279,000	\$279,599
Sioux Falls (DW-05)	07/16/2004	2.50%	10	\$12,749,000	\$12,749,000
South Lincoln RWS (DW-01)	01/10/2003	3.50%	20	\$2,000,000	\$2,000,000
Sturgis (DW-01) ²	01/08/1998	5.00%	15	\$700,000	\$478,377
Tripp (DW-01)	07/26/2001	2.50%	30	\$291,000	\$225,656
Tripp County WUD (DW-01)	11/14/2002	2.50%	30	\$3,500,000	\$3,500,000
Tripp County WUD (DW-02)	11/14/2002	0.00%	30	\$148,000	\$131,469
Tyndall (DW-01)	07/27/2000	2.50%	10	\$300,000	\$300,000
Tyndall (DW-02)	11/09/2001	2.50%	30	\$861,000	\$861,000
Vermillion (DW-01)	05/13/1999	5.00%	20	\$942,000	\$795,338
Vermillion (DW-02)	06/27/2002	3.50%	20	\$1,510,000	\$1,507,552
Vermillion (DW-03)	09/22/2005	2.50%	20	\$3,772,500	\$3,772,500
Wagner (DW-01)	06/22/2006	0.00%	30	\$750,000	\$750,000
Waubay (DW-01)	03/31/2006	2.50%	30	\$750,000	\$750,000
WEB WDA (DW-01) ³	03/26/1998	5.25%	20	\$1,110,000	\$0
WEB WDA (DW-02) ³	10/11/2001	2.50%	30	\$137,450	\$0
WEB WDA (DW-03)	03/31/2006	3.25%	20	\$3,950,000	\$3,950,000
Webster (DW-01)	04/12/2002	3.50%	20	\$330,000	\$318,828
West River/Lyman Jones RWS (DW-01)	10/12/2001	2.50%	30	\$340,000	\$340,000
West River/Lyman Jones RWS (DW-02)	03/30/2005	3.25%	30	\$8,000,000	\$8,000,000
Wolsey (DW-01)	06/23/2005	3.25%	20	\$263,000	\$263,000
Worthing (DW-01)	06/26/2003	3.50%	20	\$288,000	\$288,000
Yankton (DW-01)	11/09/2001	3.50%	20	\$3,460,000	\$3,460,000
TOTAL 104 loans to 73 entities				\$165,349,822	\$152,323,992

² Loans paid in full

³ Rescinded by BWNR

FIGURE 5
Drinking Water SRF Interest Rates
By Percent of Loan Portfolio
(\$152.3 Million)

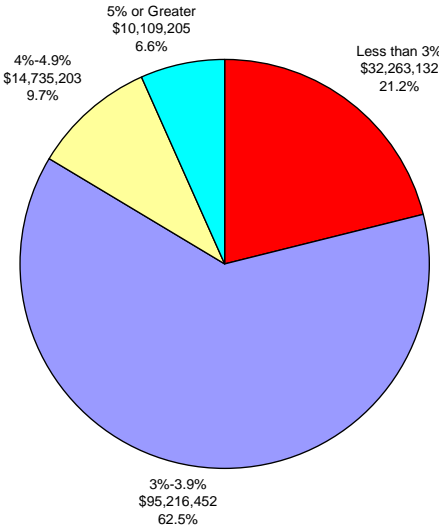
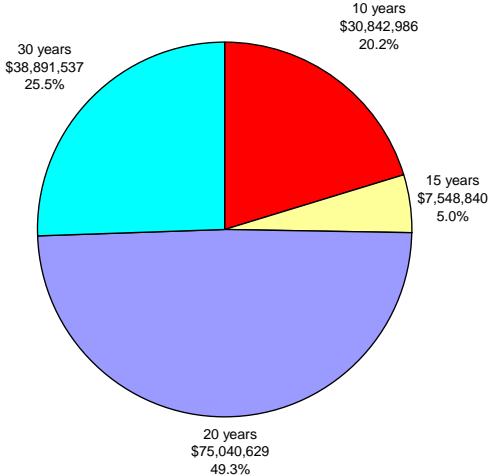


FIGURE 6
Drinking Water SRF Loan Terms
By Percent of Loan Portfolio
(\$152.3 Million)



DRINKING WATER SRF PROJECT DESCRIPTIONS

ABERDEEN – The city of Aberdeen received an \$8,460,000 loan at 3.5 percent for 20 years. This loan was the first installment of the city's \$14,460,000 project to improve the water treatment plant. Total project costs increased to \$18,700,000, and the city received the second installment of its loan in 2004 in the amount of \$8,300,000.

BALTIC – The city of Baltic received a \$250,000 loan for replacement of existing cast iron pipe with PVC water mains. The loan is at 3.5 percent for 20 years.

BDM RURAL WATER SYSTEM – The system received a loan in the amount of \$536,000 for expansion of the system to the city of Britton, SD. The loan is at 3.5 percent for 20 years.

BIG SIOUX COMMUNITY WATER SYSTEM (2006) – Big Sioux received a loan in the amount of \$831,000 for construction of a 500,000 gallon clearwell. The loan is at 3.25 percent for 20 years.

BIG STONE CITY – The city of Big Stone City utilized a \$600,000 loan to construct a 100,000-gallon elevated water storage tank. The project also included the installation of a water main to connect the tank to the existing distribution system, and the refinancing of debt incurred to connect to the Ortonville, Minnesota regional water treatment plant. The 20-year loan is at 5.25 percent. The city received its second loan in the amount of \$240,000 at 3.5 percent for 20 years to fund improvements to the water distribution system.

BLACK HAWK WATER USER DISTRICT – The Black Hawk Water User District received a loan for \$500,000. This loan financed a new well, pump house construction, installation of chlorination and fluoridation equipment, a 48,000-gallon water storage reservoir, and approximately 7,000 feet of new water lines. This loan is at 5.25 percent for 20 years.

BRANDON – Brandon received a loan for \$1,950,000 at 4.75 percent for 15 years to construct a new water treatment plant and upgrade the distribution system.

BRISTOL – The town of Bristol received a loan in the amount of \$139,000 at 4.5 percent interest for 20 years for the construction of a new elevated storage tank and replacement of an underground storage tank. This would have allowed the town to discontinue renting railroad land where the current low level tank is located and to eliminate its existing pumping station that pressurizes the distribution system. The city deobligated the loan.

BRITTON – The city of Britton received a loan in the amount of \$320,000 to replace and make improvements to approximately 30 blocks of water main throughout the city. The project involved replacing 50-year-old cast iron pipes, much of which were completely deteriorated due to rust and scale build-up. The loan is at 4.5 percent interest for 20 years.

BROOKINGS-DEUEL RURAL WATER SYSTEM – Brookings-Deuel RWS received two Drinking Water SRF loans in FFY 2005. The first loan, in the amount of \$1,200,000 at 3.25 percent for 30 years, increased the treatment capacity of the Bruce water treatment plant. The

second loan, in the amount of \$1,750,000 at 3.25 percent for 30 years, made improvements to the distribution system and extended water to the community of Astoria.

BRYANT – The city of Bryant received a \$142,000 loan to replace lead service lines and asbestos cement water mains throughout the city. The loan is at 3 percent interest for a term of 30 years.

BURKE (2006) – Burke’s first loan, in the amount of \$115,600 at the disadvantaged rate of 2.5 percent for 30 years, funded the drinking water portion of the Franklin Street Utilities Replacement project.

CANTON – Canton utilized its first loan in the amount of \$500,000 at 3.5 percent for 20 years to fund utility improvements in conjunction with South Dakota Department of Transportation reconstruction of US 18.

CENTERVILLE – Centerville received its first drinking water SRF loan in the amount of \$870,000 to construct water distribution system improvements. The loan is at 3.25 percent for 30 years.

CHANCELLOR – Chancellor’s first drinking water SRF loan for \$230,000 at 3.25 percent for 30 years provided water distribution system improvements.

CLAY RURAL WATER SYSTEM – Clay RWS’s first drinking water SRF loan expanded the system to southern Union County. The loan is for \$4,331,000 at 3.25 percent for 30 years.

CLEAR LAKE – Clear Lake received a loan in the amount of \$565,000 at the disadvantaged rate and term of 3 percent for 30 years. This project consisted of constructing a new 300,000-gallon water tower and installation of a 2,700 LF of 10-inch water main to connect the tower with the water distribution system.

COLONIAL PINE HILLS SANITARY DISTRICT – Colonial Pine Hills improved its water distribution system with a \$659,000 loan at 3.5 percent for 20 years.

COLTON – The city of Colton connected to the Minnehaha CWC with a loan in the amount of \$681,720 at 3.5 percent for 30 years. The loan was used for an elevated storage tank, water lines, wells, and new water treatment plant.

CROOKS – Crooks constructed a second connection to Minnehaha CWC’s distribution system and replaced high service pumps to improve capacity. The loan, in the amount of \$302,900, is at 3.25 percent for 20 years.

CUSTER — Custer received an \$800,000 loan at 3.5 percent for 20 years to replace transmission and distribution water lines within the business district in conjunction with a South Dakota DOT project.

DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT – Dakota Dunes connected its water supply with the city of Sioux City, Iowa, with its \$908,000 loan at 3.5 percent for 20 years. This project included construction of a line beneath the Big Sioux River connecting the city of Sioux City’s distribution system with Dakota Dunes and the cost to upsize water mains in Sioux City to provide the additional capacity necessary to serve Dakota Dunes.

DELL RAPIDS (2006) - Dell Rapids constructed various distribution system improvements with its first \$621,000 loan at 3.5 percent for 20 years. The city’s second loan, in the amount of \$162,263 at 3.25 percent for 20 years, financed the drinking water portion of the 4th Street Utility Improvements project.

ELK POINT (2006) – Elk Point received its first loan in the amount of \$220,000 at 3.5 percent for 20 years for water main replacement in conjunction with its Pearl Street Utility Improvement project. Its second loan, in the amount of \$570,000 at 3.25 percent for 20 years, funded an upgrade to the city’s water treatment plant. The city received its third loan of \$218,000 at 3.25 percent for 20 years, to fund the drinking water portion of the utility systems improvements.

EUREKA (2006) – Eureka utilized a \$135,000 loan at zero percent interest for 10 years to replace water meters and implement a computer generated water meter reading system.

FALL RIVER WATER USER DISTRICT – The Fall River Water User District received a \$759,000 loan at 3 percent interest for 30 years. This loan helped finance the construction of the Fall River Rural Water System to include supply, storage, and distribution. Fall River’s second SRF loan in the amount of \$400,000 at 2.5 percent for 30 years was used for initial construction of the rural water system in Fall River County.

GARRETSON – The city of Garretson connected to the Minnehaha CWC with its \$1,261,060 loan at 3.5 percent for 30 years. The loan was used for water lines, wells, and a new water treatment plant.

GETTYSBURG – The city of Gettysburg received a \$565,000 loan at 4.5 percent interest for 20 years to replace and relocate water lines within the city.

GREGORY – The city of Gregory received \$380,000 for the construction of a new steel reservoir and a new booster station. The terms of the loan are 2.5 percent for 30 years.

GROTON – Groton’s first loan in the amount of \$440,000 at 3.5 percent for 20 years funded replacement of water main in conjunction with its Main Street Utility Project. Its second loan, in the amount of \$365,900 at 3.25 percent for 20 years, funded additional waterline replacement.

HARRISBURG – The city of Harrisburg abandoned its existing wells and water treatment plant, constructed a connection to the Lincoln County RWS, constructed an elevated water storage tank, and looped a line to ensure uninterrupted water service. The city received a loan in the amount of \$525,000 at 5 percent interest for 20 years.

HARTFORD – Hartford received a \$185,000 loan at 5 percent interest for 20 years to replace water distribution lines throughout the city. With its second loan in the amount of \$800,957 at 3.5 percent for 20 years, Hartford replaced aging cast iron water mains. Hartford's third loan, in the amount of \$1,123,556 at 3.25 percent for 20 years, improved the water supply by providing a second connection to the Minnehaha CWC.

HERMOSA – Hermosa received a \$300,000 loan at 5 percent for 20 years to replace water distribution lines.

HUMBOLDT (2006) – The city of Humboldt's first loan, in the amount of \$412,300 at 3.25 percent for 20 years, funded a connection to the Minnehaha CWC's system.

HURON – Huron received a loan in the amount of \$4,000,000 at 3.5 percent for 20 years to fund the construction of a new water treatment facility, water tower improvements, and water meter replacement.

IRENE – The city of Irene received a 5 percent interest loan for 20 years in the amount of \$145,000 to replace water main along SD Highway 46.

KEYSTONE – Keystone used its first loan, in the amount of \$762,000 at 3.25 percent for 20 years, to build a 187,000-gallon reservoir, to close the loop on one-third of the town's system, and to install a pumping station.

KINGBROOK RWS (2006) – The Kingbrook Rural Water System received a loan in the amount of \$475,000 at zero percent interest for 30 years to hook up the city of Carthage and upgrade its distribution system and storage tank. Kingbrook RWS will take over the system and provide individual service. Kingbrook's second loan, in the amount of \$2,115,000 at 3.25 percent for 30 years, provided additional capacity within the system and provided service to Ramona and the Badger area. The third loan of \$3,324,000 at 3.25 percent for 20 years expanded the distribution system to allow 250 additional connections to the system. Kingbrook's fourth loan, \$2,350,000 at 3.25 percent for 20 years, continued with the improvements to the system's distribution system.

LEAD – Lead received a \$192,800 loan at 4.5 percent interest for 10 years. This loan was used to replace water lines beneath a portion of US Highway 85 in conjunction with the South Dakota DOT roadway reconstruction project. Lead's second drinking water SRF loan, in the amount of \$205,800 at 3.25 percent for 30 years, completed water main improvements associated with the Highway 85 project.

LEAD-DEADWOOD SANITARY DISTRICT – The Lead-Deadwood Sanitary District received a \$2,683,957, 5.25 percent, 20-year loan to refinance their Series 1994 General Obligation Bond issue. The Series 1994 bonds were originally issued to finance the construction of a new water treatment plant in Lead.

LENNOX – Lennox’s first loan, in the amount of \$2,000,000 at 3.25 percent for 30 years, was used to fund two wells, an elevated water storage reservoir, water main replacement and new lines.

LINCOLN COUNTY RURAL WATER SYSTEM – The RWS received a loan in the amount of \$1,200,000 at 3.5 percent for 20 years to fund storage improvements.

MADISON – Madison received a loan for \$2,372,000 to refinance their Series 1995 Bonds. The Series 1995 Bonds were originally issued to finance the rehabilitation of the treatment facility and the construction of three new wells. This loan is at 5 percent for 15 years.

MARTIN — Martin corrected undersized water lines and water supply issues with a \$920,000 loan at 2.5 percent for 30 years.

McLAUGHLIN – Improvements to McLaughlin’s water distribution system in conjunction with a South Dakota DOT project were funded with a \$350,000 loan at 2.5 percent for 30 years.

MILBANK – Milbank secured a \$4,741,000 loan at 2.5 percent for 30 years to replace raw water transmission lines.

MINA LAKE SANITARY DISTRICT – Mina Lake Sanitary District received a loan for \$255,200 at an interest rate of 5 percent for 20 years. This loan was for the construction of a 150,000-gallon water tower.

MINNEHAHA COMMUNITY WATER CORPORATION – MCWC received a loan in the amount of \$6,500,000 at 3.5 percent for 20 years to expand its rural water system to the communities of Colton and Garretson. The loan was used for water lines, an elevated water storage tank, wells, and a new water treatment plant.

MITCHELL – The city of Mitchell received a \$6,000,000 loan at 4.5 percent interest for 20 years to connect to the B-Y Rural Water System by constructing a water pipeline from Lesterville west and north to Mitchell. The project involves 61 miles of pipe, two pumping stations, a water storage reservoir, a meter station and appurtenances.

MOBRIDGE (2006) – The city of Mobridge received two loans in the amounts of \$965,000 and \$355,000 to finance water treatment plant upgrades. Both loans are at 5.25 percent for 20 years. The third loan, in the amount of \$213,500 at 2.50 percent for 30 years, financed improvements to the distribution system.

NISLAND – Nisland received a \$350,000 loan at zero percent interest for 30 years to fund the reconstruction of its water distribution system.

PARKER (2006) – Parker’s first loan, in the amount of \$730,000 at 3.25 percent for 20 years, was used to replace cast iron water mains in various locations in the city. The city’s second loan, in the amount of \$300,000 at 3.25 percent for 20 years, funded the second phase of the water line replacement project.

PIERRE – The city of Pierre received a \$1,094,200 loan at 3.5 percent for 15 years to fund a well field expansion. The loan funded construction of new wells, well houses, and water distribution lines. Pierre’s second drinking water loan, \$1,832,900 at 3.5 percent for 15 years, funded construction of a new storage tank to create a third pressure zone within the city.

PLATTE – Platte replaced cast iron water mains with its first drinking water loan of \$400,000 at 2.5 percent for 10 years.

RAPID CITY – Rapid City’s first drinking water loan was for \$3,500,000 at 3.5 percent for 20 years to finance a new water tank and transmission main in the southwest edge of the city.

REDFIELD – The City of Redfield received a loan in the amount of \$85,000 at an interest rate of 4.5 percent for 20 years to finance the replacement of water lines located under US Hwy 212 and 281. The project involved construction of approximately 4,900 feet of pipe, services lines, and appurtenances and the replacement of brittle asbestos cement or cast iron pipes that were fifty to eighty years old. Redfield received a second loan, in the amount of \$342,755 at 2.5 percent for 30 years, to fund water line replacement on South Main Street and Sixth Avenue.

SALEM – Salem received a loan of \$126,921 at 3.5 percent for 10 years to fund water distribution improvements in the city. Salem’s second loan, in the amount of \$348,540 at 3.25 percent for 20 years, funded water distribution system improvements in 2005.

SCOTLAND — Scotland replaced water mains in conjunction with reconstruction of Main Street with its \$340,000 loan at 2.5 percent for 30 years.

SIoux FALLS – The city of Sioux Falls received a loan in the amount of \$7,022,000 at an interest rate of 4.5 percent for 10 years to finance central pressure zone improvements. The city’s second loan allowed the city to continue with drinking water facility improvements with a loan for \$2,750,000 at 4.5 percent interest for 10 years. Its third loan, at 3.5 percent for ten years, was in the amount of \$7,930,000 for drinking water facilities improvements and water distribution line replacement. The city’s fourth drinking water loan, \$5,279,000 at 3.5 percent for 10 years, funded the replacement of aging equipment and water main and the improvement of operational efficiency, maintenance space, and pressure zones. Sioux Falls’ fifth drinking water loan is in the amount of \$12,749,000 at 2.5 percent for 10 years. This loan financed improvements to the water treatment plant, improvements to the West Pump Station, replacement of water mains, and upgrade of elevated finish tanks and collector wells.

SOUTH LINCOLN RWS — A \$2,000,000 loan at 3.5 percent for 20 years funded South Lincoln RWS’s pipeline, well, and pumping improvements. In addition, new facilities were constructed to provide connection of South Lincoln’s system to the Lewis and Clark RWS.

STURGIS – Sturgis received a loan for \$700,000 at 5 percent interest for 15 years. This loan financed the replacement of approximately 7,800 feet of water main in conjunction with a South Dakota DOT roadway reconstruction project.

TRIPP – The city of Tripp received a loan for \$291,000 at 2.5 percent interest for 30 years to complete the city's on-going water main rehabilitation project. The project involved approximately 8,100 feet of pipe, service connections, valves, fire hydrants and appurtenances to replace 70 year old cast iron water mains.

TRIPP COUNTY WUD — Tripp County Water User District (TCWUD) was awarded two loans in 2003. The first loan, \$3,500,000 at 2.5 percent for 30 years, funded expansion of the TCWUD into Gregory County and absorbed the East Gregory Rural Water System. The second loan, \$148,000 at zero percent interest for 30 years, allowed the District to assume the water distribution system at Wood.

TYNDALL – Tyndall received a loan for \$300,000 at 2.5 percent interest for 10 years. This loan financed the installation of approximately 2,800 feet of water main to enhance the overall efficiency of the distribution system by looping areas of the community that were dead ends. Tyndall received a second loan in the amount of \$861,000 to fund connection to the B-Y Rural Water System. This loan is at 2.5 percent interest for 30 years.

VERMILLION – Vermillion received a loan for \$942,000 at 5 percent interest for 20 years. This loan was used to construct lime sludge disposal lagoons. Vermillion's second loan, \$1,510,000 at 3.5 percent interest for 20 years, funded water treatment plant improvements. Vermillion's third drinking water SRF loan, in the amount of \$3,772,500 at 2.5 percent for 20 years, funded phase 3 improvements to the water treatment plant.

WAGNER (2006) – Wagner received its first drinking water loan in the amount of \$750,000 at the disadvantaged rate of zero percent interest for 30 years to make improvements to its water tower and replace water lines.

WAUBAY (2006) – The city of Waubay's first loan, in the amount of \$750,000 at the disadvantaged rate of 2.5 percent for 30 years, will fund phase 1 of the city's water distribution system replacement project and installation of chemical feed equipment.

WEB (2006) – WEB Water Development Association, Inc. received a loan for \$1,110,000 at 5 percent interest for 15 years. The project would have allowed WEB to extend service to approximately 200 additional rural homes and farms and provide additional water service to four existing bulk users. The Board of Water and Natural Resources rescinded this loan on May 13, 1999. WEB applied for and received a \$137,450 loan at 2.5 percent interest for 30 years to improve water service in the community of Glenham by replacing the town's water distribution system. This loan was rescinded on June 27, 2003. WEB received its third drinking water SRF loan in the amount of \$3,950,000 at 3.25 percent for 20 years to increase the capacity of its water treatment plant.

WEBSTER – The city of Webster received a \$330,000 loan at 3.5 percent interest for 20 years to fund replacement of cast iron water mains with PVC pipe and replacement of water services and fire hydrants.

WEST RIVER/LYMAN-JONES RURAL WATER SYSTEM – WR/LJ received a loan in the amount of \$340,000 at 2.5 percent for 30 years to fund water main replacement in the town of Reliance. WRLJ's second loan, in the amount of \$8,000,000 at 3.25 percent for 30 years, funded phase 1 of the construction of the north loop pipeline to provide service to Stanley and Haakon counties.

WOLSEY – Wolsey's first drinking water SRF loan, \$263,000 at 3.25 percent for 20 years, funded a waterline replacement project.

WORTHING — Worthing received its first loan in the amount of \$288,000 at 3.5 percent for 20 years for improvements to the city's water distribution system.

YANKTON – Yankton utilized a \$3,460,000 loan for line replacement and water treatment plant improvements to include a new disinfection system. The loan is at 3.5 percent for 20 years.

EXHIBITS I-IX
DRINKING WATER SRF
STATUS REPORTS

EXHIBIT I
RECIPIENTS BY POPULATION CATEGORY
FEDERAL FISCAL YEAR 2006

Recipient	Assistance Amount by Population		Binding Commitment	
	Below 10,000	10,000 & Above	Date	Rate/Term
Big Sioux CWS (DW-01)	\$831,000		31-Mar-06	3.25%/20 yr
Burke (DW-01)	\$115,600		05-Jan-06	2.50%/30 yr
Dell Rapids (DW-02)	\$162,263		05-Jan-06	3.25%/20 yr
Elk Point (DW-03)	\$218,000		22-Jun-06	3.25%/20 yr
Eureka (DW-01)	\$135,000		28-Sep-06	0.00%/10 yr
Humboldt (DW-01)	\$412,300		22-Jun-06	3.25%/20 yr
Kingbrook RWS (DW-04)		\$2,350,000	22-Jun-06	3.25%/20 yr
Mobridge (DW-03)	\$213,500		28-Sep-06	2.50%/30 yr
Parker (DW-02)	\$300,000		22-Jun-06	3.25%/20 yr
Wagner (DW-01)	\$750,000		22-Jun-06	0.00%/30 yr
Waubay (DW-01)	\$750,000		31-Mar-06	2.50%/30 yr
WEB WDA (DW-03)		\$3,950,000	31-Mar-06	3.25%/20 yr
TOTAL	\$3,887,663	\$6,300,000		

EXHIBIT II
ASSISTANCE PROVIDED BY NEEDS CATEGORIES
FEDERAL FISCAL YEAR 2006

Recipient	I Trans/Dist	II Treatment	III Storage	VII Land Acquisition
Big Sioux CWS (DW-01)			\$831,000	
Burke (DW-01)	\$115,600			
Dell Rapids (DW-02)	\$162,263			
Elk Point (DW-03)	\$218,000			
Eureka (DW-01)	\$135,000			
Humboldt (DW-01)	\$412,300			
Kingbrook RWS (DW-04)	\$810,000		\$1,530,000	\$10,000
Mobridge (DW-03)	\$213,500			
Parker (DW-02)	\$300,000			
Wagner (DW-01)	\$32,000		\$718,000	
Waubay (DW-01)	\$700,000	\$50,000		
WEB WDA (DW-03)		\$3,950,000		
TOTAL	\$3,098,663	\$4,000,000	\$3,079,000	\$10,000

EXHIBIT III
SOURCE OF SRF FUNDS

Fiscal Year	Capitalization Grant Award	State Match	Leveraged Funds	Total
1997	\$12,558,800	\$2,511,760		\$15,070,560
1998	\$7,121,300	\$1,424,260		\$8,545,560
1999	\$7,463,800	\$1,492,760		\$8,956,560
2000	\$7,757,000	\$1,551,400		\$9,308,400
2001	\$7,789,100	\$1,557,820		\$9,346,920
2002	\$14,563,300	\$2,912,660		\$17,475,960
2003	\$14,471,900	\$2,894,380		\$17,366,280
2004	\$8,303,100	\$1,660,620	\$22,503,662	\$32,467,382
2005	\$8,285,500	\$1,657,100		\$9,942,600
2006	\$8,229,300	\$1,645,860	\$7,000,414	\$16,875,574
TOTAL	\$96,543,100	\$19,308,620	\$29,504,076	\$145,355,796

EXHIBIT IV
OBLIGATIONS FOR FEDERAL FISCAL YEARS 1997-2006
CAPITALIZATION GRANTS, PRINCIPAL REPAYMENTS
AND LEVERAGED FUNDS

1. PROJECTS UTILIZING 1997 SRF FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Set-Asides		\$1,878,232	\$606,652	\$14,463,908
Sturgis (DW-01)	01/08/98	\$700,000	\$478,377	\$13,985,531
Black Hawk WUD (DW-01)	03/26/98	\$500,000	\$500,000	\$13,485,531
Mobridge (DW-01)	03/26/98	\$965,000	\$965,000	\$12,520,531
WEB (DW-01)	03/26/98	\$1,110,000	\$0	\$12,520,531
Madison (DW-01)	05/13/98	\$2,372,000	\$2,372,000	\$10,148,531
Lead-Deadwood (DW-01)	06/24/98	\$2,700,000	\$2,683,957	\$7,464,574
Big Stone City (DW-01)	07/22/98	\$600,000	\$570,000	\$6,894,574
Mobridge (DW-02)	07/22/98	\$355,000	\$352,207	\$6,542,367
Sioux Falls (DW-01)	07/22/98	\$7,022,000	\$6,496,745	\$45,622
Brandon (DW-01) ¹	11/13/98	\$1,950,000	\$45,622	\$0

¹ Balance is from 1998 funds

2. PROJECTS UTILIZING 1998 SRF FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Set-Asides		\$309,852	\$309,852	\$8,235,708
Brandon (DW-01) ²	11/13/98	\$1,950,000	\$1,831,753	\$6,403,955
Mina Lake San Dist (DW-01)	11/13/98	\$255,200	\$255,200	\$6,148,755
Clear Lake (DW-01)	12/10/98	\$565,000	\$540,637	\$5,608,118
Hermosa (DW-01)	12/10/98	\$300,000	\$300,000	\$5,308,118
Vermillion (DW-01) ³	05/13/99	\$873,173	\$726,511	\$4,581,607
Fall River WUD (DW-01)	12/09/99	\$759,000	\$759,000	\$3,822,607
Bryant (DW-01)	01/13/00	\$142,000	\$142,000	\$3,680,607
Kingbrook RWS (DW-01)	04/13/00	\$475,000	\$474,204	\$3,206,403
Hartford (DW-01)	04/13/00	\$185,000	\$185,000	\$3,021,403
Irene (DW-01)	06/22/00	\$145,000	\$127,126	\$2,894,277
Lead (DW-01)	07/27/00	\$192,800	\$192,800	\$2,701,477
Tyndall (DW-01)	07/27/00	\$300,000	\$300,000	\$2,401,477
Harrisburg (DW-01)	10/12/00	\$525,000	\$525,000	\$1,876,477
Mitchell (DW-01) ⁴	10/12/00	\$6,000,000	\$1,876,477	\$0

² Balance is from 1997 funds

³ Balance is from repayment funds

⁴ Balance is from 1999 funds

3. PROJECTS UTILIZING 1999 SRF FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Set-Asides		\$423,552	\$423,552	\$8,533,008
Mitchell (DW-01) ⁵	10/12/00	\$6,000,000	\$973,638	\$7,559,370
Sioux Falls (DW-02)	01/11/01	\$2,750,000	\$2,348,168	\$5,211,202
Bristol (DW-01)	04/25/01	\$139,000	\$0	\$5,211,202
Britton (DW-01)	04/25/01	\$320,000	\$320,000	\$4,891,202
Redfield (DW-01)	04/25/01	\$85,000	\$85,000	\$4,806,202
Gettysburg (DW-01)	06/14/01	\$565,000	\$565,000	\$4,241,202
Tripp (DW-01)	07/26/01	\$291,000	\$225,656	\$4,015,546
WEB (DW-02)	10/12/01	\$137,450	\$0	\$4,015,546
West River (DW-01)	10/12/01	\$340,000	\$340,000	\$3,675,546
Fall River WUD (DW-02)	11/09/01	\$400,000	\$260,958	\$3,414,588
Tyndall (DW-02)	11/09/01	\$861,000	\$861,000	\$2,553,588
Yankton (DW-01) ⁶	11/09/01	\$3,460,000	\$2,553,588	\$0

⁵ Balance is from 1998 funds

⁶ Balance is from 2000 funds

4. PROJECTS UTILIZING 2000 SRF FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Set-Asides		\$310,280	\$310,280	\$8,998,120
Yankton (DW-01) ⁷	11/09/01	\$3,460,000	\$906,412	\$8,091,708
Nisland (DW-01)	12/13/01	\$350,000	\$350,000	\$7,741,708
Colonial Pine Hills SD (DW-01)	01/31/02	\$659,000	\$636,108	\$7,105,600
Elk Point (DW-01)	01/31/02	\$220,000	\$220,000	\$6,885,600
Lincoln County RWS (DW-01)	01/31/02	\$1,200,000	\$1,079,170	\$5,806,430
Pierre (DW-01)	01/31/02	\$1,094,200	\$988,188	\$4,818,242
BDM RWS (DW-01)	04/12/02	\$536,000	\$280,251	\$4,537,991
Gregory (DW-01)	04/12/02	\$380,000	\$347,580	\$4,190,411
Sioux Falls (DW-03) ⁸	04/12/02	\$7,930,000	\$4,190,411	\$0

⁷ Balance is from 1999 funds

⁸ Balance is from 2001 funds

5. PROJECTS UTILIZING 2001 SRF FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Set-Asides		\$411,564	\$382,770	\$8,964,150
Sioux Falls (DW-03) ⁹	04/12/02	\$7,930,000	\$3,739,589	\$5,224,561
Webster (DW-01)	04/12/02	\$330,000	\$318,828	\$4,905,733
Baltic (DW-01)	06/27/02	\$250,000	\$250,000	\$4,655,733

5. PROJECTS UTILIZING 2001 SRF FUNDS, continued

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Colton (DW-01)	06/28/02	\$681,720	\$632,455	\$4,023,278
Dakota Dunes (DW-01) ¹⁰	06/27/02	\$908,000	\$121,822	\$3,901,456
Garretson (DW-01)	06/27/02	\$1,261,060	\$1,102,147	\$2,799,309
Huron (DW-01) ¹⁰	06/27/02	\$4,000,000	\$734,473	\$2,064,836
Minnehaha CWC (DW-01) ¹¹	06/27/02	\$6,500,000	\$2,064,836	\$0

⁹ Balance is from 2000 funds

¹⁰ Balance is from repayment funds

¹¹ Balance is from 2002 funds

6. PROJECTS UTILIZING 2002 SRF FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Set-Asides		\$483,150	\$483,150	\$16,992,810
Minnehaha CWC (DW-01) ¹²	06/27/02	\$6,500,000	\$3,957,980	\$13,034,830
Vermillion (DW-02)	06/27/02	\$1,510,000	\$1,507,552	\$11,527,278
Tripp County WUD (DW-01)	11/14/02	\$3,500,000	\$3,500,000	\$8,027,278
Tripp County WUD (DW-02)	11/14/02	\$148,000	\$131,469	\$7,895,809
Canton (DW-01)	01/10/03	\$500,000	\$500,000	\$7,395,809
Custer (DW-01) ¹³	01/10/03	\$800,000	\$668,258	\$6,727,551
Hartford (DW-02)	01/10/03	\$800,957	\$800,957	\$5,926,594
Sioux Falls (DW-04)	01/10/03	\$5,279,000	\$279,599	\$5,646,995
South Lincoln RWS (DW-01)	01/10/03	\$2,000,000	\$2,000,000	\$3,646,995
Aberdeen (DW-01A) ¹⁴	03/28/03	\$9,460,000	\$3,646,995	\$0

¹² Balance is from 2001 funds

¹³ Balance is from repayment funds

¹⁴ Balance is from 2003 and repayment funds

7. PROJECTS UTILIZING 2003 SRF FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Set-Asides			\$420,164	\$16,946,116
Aberdeen (DW-01A) ¹⁵	03/28/03	\$9,460,000	\$3,176,641	\$13,769,475
Dell Rapids (DW-01)	03/28/03	\$621,000	\$621,000	\$13,148,475
Groton (DW-01)	03/28/03	\$440,000	\$440,000	\$12,708,475
Salem (DW-01)	03/28/03	\$126,921	\$118,540	\$12,589,935
Scotland (DW-01)	03/28/03	\$340,000	\$340,000	\$12,249,935
Big Stone City (DW-02)	06/26/03	\$240,000	\$240,000	\$12,009,935
Worthing (DW-01)	06/26/03	\$288,000	\$288,000	\$11,721,935
Martin (DW-01)	09/25/03	\$920,000	\$919,776	\$10,802,159

7. PROJECTS UTILIZING 2003 SRF FUNDS, continued

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Pierre (DW-02)	09/25/03	\$1,832,900	\$1,832,900	\$8,969,259
Rapid City (DW-01) ¹⁶	11/14/03	\$3,500,000	\$2,115,000	\$6,854,259
Centerville (DW-01) ¹⁶	03/25/04	\$870,000	\$321,327	\$6,532,932
Keystone (DW-01)	03/25/04	\$762,000	\$762,000	\$5,770,932
Aberdeen (DW-01B) ¹⁷	05/03/04	\$7,300,000	\$2,060,173	\$3,710,759
Crooks (DW-01)	06/25/04	\$302,900	\$302,900	\$3,407,859
Brookings-Deuel RWS (DW-01) ¹⁶	01/06/05	\$1,200,000	\$913,428	\$2,494,431
Hartford (DW-03) ¹⁶	01/06/05	\$1,123,556	\$673,556	\$1,820,875
West River (DW-02) ¹⁸	03/30/05	\$8,000,000	\$1,820,875	\$0

¹⁵ Balance is from 2002 and repayment funds

¹⁶ Balance is from repayment funds

¹⁷ Balance is from 2004 leveraged funds

¹⁸ Balance is from 2004 funds

8. PROJECTS UTILIZING 2004 SRF FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Set-Asides			\$498,186	\$9,465,534
West River (DW-02) ¹⁹	03/30/05	\$8,000,000	\$6,179,125	\$3,286,409
Kingbrook RWS (DW-03) ²⁰	03/30/05	\$3,324,000	\$1,625,789	\$1,660,620
Salem (DW-02)	06/23/05	\$348,540	\$348,540	\$1,312,080
Redfield (DW-02)	06/23/05	\$342,755	\$342,755	\$969,325
Wolsey (DW-01)	06/23/05	\$263,000	\$263,000	\$706,325
Milbank (DW-01) ²¹	09/22/05	\$4,741,000	\$706,325	\$0

¹⁹ Balance is from 2003 funds

²⁰ Balance is from 2005 funds

²¹ Balance is from 2005 and 2005 leveraged funds

9. PROJECTS UTILIZING 2005 SRF FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Set-Asides			\$497,130	\$9,445,470
Kingbrook RWS (DW-03) ²²	03/30/05	\$3,324,000	\$1,698,211	\$7,747,259
Clay RWS (DW-01)	06/23/05	\$3,631,000	\$3,631,000	\$4,116,259
Brookings-Deuel RWS (DW-02)	06/23/05	\$1,750,000	\$1,750,000	\$2,366,259
Milbank (DW-01) ²³	09/22/05	\$4,741,000	\$1,657,100	\$709,159
Clay RWS (DW-01) (amendment)	01/05/06	\$700,000	\$700,000	\$9,159

9. PROJECTS UTILIZING 2005 SRF FUNDS, continued

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Big Sioux RWS (DW-01) ²⁴	03/31/06	\$500,000	\$9,159	\$0

²² Balance is from 2004 funds

²³ Balance is from 2004 and 2005 leveraged funds

²⁴ Balance is from 2006 funds

10. PROJECTS UTILIZING 2006 SRF FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Set-Asides			\$693,758	\$9,181,402
Big Sioux RWS (DW-01) ²⁵	03/31/06	\$500,000	\$490,841	\$8,690,561
Waubay (DW-01) ²⁶	03/31/06	\$750,000	\$407,525	\$8,283,036
WEB RWS (DW-03)	03/31/06	\$3,950,000	\$3,950,000	\$4,333,036
Big Sioux RWS (DW-01) (amendment)	06/22/06	\$331,000	\$331,000	\$4,002,036
Humboldt (DW-01)	06/22/06	\$412,300	\$412,300	\$3,589,736
Kingbrook RWS (DW-04)	06/22/06	\$2,350,000	\$2,350,000	\$1,239,736
Parker (DW-02)	06/22/06	\$300,000	\$300,000	\$939,736
Wagner (DW-01)	06/22/06	\$750,000	\$750,000	\$189,736
Mobridge (DW-03) ²⁷	09/28/06	\$213,500	\$189,736	\$0

²⁵ Balance is from 2005 funds

²⁶ Balance is from 2005 leveraged funds

²⁷ Balance is from repayment funds

11. PROJECTS UTILIZING SERIES 2004 LEVERAGED FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Series 2004 Leveraged Funds Available				\$22,503,661
Aberdeen (DW-01B) ²⁸	05/03/04	\$7,300,000	\$5,239,827	\$17,263,834
Elk Point (DW-02)	06/25/04	\$570,000	\$570,000	\$16,693,834
Groton (DW-02)	06/25/04	\$365,900	\$308,945	\$16,384,889
McLaughlin (DW-01)	06/25/04	\$350,000	\$350,000	\$16,034,889
Platte (DW-01)	06/25/04	\$400,000	\$293,134	\$15,741,755
Lennox (DW-01)	07/16/04	\$2,000,000	\$2,000,000	\$13,741,755
Sioux Falls (DW-05)	07/16/04	\$12,749,000	\$12,749,000	\$992,755

11. PROJECTS UTILIZING SERIES 2004 LEVERAGED FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Parker (DW-01)	09/23/04	\$730,000	\$730,000	\$262,755
Lead (DW-02)	01/06/05	\$205,800	\$205,800	\$56,955
Eureka (DW-01) ²⁹	09/28/06	\$135,000	\$56,955	\$0

²⁸ Balance is from 2003 funds

²⁹ Balance is from repayment funds

12. PROJECTS UTILIZING SERIES 2005 LEVERAGED FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Series 2005 Leveraged Funds Available				\$8,229,300
Chancellor (DW-01)	09/22/05	\$230,000	\$230,000	\$7,999,300
Milbank (DW-01) ³⁰	09/22/05	\$4,741,000	\$2,377,575	\$5,621,725
Vermillion (DW-03)	09/22/05	\$3,772,500	\$3,772,500	\$1,849,225
Burke (DW-01)	01/05/06	\$115,600	\$115,600	\$1,733,625
Dell Rapids (DW-02)	01/05/06	\$162,263	\$162,263	\$1,571,362
Waubay (DW-01) ³¹	03/31/06	\$750,000	\$342,475	\$1,228,887

³⁰ Balance is from 2004 and 2005 funds

³¹ Balance is from 2006 funds

13. PROJECTS UTILIZING REPAYMENT FUNDS

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Total Repayments Available as of 9/30/2006				\$12,889,477
Vermillion (DW-01) ³²	05/13/99	\$873,173	\$68,827	\$12,820,650
Dakota Dunes (DW-01) ³³	06/27/02	\$908,000	\$386,178	\$12,434,472
Huron (DW-01) ³³	06/27/02	\$4,000,000	\$3,265,527	\$9,168,945
Custer (DW-01) ³⁴	01/10/03	\$800,000	\$131,742	\$9,037,203
Aberdeen (DW-01A) ³⁵	03/28/03	\$9,460,000	\$2,636,364	\$6,400,839
Rapid City (DW-01) ³⁶	11/14/03	\$3,500,000	\$1,385,000	\$5,015,839
Centerville (DW-01) ³⁶	03/25/04	\$870,000	\$548,673	\$4,467,166
Brookings-Deuel RWS (DW-01) ³⁶	01/06/05	\$1,200,000	\$286,572	\$4,180,594
Hartford (DW-03) ³⁶	01/06/05	\$1,123,556	\$450,000	\$3,730,594
Kingbrook RWS (DW-02)	01/06/05	\$2,115,000	\$2,115,000	\$1,615,594
Elk Point (DW-03)	03/31/06	\$218,000	\$218,000	\$1,397,594
Mobridge (DW-03) ³⁷	09/28/06	\$213,500	\$23,764	\$1,373,830

13. PROJECTS UTILIZING REPAYMENT FUNDS, continued

RECIPIENT	Binding Commitment Date	Binding Commitment Amount	Final Loan Amount	Balance
Eureka (DW-01) ³⁸	09/28/06	\$135,000	\$78,045	\$1,295,785

³² Balance is from 1998 funds

³³ Balance is from 2001 funds

³⁴ Balance is from 2002 funds

³⁵ Balance is from 2002 and 2003 funds

³⁶ Balance is from 2003 funds

³⁷ Balance is from 2006 funds

³⁸ Balance is from 2004 leveraged funds

EXHIBIT V
Drinking Water SRF Disbursements
October 1, 2005 to September 30, 2006

LOAN DISBURSEMENTS

Disburse Number	Date	Payee	Leveraged Funds	Repayment Funds	State Funds	Federal Funds	Total Payment
06-01	10/05/05	South Lincoln (DW-01)	\$0.00	\$0.00	\$0.00	\$94,360.00	\$94,360.00
06-02	10/06/05	Keystone (DW-01)	\$0.00	\$0.00	\$105,635.00	\$0.00	\$105,635.00
06-03	10/06/05	Aberdeen (DW-01B)	\$680,359.00	\$0.00	\$0.00	\$0.00	\$680,359.00
06-04	10/21/05	Lennox (DW-01)	\$174,959.00	\$0.00	\$0.00	\$0.00	\$174,959.00
06-05	10/27/05	Kingbrook RWS (DW-03)	\$0.00	\$0.00	\$0.00	\$770,221.00	\$770,221.00
06-06	11/02/05	Aberdeen (DW-01B)	\$350,727.00	\$0.00	\$0.00	\$0.00	\$350,727.00
06-07	11/02/05	Sioux Falls (DW-05)	\$574,448.00	\$0.00	\$0.00	\$0.00	\$574,448.00
06-08	11/09/05	Clay RWS (DW-01)	\$0.00	\$0.00	\$0.00	\$3,528.00	\$3,528.00
06-09	11/09/05	Salem (DW-02)	\$0.00	\$0.00	\$24,707.00	\$0.00	\$24,707.00
06-10	11/09/05	South Lincoln (DW-01)	\$0.00	\$0.00	\$0.00	\$38,269.00	\$38,269.00
06-12	11/16/05	Parker (DW-01)	\$23,978.00	\$0.00	\$0.00	\$0.00	\$23,978.00
06-11	11/18/05	Hartford (DW-03)	\$0.00	\$0.00	\$0.00	\$15,001.00	\$15,001.00
06-11	11/18/05	Hartford (DW-03)	\$0.00	\$6,388.00	\$0.00	\$0.00	\$6,388.00
06-13	11/22/05	Aberdeen (DW-01B)	\$612,254.00	\$0.00	\$0.00	\$0.00	\$612,254.00
06-14	11/23/05	Martin (DW-01)	\$0.00	\$0.00	\$33,172.00	\$0.00	\$33,172.00
06-15	11/23/05	Salem (DW-02)	\$0.00	\$0.00	\$3,297.00	\$0.00	\$3,297.00
06-16	11/23/05	Lennox (DW-01)	\$172,523.00	\$0.00	\$0.00	\$0.00	\$172,523.00
06-17	12/01/05	Kingbrook RWS (DW-03)	\$0.00	\$0.00	\$0.00	\$682,590.00	\$682,590.00
06-18	12/02/05	Tyndall (DW-02)	\$0.00	\$0.00	\$15,000.00	\$0.00	\$15,000.00
06-19	12/02/05	Sioux Falls (DW-05)	\$277,762.00	\$0.00	\$0.00	\$0.00	\$277,762.00
06-20	12/09/05	Aberdeen (DW-01B)	\$521,517.00	\$0.00	\$0.00	\$0.00	\$521,517.00
06-21	12/09/05	Clay RWS (DW-01)	\$0.00	\$0.00	\$0.00	\$41,668.00	\$41,668.00
06-22	12/09/05	Keystone (DW-01)	\$0.00	\$0.00	\$12,082.00	\$0.00	\$12,082.00
06-23	12/09/05	South Lincoln (DW-01)	\$0.00	\$0.00	\$0.00	\$31,483.00	\$31,483.00
06-24	12/19/05	Centerville (DW-01)	\$0.00	\$5,000.00	\$0.00	\$0.00	\$5,000.00
06-25	12/21/05	Crooks (DW-01)	\$0.00	\$0.00	\$0.00	\$6,529.00	\$6,529.00
06-26	12/21/05	Elk Point (DW-02)	\$32,525.00	\$0.00	\$0.00	\$0.00	\$32,525.00
06-27	12/21/05	Worthing (DW-01)	\$0.00	\$0.00	\$56,886.00	\$0.00	\$56,886.00
06-28	12/21/05	Salem (DW-02)	\$0.00	\$0.00	\$6,434.00	\$0.00	\$6,434.00
06-29	12/21/05	Keystone (DW-01)	\$0.00	\$0.00	\$10,800.00	\$0.00	\$10,800.00
06-31	12/27/05	Sioux Falls (DW-05)	\$470,764.00	\$0.00	\$0.00	\$0.00	\$470,764.00
06-30	12/27/05	Hartford (DW-03)	\$0.00	\$0.00	\$0.00	\$25,252.00	\$25,252.00
06-30	12/28/05	Hartford (DW-03)	\$0.00	\$5,672.00	\$0.00	\$0.00	\$5,672.00
06-33	01/04/06	Kingbrook RWS (DW-03)	\$0.00	\$0.00	\$0.00	\$90,835.00	\$90,835.00
06-32	01/05/06	Aberdeen (DW-01B)	\$547,658.00	\$0.00	\$0.00	\$0.00	\$547,658.00
06-34	01/05/06	Lennox (DW-01)	\$137,511.00	\$0.00	\$0.00	\$0.00	\$137,511.00
06-35	01/11/06	Tyndall (DW-02)	\$0.00	\$0.00	\$19,010.00	\$0.00	\$19,010.00
06-37	01/11/06	Groton (DW-02)	\$60,353.00	\$0.00	\$0.00	\$0.00	\$60,353.00
06-36	01/12/06	South Lincoln (DW-01)	\$0.00	\$0.00	\$0.00	\$31,714.00	\$31,714.00
06-38	01/12/06	Crooks (DW-01)	\$0.00	\$0.00	\$0.00	\$671.00	\$671.00
06-40	01/18/06	Hartford (DW-03)	\$0.00	\$6,701.00	\$0.00	\$0.00	\$6,701.00
06-39	01/20/06	Tripp County WUD (DW-01)	\$0.00	\$0.00	\$5,000.00	\$0.00	\$5,000.00
06-40	01/23/06	Hartford (DW-03)	\$0.00	\$0.00	\$0.00	\$2,596.00	\$2,596.00

Disburse			Leveraged	Repayment	State	Federal	Total
Number	Date	Payee	Funds	Funds	Funds	Funds	Payment
06-41	01/27/06	Keystone (DW-01)	\$0.00	\$0.00	\$38,592.00	\$0.00	\$38,592.00
06-42	01/27/06	Kingbrook RWS (DW-03)	\$0.00	\$0.00	\$0.00	\$23,296.00	\$23,296.00
06-43	01/27/06	Lennox (DW-01)	\$48,882.00	\$0.00	\$0.00	\$0.00	\$48,882.00
06-44	02/13/06	Sioux Falls (DW-05)	\$100,592.00	\$0.00	\$0.00	\$0.00	\$100,592.00
06-45	02/13/06	Aberdeen (DW-01B)	\$303,335.00	\$0.00	\$0.00	\$0.00	\$303,335.00
06-46	02/15/06	McLaughlin (DW-01)	\$5,000.00	\$0.00	\$0.00	\$0.00	\$5,000.00
06-49	02/23/06	Lennox (DW-01)	\$30,464.00	\$0.00	\$0.00	\$0.00	\$30,464.00
06-47	02/27/06	Crooks (DW-01)	\$0.00	\$0.00	\$0.00	\$342.00	\$342.00
06-48	02/27/06	Hartford (DW-03)	\$0.00	\$0.00	\$0.00	\$1,325.00	\$1,325.00
06-48	02/27/06	Hartford (DW-03)	\$0.00	\$5,626.00	\$0.00	\$0.00	\$5,626.00
06-50	02/27/06	Aberdeen (DW-01B)	\$0.00	\$0.00	\$341,137.00	\$100,000.00	\$441,137.00
06-50	02/27/06	Aberdeen (DW-01B)	\$194,264.00	\$0.00	\$0.00	\$0.00	\$194,264.00
06-51	03/01/06	South Lincoln (DW-01)	\$0.00	\$0.00	\$0.00	\$81,001.00	\$81,001.00
06-52	03/01/06	Keystone (DW-01)	\$0.00	\$0.00	\$19,791.00	\$0.00	\$19,791.00
06-53	03/15/06	Aberdeen (DW-01B)	\$0.00	\$0.00	\$0.00	\$63,501.00	\$63,501.00
06-54	03/15/06	Clay RWS (DW-01)	\$0.00	\$0.00	\$0.00	\$23,029.00	\$23,029.00
06-55	03/15/06	Hartford (DW-02)	\$0.00	\$0.00	\$18,810.00	\$0.00	\$18,810.00
06-57	03/15/06	Big Stone City (DW-02)	\$0.00	\$0.00	\$14,373.00	\$40,000.00	\$54,373.00
06-56	03/16/06	Hartford (DW-03)	\$0.00	\$36,184.00	\$0.00	\$0.00	\$36,184.00
06-58	03/29/06	Sioux Falls (DW-05)	\$175,691.00	\$0.00	\$0.00	\$0.00	\$175,691.00
06-59	03/29/06	Keystone (DW-01)	\$0.00	\$0.00	\$7,325.00	\$0.00	\$7,325.00
06-60	04/03/06	Clay RWS (DW-01)	\$0.00	\$0.00	\$0.00	\$85,547.00	\$85,547.00
06-61	04/03/06	South Lincoln (DW-01)	\$0.00	\$0.00	\$0.00	\$71,691.00	\$71,691.00
06-62	04/12/06	Aberdeen (DW-01B)	\$0.00	\$0.00	\$0.00	\$73,014.00	\$73,014.00
06-64	04/12/06	Lennox (DW-01)	\$143,379.00	\$0.00	\$0.00	\$0.00	\$143,379.00
06-63	04/13/06	Hartford (DW-03)	\$0.00	\$0.00	\$3,710.00	\$0.00	\$3,710.00
06-63	04/13/06	Hartford (DW-03)	\$0.00	\$9,931.00	\$0.00	\$0.00	\$9,931.00
06-65	04/19/06	Crooks (DW-01)	\$0.00	\$0.00	\$0.00	\$959.00	\$959.00
06-66	04/19/06	South Lincoln (DW-01)	\$0.00	\$0.00	\$0.00	\$58,624.00	\$58,624.00
06-20	04/26/06	Aberdeen (DW-01B)*	(\$521,517.00)	\$0.00	\$0.00	\$0.00	(\$521,517.00)
06-67	04/27/06	Keystone (DW-01)	\$0.00	\$0.00	\$4,510.00	\$0.00	\$4,510.00
06-68	04/27/06	Kingbrook RWS (DW-03)	\$0.00	\$0.00	\$0.00	\$2,777.00	\$2,777.00
06-69	04/27/06	Lennox (DW-01)	\$262,671.00	\$0.00	\$0.00	\$0.00	\$262,671.00
06-70	05/03/06	Brookings-Deuel (DW-01)	\$0.00	\$0.00	\$0.00	\$860,281.00	\$860,281.00
06-70	05/04/06	Brookings-Deuel (DW-01)	\$0.00	\$235,930.00	\$0.00	\$0.00	\$235,930.00
06-71	05/10/06	Clay RWS (DW-01)	\$0.00	\$0.00	\$0.00	\$31,639.00	\$31,639.00
06-72	05/10/06	Crooks (DW-01)	\$0.00	\$0.00	\$0.00	\$394.00	\$394.00
06-73	05/10/06	Sioux Falls (DW-05)	\$273,162.00	\$0.00	\$0.00	\$0.00	\$273,162.00
06-74	05/17/06	Hartford (DW-02)	\$0.00	\$0.00	\$9,551.00	\$0.00	\$9,551.00
06-75	05/19/06	Hartford (DW-03)	\$0.00	\$0.00	\$0.00	\$4,849.00	\$4,849.00
06-75	05/19/06	Hartford (DW-03)	\$0.00	\$4,250.00	\$0.00	\$0.00	\$4,250.00
06-76	05/24/06	Salem (DW-02)	\$0.00	\$0.00	\$133,993.00	\$0.00	\$133,993.00
06-77	05/24/06	Tyndall (DW-02)	\$0.00	\$0.00	\$5,000.00	\$0.00	\$5,000.00
06-78	05/24/06	WR/LJ (DW-02)	\$0.00	\$0.00	\$0.00	\$2,030,329.00	\$2,030,329.00
06-79	06/01/06	Aberdeen (DW-01B)	\$0.00	\$0.00	\$460,909.00	\$461,000.00	\$921,909.00
06-79	06/01/06	Aberdeen (DW-01B)	\$521,517.00	\$0.00	\$0.00	\$0.00	\$521,517.00
06-80	06/01/06	Kingbrook RWS (DW-03)	\$0.00	\$0.00	\$0.00	\$165,870.00	\$165,870.00
06-81	06/01/06	Lennox (DW-01)	\$35,162.00	\$0.00	\$0.00	\$0.00	\$35,162.00
06-84	06/08/06	Hartford (DW-02)	\$0.00	\$0.00	\$6,197.00	\$0.00	\$6,197.00
06-82	06/09/06	Crooks (DW-01)	\$0.00	\$0.00	\$0.00	\$311.00	\$311.00
06-83	06/09/06	Hartford (DW-03)	\$0.00	\$0.00	\$0.00	\$1,201.00	\$1,201.00

Disburse			Leveraged	Repayment	State	Federal	Total
Number	Date	Payee	Funds	Funds	Funds	Funds	Payment
06-83	06/09/06	Hartford (DW-03)	\$0.00	\$20,000.00	\$0.00	\$0.00	\$20,000.00
06-86	06/15/06	Dell Rapids (DW-02)	\$27,961.00	\$0.00	\$0.00	\$0.00	\$27,961.00
06-85	06/16/06	Clay RWS (DW-01)	\$0.00	\$0.00	\$0.00	\$304,432.00	\$304,432.00
06-87	06/21/06	Keystone (DW-01)	\$0.00	\$0.00	\$23,015.00	\$0.00	\$23,015.00
06-88	06/21/06	Sioux Falls (DW-05)	\$821,440.00	\$0.00	\$0.00	\$0.00	\$821,440.00
06-90	06/21/06	Yankton (DW-01)	\$0.00	\$0.00	\$173,000.00	\$0.00	\$173,000.00
06-91	06/21/06	Salem (DW-02)	\$0.00	\$0.00	\$69,299.00	\$0.00	\$69,299.00
06-89	06/22/06	WR/LJ (DW-02)	\$0.00	\$0.00	\$0.00	\$1,477,683.00	\$1,477,683.00
06-89	06/22/06	WR/LJ (DW-02)	\$0.00	\$0.00	\$0.00	\$348,383.00	\$348,383.00
06-92	06/28/06	Kingbrook RWS (DW-03)	\$0.00	\$0.00	\$0.00	\$43,869.00	\$43,869.00
06-93	07/07/06	Keystone (DW-01)	\$0.00	\$0.00	\$3,934.00	\$0.00	\$3,934.00
06-94	07/07/06	Lennox (DW-01)	\$100,481.00	\$0.00	\$0.00	\$0.00	\$100,481.00
06-95	07/07/06	Vermillion (DW-03)	\$219,352.00	\$0.00	\$0.00	\$0.00	\$219,352.00
06-96	07/13/06	Clay RWS (DW-01)	\$0.00	\$0.00	\$0.00	\$350,162.00	\$350,162.00
06-97	07/13/06	Crooks (DW-01)	\$0.00	\$0.00	\$0.00	\$84.00	\$84.00
06-98	07/13/06	Dell Rapids (DW-02)	\$71,346.00	\$0.00	\$0.00	\$0.00	\$71,346.00
06-99	07/19/06	Burke (DW-01)	\$2,035.00	\$0.00	\$0.00	\$0.00	\$2,035.00
06-100	07/20/06	Hartford (DW-02)	\$0.00	\$0.00	\$56,148.00	\$0.00	\$56,148.00
06-100	07/20/06	Hartford (DW-02)	\$0.00	\$0.00	\$42,383.00	\$0.00	\$42,383.00
06-102	07/20/06	Milbank (DW-01)	\$1,547,876.00	\$0.00	\$0.00	\$0.00	\$1,547,876.00
06-101	07/21/06	Hartford (DW-03)	\$0.00	\$0.00	\$0.00	\$5,113.00	\$5,113.00
06-103	07/21/06	Aberdeen (DW-01B)	\$0.00	\$0.00	\$151,699.00	\$39,315.00	\$191,014.00
06-104	07/27/06	WR/LJ (DW-02)	\$0.00	\$0.00	\$0.00	\$1,403,280.00	\$1,403,280.00
06-105	07/27/06	Salem (DW-02)	\$0.00	\$0.00	\$68,354.00	\$0.00	\$68,354.00
06-109	08/02/06	WR/LJ (DW-02)	\$0.00	\$0.00	\$0.00	\$419,681.00	\$419,681.00
06-106	08/03/06	Burke (DW-01)	\$43,675.00	\$0.00	\$0.00	\$0.00	\$43,675.00
06-107	08/03/06	Lennox (DW-01)	\$117,092.00	\$0.00	\$0.00	\$0.00	\$117,092.00
06-108	08/03/06	Vermillion (DW-03)	\$68,372.00	\$0.00	\$0.00	\$0.00	\$68,372.00
06-110	08/09/06	Crooks (DW-01)	\$0.00	\$0.00	\$0.00	\$68.00	\$68.00
06-111	08/09/06	Hartford (DW-02)	\$0.00	\$0.00	\$45,644.00	\$0.00	\$45,644.00
06-112	08/09/06	Hartford (DW-03)	\$0.00	\$0.00	\$0.00	\$358.00	\$358.00
06-112	08/11/06	Hartford (DW-03)	\$0.00	\$127,980.00	\$0.00	\$0.00	\$127,980.00
06-113	08/16/06	Clay RWS (DW-01)	\$0.00	\$0.00	\$0.00	\$720,623.00	\$720,623.00
06-114	08/16/06	Dell Rapids (DW-02)	\$18,779.00	\$0.00	\$0.00	\$0.00	\$18,779.00
06-116	08/22/06	Burke (DW-01)	\$47,847.00	\$0.00	\$0.00	\$0.00	\$47,847.00
06-117	08/22/06	Milbank (DW-01)	\$299,930.00	\$0.00	\$0.00	\$0.00	\$299,930.00
06-118	08/22/06	Chancellor (DW-01)	\$19,782.00	\$0.00	\$0.00	\$0.00	\$19,782.00
06-121	08/22/06	WR/LJ (DW-02)	\$0.00	\$0.00	\$0.00	\$1,067,428.00	\$1,067,428.00
06-115	08/23/06	Wolsey (DW-01)	\$0.00	\$0.00	\$55,403.00	\$0.00	\$55,403.00
06-119	08/23/06	Lennox (DW-01)	\$68,942.00	\$0.00	\$0.00	\$0.00	\$68,942.00
06-120	08/23/06	Groton (DW-02)	\$66,452.00	\$0.00	\$0.00	\$0.00	\$66,452.00
06-122	08/30/06	Keystone (DW-01)	\$0.00	\$0.00	\$855.00	\$0.00	\$855.00
06-123	08/30/06	Huron (DW-01)	\$0.00	\$0.00	\$734,473.00	\$0.00	\$734,473.00
06-123	08/30/06	Huron (DW-01)	\$0.00	\$21,762.00	\$0.00	\$0.00	\$21,762.00
06-124	08/30/06	WR/LJ (DW-02)	\$0.00	\$0.00	\$0.00	\$540,989.00	\$540,989.00
06-126	09/07/06	Hartford (DW-02)	\$0.00	\$0.00	\$79,027.00	\$0.00	\$79,027.00
06-128	09/07/06	Vermillion (DW-03)	\$255,671.00	\$0.00	\$0.00	\$0.00	\$255,671.00
06-129	09/07/06	Wolsey (DW-01)	\$0.00	\$0.00	\$34,875.00	\$0.00	\$34,875.00
06-125	09/08/06	Crooks (DW-01)	\$0.00	\$0.00	\$0.00	\$254.00	\$254.00

Disburse Number	Date	Payee	Leveraged Funds	Repayment Funds	State Funds	Federal Funds	Total Payment
06-127	09/08/06	Hartford (DW-03)	\$0.00	\$0.00	\$0.00	\$46,608.00	\$46,608.00
06-127	09/08/06	Hartford (DW-03)	\$0.00	\$187,000.00	\$0.00	\$0.00	\$187,000.00
06-130	09/13/06	Dell Rapids (DW-02)	\$43,766.00	\$0.00	\$0.00	\$0.00	\$43,766.00
06-131	09/21/06	Clay RWS (DW-01)	\$0.00	\$0.00	\$0.00	\$473,319.00	\$473,319.00
06-132	09/21/06	Milbank (DW-01)	\$243,663.00	\$0.00	\$0.00	\$0.00	\$243,663.00
06-133	09/21/06	Burke (DW-01)	\$17,043.00	\$0.00	\$0.00	\$0.00	\$17,043.00
06-134	09/26/06	Chancellor (DW-01)	\$90,769.00	\$0.00	\$0.00	\$0.00	\$90,769.00
06-135	09/26/06	Wolsey (DW-01)	\$0.00	\$0.00	\$66,441.00	\$0.00	\$66,441.00
06-136	09/26/06	Kingbrook RWS (DW-03)	\$0.00	\$0.00	\$0.00	\$305,625.00	\$305,625.00

Total Loan Disbursements \$10,402,214.00 \$672,424.00 \$2,960,471.00 \$13,562,971.00 \$27,598,080.00

*reimbursement for overpayment

SET-ASIDE DISBURSEMENTS

Disburse Number	Date	Payee	Cost of Issuance	Admin Federal	Set-a-side Federal	State Admin Restricted	State Admin Discretionary	Total Payment
06A-01	10/05/05	Perkins Coie	\$0.00	\$30,000.00	\$0.00	\$0.00	\$0.00	\$30,000.00
06A-02	10/21/05	SD - Admin	\$0.00	\$26,900.00	\$0.00	\$0.00	\$0.00	\$26,900.00
06A-02	10/21/05	SD - Tech Assist	\$0.00	\$0.00	\$7,100.00	\$0.00	\$0.00	\$7,100.00
06A-02	10/24/05	SD-Planning Dist Grants	\$0.00	\$0.00	\$0.00	\$10,000.00	\$0.00	\$10,000.00
06A-03	10/25/05	Perkins Coie	\$15,795.00	\$0.00	\$0.00	\$0.00	\$0.00	\$15,795.00
06A-04	10/25/05	FNB	\$3,791.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,791.00
06A-05	10/25/05	Moody's	\$6,855.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6,855.00
06A-06	10/25/05	Financial Print Resource	\$975.20	\$0.00	\$0.00	\$0.00	\$0.00	\$975.20
06A-07	11/18/05	SD - Admin	\$0.00	\$10,300.00	\$0.00	\$0.00	\$0.00	\$10,300.00
06A-07	11/18/05	SD - Tech Assist	\$0.00	\$0.00	\$12,200.00	\$0.00	\$0.00	\$12,200.00
06A-07	11/18/05	SD - Tech Assist	\$0.00	\$0.00	\$3,000.00	\$0.00	\$0.00	\$3,000.00
06A-08	12/19/05	SD - Admin	\$0.00	\$22,800.00	\$0.00	\$0.00	\$0.00	\$22,800.00
06A-08	12/19/05	SD - Tech Assist	\$0.00	\$0.00	\$1,500.00	\$0.00	\$0.00	\$1,500.00
06A-08	12/19/05	SD-Planning Dist Grants	\$0.00	\$0.00	\$0.00	\$2,500.00	\$0.00	\$2,500.00
06A-09	12/19/05	FNB	\$0.00	\$13,695.00	\$0.00	\$0.00	\$0.00	\$13,695.00
06A-10	01/27/06	SD - Admin	\$0.00	\$20,600.00	\$0.00	\$0.00	\$0.00	\$20,600.00
06A-10	01/27/06	SD - Tech Assist	\$0.00	\$0.00	\$11,200.00	\$0.00	\$0.00	\$11,200.00
06A-11	01/27/06	Public Financial Mgmt	\$11,986.95	\$0.00	\$0.00	\$0.00	\$0.00	\$11,986.95
06A-12	02/15/06	SD - Admin	\$0.00	\$14,200.00	\$0.00	\$0.00	\$0.00	\$14,200.00
06A-12	02/15/06	SD - Tech Assist	\$0.00	\$0.00	\$1,600.00	\$0.00	\$0.00	\$1,600.00
06A-13	02/23/06	Standard & Poor's	\$7,266.00	\$0.00	\$0.00	\$0.00	\$0.00	\$7,266.00
06A-14	03/08/06	Public Financial Mgmt	\$1,301.35	\$0.00	\$0.00	\$0.00	\$0.00	\$1,301.35
06A-15	03/22/06	SD - Admin	\$0.00	\$16,500.00	\$0.00	\$0.00	\$0.00	\$16,500.00
06A-15	03/22/06	SD - Tech Assist	\$0.00	\$0.00	\$13,000.00	\$0.00	\$0.00	\$13,000.00
06A-15	03/22/06	SD-Planning Dist Grants	\$0.00	\$0.00	\$0.00	\$2,500.00	\$0.00	\$2,500.00
06A-16	04/19/06	Perkins Coie	\$0.00	\$37,500.00	\$0.00	\$0.00	\$0.00	\$37,500.00
06A-17	04/20/06	SD - Admin	\$0.00	\$28,900.00	\$0.00	\$0.00	\$0.00	\$28,900.00
06A-17	04/20/06	SD - Tech Assist	\$0.00	\$0.00	\$5,500.00	\$0.00	\$0.00	\$5,500.00

Disburse Number	Date	Payee	Cost of Issuance	Admin Federal	Set-a-side Federal	State Admin Restricted	State Admin Discretionary	Total Payment
06A-18	05/24/06	SD - Admin	\$0.00	\$3,714.00	\$0.00	\$0.00	\$0.00	\$3,714.00
06A-18	05/24/06	SD - Admin	\$0.00	\$17,500.00	\$0.00	\$0.00	\$0.00	\$17,500.00
06A-18	05/24/06	SD - Tech Assist	\$0.00	\$0.00	\$4,000.00	\$0.00	\$0.00	\$4,000.00
06A-19	06/09/06	FNB	\$0.00	\$17,204.00	\$0.00	\$0.00	\$0.00	\$17,204.00
06A-20	06/23/06	SD - Admin	\$0.00	\$23,400.00	\$0.00	\$0.00	\$0.00	\$23,400.00
06A-20	06/23/06	SD - Tech Assist	\$0.00	\$0.00	\$4,000.00	\$0.00	\$0.00	\$4,000.00
06A-20	06/23/06	SD-Planning Dist Grants	\$0.00	\$0.00	\$0.00	\$5,000.00	\$0.00	\$5,000.00
06A-21	07/27/06	SD - Admin	\$0.00	\$17,900.00	\$0.00	\$0.00	\$0.00	\$17,900.00
06A-21	07/27/06	SD - Tech Assist	\$0.00	\$0.00	\$16,300.00	\$0.00	\$0.00	\$16,300.00
06A-21	07/27/06	SD-Planning Dist Grants	\$0.00	\$0.00	\$0.00	\$2,500.00	\$0.00	\$2,500.00
06A-22	08/29/06	SD - Admin	\$0.00	\$19,400.00	\$0.00	\$0.00	\$0.00	\$19,400.00
06A-22	08/29/06	SD - Tech Assist	\$0.00	\$0.00	\$22,200.00	\$0.00	\$0.00	\$22,200.00
06A-22	08/29/06	SD-Planning Dist Grants	\$0.00	\$0.00	\$0.00	\$12,500.00	\$2,500.00	\$15,000.00
06A-23	09/14/06	Public Financial Mgmt	\$0.00	\$905.00	\$0.00	\$0.00	\$0.00	\$905.00
Total Set-Aside Disbursements			\$47,970.50	\$321,418.00	\$101,600.00	\$35,000.00	\$2,500.00	\$508,488.50

TOTAL OF ALL DWSRF DISBURSEMENTS

\$28,106,568.50

Disbursements to the State of SD reflect reimbursements for disbursements made through the state accounting system. These reimbursements are for payroll expenses, overhead costs, and set-aside expenditures. These reimbursements are rounded and do not reflect expenses as incurred during the year. Expenses reimbursed also may be from a prior fiscal year. See Financial Statements for expenses incurred on an accrual basis.

EXHIBIT VI
Letter of Credit Analysis
Projected Draws vs. Actual Draws
Federal Fiscal Year 2006

Quarter	Projected Draws	Actual Loan Draws	Actual Set-Aside Draws	Difference
1ST	\$1,816,774	\$1,708,901	\$127,495	(\$19,622)
2ND	\$1,816,774	\$458,310	\$77,100	\$1,281,364
3RD	\$3,179,990	\$6,022,853	\$141,718	(\$2,984,581)
4TH	\$1,823,766	\$5,372,907	\$99,605	(\$3,648,746)
	\$8,637,304	\$13,562,971	\$445,918	(\$5,371,585)

Letter of Credit Draws
Federal Fiscal Year 2006

Draw #	Date	Loan	Admin	Tech Asst	Local Asst	Total
0597	10/04/05	\$94,360	\$30,000	\$0	\$0	\$124,360
0599	10/20/05	\$0	\$26,900	\$7,100	\$0	\$34,000
0600	10/26/05	\$770,221	\$0	\$0	\$0	\$770,221
0602	11/08/05	\$41,797	\$0	\$0	\$0	\$41,797
0603	11/16/05	\$15,001	\$10,300	\$15,200	\$0	\$40,501
0604	11/30/05	\$682,590	\$0	\$0	\$0	\$682,590
0605	12/08/05	\$73,151	\$0	\$0	\$0	\$73,151
0606	12/16/05	\$0	\$36,495	\$1,500	\$0	\$37,995
0607	12/20/05	\$6,529	\$0	\$0	\$0	\$6,529
0608	12/23/05	\$25,252	\$0	\$0	\$0	\$25,252
0609	01/03/06	\$90,835	\$0	\$0	\$0	\$90,835
0610	01/11/06	\$32,385	\$0	\$0	\$0	\$32,385
0611	01/20/06	\$2,596	\$0	\$0	\$0	\$2,596
0612	01/26/06	\$23,296	\$20,600	\$11,200	\$0	\$55,096
0614	02/14/06	\$0	\$14,200	\$1,600	\$0	\$15,800
0615	02/24/06	\$101,667	\$0	\$0	\$0	\$101,667
0616	02/28/06	\$81,001	\$0	\$0	\$0	\$81,001
0617	03/14/06	\$126,530	\$0	\$0	\$0	\$126,530
0618	03/21/06	\$0	\$16,500	\$13,000	\$0	\$29,500
0619	03/31/06	\$157,238	\$0	\$0	\$0	\$157,238
0620	04/11/06	\$73,014	\$0	\$0	\$0	\$73,014
0621	04/18/06	\$59,583	\$37,500	\$0	\$0	\$97,083
0622	04/19/06	\$0	\$28,900	\$5,500	\$0	\$34,400
0623	04/26/06	\$2,777	\$0	\$0	\$0	\$2,777
0624	05/02/06	\$860,281	\$0	\$0	\$0	\$860,281
0625	05/09/06	\$32,033	\$0	\$0	\$0	\$32,033
0626	05/18/06	\$4,849	\$0	\$0	\$0	\$4,849
0627	05/23/06	\$2,030,329	\$21,214	\$4,000	\$0	\$2,055,543

Letter of Credit Draws, continued

Draw #	Date	Loan	Admin	Tech Asst	Local Asst	Total
0628	05/31/06	\$626,870	\$0	\$0	\$0	\$626,870
0630	06/08/06	\$1,512	\$17,204	\$0	\$0	\$18,716
0631	06/15/06	\$304,432	\$0	\$0	\$0	\$304,432
0632	06/21/06	\$1,826,066	\$0	\$0	\$0	\$1,826,066
0633	06/22/06	\$0	\$23,400	\$4,000	\$0	\$27,400
0634	06/27/06	\$43,869	\$0	\$0	\$0	\$43,869
0635	07/12/06	\$350,246	\$0	\$0	\$0	\$350,246
0636	07/20/06	\$44,428	\$0	\$0	\$0	\$44,428
0637	07/26/06	\$1,403,280	\$17,900	\$16,300	\$0	\$1,437,480
0638	08/01/06	\$419,681	\$0	\$0	\$0	\$419,681
0639	08/08/06	\$426	\$0	\$0	\$0	\$426
0640	08/15/06	\$720,623	\$0	\$0	\$0	\$720,623
0641	08/21/06	\$1,067,428	\$0	\$0	\$0	\$1,067,428
0642	08/28/06	\$0	\$19,400	\$22,200	\$0	\$41,600
0643	08/29/06	\$540,989	\$0	\$0	\$0	\$540,989
0644	09/07/06	\$46,862	\$0	\$0	\$0	\$46,862
0646	09/13/06	\$0	\$905	\$0	\$0	\$905
0647	09/20/06	\$473,319	\$0	\$0	\$0	\$473,319
0648	09/25/06	\$305,625	\$20,500	\$2,400	\$0	\$328,525
		\$13,562,971	\$341,918	\$104,000	\$0	\$14,008,889

**EXHIBIT VII
SRF NEEDS CATEGORIES
FEDERAL FISCAL YEAR 2006**

Recipient	Environmental Assessment Class	Environmental Assessment Publication Date	Land Purchase w/SRF?
Big Sioux CWS (DW-01)	CATEX	03/29/2006	No
Burke (DW-01)	CATEX	01/04/2006	No
Dell Rapids (DW-02)	CATEX	12/14/2005	No
Elk Point (DW-03)	CATEX	06/15/2006	No
Eureka (DW-01)	CATEX	08/23/2006	No
Humboldt (DW-01)	CATEX	06/15/2006	No
Kingbrook (DW-04)	CATEX	06/08/2006	No
Mobridge (DW-03)	CATEX	09/13/2006	No
Parker (DW-02)	CATEX	06/15/2006	No
Wagner (DW-01)	CATEX	06/21/2006	No
Waubay (DW-01)	CATEX	03/20/2006	No
WEB WDA (DW-03)	FNSI	03/27/2006	No

EXHIBIT VIII
DWSRF LOAN PARTICIPANTS
September 30, 2006

Borrower Name	Loan Amount	State Advances	Federal Advances	Other Advances	Total Advances	Principal Repaid	Loan Balance
Aberdeen (DW-01A)	\$9,460,000	\$1,611,628	\$5,212,008	\$2,636,364	\$9,460,000	\$82,148.16	\$9,377,851.84
Aberdeen (DW-01B)	\$7,300,000	\$953,745	\$736,830	\$5,239,827	\$6,930,402	\$50,517.46	\$6,879,884.54
Baltic (DW-01)	\$250,000	\$75,038	\$174,962	\$0	\$250,000	\$22,584.36	\$227,415.64
BDM RWS (DW-01)	\$280,251	\$0	\$280,251	\$0	\$280,251	\$27,184.50	\$253,066.50
Big Sioux RWS (DW-01)	\$831,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Big Stone City (DW-01)	\$570,000	\$0	\$570,000	\$0	\$570,000	\$138,942.40	\$431,057.60
Big Stone City (DW-02)	\$240,000	\$99,873	\$40,000	\$0	\$139,873	\$4,725.59	\$135,147.41
Black Hawk WUD (DW-01)	\$500,000	\$109,624	\$390,376	\$0	\$500,000	\$116,562.74	\$383,437.26
Brandon (DW-01)	\$1,877,375	\$0	\$1,877,375	\$0	\$1,877,375	\$654,453.88	\$1,222,921.12
Bristol (DW-01)	\$0	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Britton (DW-01)	\$320,000	\$2,854	\$317,146	\$0	\$320,000	\$48,540.07	\$271,459.93
Brookings-Deuel (DW-01)	\$1,200,000	\$0	\$860,281	\$235,930	\$1,096,211	\$0.00	\$1,096,211.00
Brookings-Deuel (DW-02)	\$1,750,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Bryant (DW-01)	\$142,000	\$8,038	\$133,962	\$0	\$142,000	\$14,402.77	\$127,597.23
Burke (DW-01)	\$115,600	\$0	\$0	\$110,600	\$110,600		\$110,600.00
Canton (DW-01)	\$500,000	\$121,979	\$378,021	\$0	\$500,000	\$30,490.00	\$469,510.00
Centerville (DW-01)	\$870,000	\$146,573	\$174,754	\$548,673	\$870,000	\$30,654.03	\$839,345.97
Chancellor (DW-01)	\$230,000	\$0	\$0	\$110,551	\$110,551	\$0.00	\$110,551.00
Clay RWS (DW-01)	\$4,331,000	\$0	\$2,752,300	\$0	\$2,752,300	\$0.00	\$2,752,300.00
Clear Lake (DW-01)	\$540,637	\$0	\$540,637	\$0	\$540,637	\$73,933.55	\$466,703.45
Colonial Pine Hills (DW-01)	\$636,108	\$185,726	\$450,382	\$0	\$636,108	\$89,065.30	\$547,042.70
Colton (DW-01)	\$632,455	\$0	\$632,455	\$0	\$632,455	\$29,077.71	\$603,377.29
Crooks (DW-01)	\$302,900	\$0	\$67,271	\$0	\$67,271	\$2,926.65	\$64,344.35

Borrower Name	Loan Amount	State Advances	Federal Advances	Other Advances	Total Advances	Principal Repaid	Loan Balance
Custer (DW-01)	\$800,000	\$159,437	\$508,821	\$131,742	\$800,000	\$74,714.76	\$725,285.24
Dakota Dunes (DW-01)	\$508,000	\$25,393	\$96,429	\$255,140	\$376,962	\$19,439.77	\$357,522.23
Dell Rapids (DW-01)	\$621,000	\$150,059	\$470,941	\$0	\$621,000	\$35,678.22	\$585,321.78
Dell Rapids (DW-02)	\$162,263	\$0	\$0	\$161,852	\$161,852	\$0.00	\$161,852.00
Elk Point (DW-01)	\$220,000	\$30,181	\$189,819	\$0	\$220,000	\$28,321.60	\$191,678.40
Elk Point (DW-02)	\$570,000	\$0	\$0	\$540,000	\$540,000	\$0.00	\$540,000.00
Elk Point (DW-03)	\$218,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Eureka (DW-01)	\$135,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Fall River WUD (DW-01)	\$759,000	\$0	\$759,000	\$0	\$759,000	\$84,259.92	\$674,740.08
Fall River WUD (DW-02)	\$260,958	\$24,064	\$236,894	\$0	\$260,958	\$21,388.22	\$239,569.78
Garretson (DW-01)	\$1,102,147	\$0	\$1,102,147	\$0	\$1,102,147	\$50,450.49	\$1,051,696.51
Gettysburg (DW-01)	\$565,000	\$0	\$565,000	\$0	\$565,000	\$71,327.61	\$493,672.39
Gregory (DW-01)	\$347,580	\$35,106	\$312,474	\$0	\$347,580	\$30,485.61	\$317,094.39
Groton (DW-01)	\$440,000	\$228,152	\$211,848	\$0	\$440,000	\$23,432.42	\$416,567.58
Groton (DW-02)	\$308,945	\$0	\$0	\$308,945	\$308,945	\$2,163.89	\$306,781.11
Harrisburg (DW-01)	\$525,000	\$20,074	\$504,926	\$0	\$525,000	\$82,574.14	\$442,425.86
Hartford (DW-01)	\$185,000	\$0	\$185,000	\$0	\$185,000	\$28,944.66	\$156,055.34
Hartford (DW-02)	\$800,957	\$344,783	\$429,369	\$0	\$774,152	\$51,209.66	\$722,942.34
Hartford (DW-03)	\$1,123,556	\$3,710	\$151,074	\$409,732	\$564,516	\$0.00	\$564,516.00
Hermosa (DW-01)	\$300,000	\$0	\$300,000	\$0	\$300,000	\$70,115.12	\$229,884.88
Humboldt (DW-01)	\$412,300	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Huron (DW-01)	\$4,000,000	\$734,473	\$0	\$3,265,527	\$4,000,000	\$289,815.40	\$3,710,184.60
Irene (DW-01)	\$127,126	\$0	\$127,126	\$0	\$127,126	\$127,126.00	\$0.00
Keystone (DW-01)	\$762,000	\$403,066	\$222,822	\$0	\$625,888	\$5,231.40	\$620,656.60
Kingbrook RWS (DW-01)	\$474,204	\$0	\$474,204	\$0	\$474,204	\$69,917.43	\$404,286.57
Kingbrook RWS (DW-02)	\$2,115,000	\$0	\$0	\$2,115,000	\$2,115,000	\$42,407.50	\$2,072,592.50
Kingbrook RWS (DW-03)	\$3,324,000	\$0	\$2,897,496	\$0	\$2,897,496	\$0.00	\$2,897,496.00
Kingbrook RWS (DW-04)	\$2,350,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Lead (DW-01)	\$192,800	\$110,440	\$82,360	\$0	\$192,800	\$62,416.43	\$130,383.57
Lead (DW-02)	\$205,800	\$0	\$0	\$192,549	\$192,549	\$3,860.78	\$188,688.22

Borrower Name	Loan Amount	State Advances	Federal Advances	Other Advances	Total Advances	Principal Repaid	Loan Balance
Lead-Deadwood SD (DW-01)	\$2,683,957	\$1,812	\$2,682,145	\$0	\$2,683,957	\$2,683,957.00	\$0.00
Lennox (DW-01)	\$2,000,000	\$0	\$0	\$1,292,066	\$1,292,066	\$0.00	\$1,292,066.00
Lincoln County RWS (DW-01)	\$1,079,170	\$0	\$1,079,170	\$0	\$1,079,170	\$57,471.82	\$1,021,698.18
Madison (DW-01)	\$2,372,000	\$0	\$2,372,000	\$0	\$2,372,000	\$2,372,000.00	\$0.00
Martin (DW-01)	\$919,776	\$213,880	\$705,896	\$0	\$919,776	\$17,976.22	\$901,799.78
McLaughlin (DW-01)	\$350,000	\$0	\$0	\$350,000	\$350,000	\$1,967.06	\$348,032.94
Milbank (DW-01)	\$4,741,000	\$0	\$0	\$2,091,469	\$2,091,469	\$0.00	\$2,091,469.00
Mina Lake SD (DW-01)	\$255,200	\$110,253	\$144,947	\$0	\$255,200	\$49,603.07	\$205,596.93
Minnehaha CWC (DW-01)	\$6,022,816	\$0	\$6,022,816	\$0	\$6,022,816	\$435,592.84	\$5,587,223.16
Mitchell (DW-01)	\$2,850,115	\$603,583	\$2,246,532	\$0	\$2,850,115	\$219,007.51	\$2,631,107.49
Mobridge (DW-01)	\$965,000	\$0	\$965,000	\$0	\$965,000	\$965,000.00	\$0.00
Mobridge (DW-02)	\$352,207	\$0	\$352,207	\$0	\$352,207	\$352,207.00	\$0.00
Mobridge (DW-03)	\$213,500	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Nisland (DW-01)	\$350,000	\$170,757	\$179,243	\$0	\$350,000	\$32,083.37	\$317,916.63
Parker (DW-01)	\$730,000	\$0	\$0	\$600,182	\$600,182	\$0.00	\$600,182.00
Parker (DW-02)	\$300,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Pierre (DW-01)	\$988,188	\$130,882	\$857,306	\$0	\$988,188	\$203,432.35	\$784,755.65
Pierre (DW-02)	\$1,832,900	\$380,409	\$1,452,491	\$0	\$1,832,900	\$94,666.66	\$1,738,233.34
Platte (DW-01)	\$293,134	\$0	\$0	\$293,134	\$293,134	\$12,986.85	\$280,147.15
Rapid City (DW-01)	\$3,500,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Redfield (DW-01)	\$85,000	\$85,000	\$0	\$0	\$85,000	\$18,608.99	\$66,391.01
Redfield (DW-02)	\$342,755	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Salem (DW-01)	\$118,540	\$46,420	\$72,120	\$0	\$118,540	\$20,523.48	\$98,016.52
Salem (DW-02)	\$348,540	\$306,084	\$0	\$0	\$306,084	\$0.00	\$306,084.00
Scotland (DW-01)	\$340,000	\$106,542	\$128,630	\$0	\$235,172	\$6,691.65	\$228,480.35
Sioux Falls (DW-01)	\$6,496,745	\$3,879,001	\$2,617,744	\$0	\$6,496,745	\$3,537,774.17	\$2,958,970.83
Sioux Falls (DW-02)	\$2,348,168	\$6,101	\$2,342,067	\$0	\$2,348,168	\$705,443.96	\$1,642,724.04
Sioux Falls (DW-03)	\$7,930,000	\$1,333,874	\$6,596,126	\$0	\$7,930,000	\$1,584,607.58	\$6,345,392.42
Sioux Falls (DW-04)	\$279,599	\$48,399	\$231,200	\$0	\$279,599	\$36,293.47	\$243,305.53
Sioux Falls (DW-05)	\$12,749,000	\$0	\$0	\$7,004,314	\$7,004,314	\$0.00	\$7,004,314.00

Borrower Name	Loan Amount	State Advances	Federal Advances	Other Advances	Total Advances	Principal Repaid	Loan Balance
South Lincoln RWS (DW-01)	\$2,000,000	\$0	\$1,124,834	\$0	\$1,124,834	\$48,785.33	\$1,076,048.67
Sturgis (DW-01)	\$478,377	\$0	\$478,377	\$0	\$478,377	\$478,377.00	\$0.00
Tripp (DW-01)	\$225,656	\$15,391	\$210,265	\$0	\$225,656	\$17,119.65	\$208,536.35
Tripp County WUD (DW-01)	\$3,500,000	\$653,794	\$2,846,206	\$0	\$3,500,000	\$154,978.17	\$3,345,021.83
Tripp County WUD (DW-02)	\$131,469	\$38,286	\$93,183	\$0	\$131,469	\$7,669.06	\$123,799.94
Tyndall (DW-01)	\$300,000	\$0	\$300,000	\$0	\$300,000	\$140,666.17	\$159,333.83
Tyndall (DW-02)	\$861,000	\$180,885	\$680,115	\$0	\$861,000	\$24,489.25	\$836,510.75
Vermillion (DW-01)	\$795,338	\$0	\$726,511	\$68,827	\$795,338	\$170,237.33	\$625,100.67
Vermillion (DW-02)	\$1,507,552	\$305,729	\$1,201,823	\$0	\$1,507,552	\$123,419.25	\$1,384,132.75
Vermillion (DW-03)	\$3,772,500	\$0	\$0	\$543,395	\$543,395	\$0.00	\$543,395.00
Wagner (DW-01)	\$750,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Waubay (DW-01)	\$750,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
WEB RWS (DW-01)	\$0	\$0	\$0	\$0	\$0	\$0.00	\$0.00
WEB RWS (DW-02)	\$0	\$0	\$0	\$0	\$0	\$0.00	\$0.00
WEB RWS (DW-03)	\$3,950,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Webster (DW-01)	\$318,828	\$122,503	\$196,325	\$0	\$318,828	\$34,876.46	\$283,951.54
WR/LJ RWS (DW-01)	\$340,000	\$59,092	\$280,908	\$0	\$340,000	\$27,866.49	\$312,133.51
WR/LJ RWS (DW-02)	\$8,000,000	\$0	\$7,287,773	\$0	\$7,287,773	\$0.00	\$7,287,773.00
Wolsey (DW-01)	\$263,000	\$156,719	\$0	\$0	\$156,719	\$0.00	\$156,719.00
Worthing (DW-01)	\$288,000	\$171,421	\$116,579	\$0	\$288,000	\$12,519.04	\$275,480.96
Yankton (DW-01)	\$3,460,000	\$913,361	\$2,546,639	\$0	\$3,460,000	\$325,841.15	\$3,134,158.85
total - 104 loans	\$152,323,992	\$15,624,194	\$74,553,939	\$28,505,819	\$118,683,952	\$17,666,229.60	\$101,017,722.40

EXHIBIT IX
Projected Cash Flow Worksheet
Federal Fiscal Year 2007

Borrower	Principal	Interest	Admin Surcharge	Total
Aberdeen (DW-01A)	\$335,844	\$231,325	\$92,524	\$659,693
Aberdeen (DW-01B)	\$206,529	\$142,255	\$56,898	\$405,682
Baltic (DW-01)	\$9,599	\$5,596	\$2,238	\$17,434
BDM (DW-01)	\$10,682	\$6,227	\$2,491	\$19,400
Big Stone City (DW-01)	\$17,728	\$13,555	\$3,188	\$34,470
Big Stone City (DW-02)	\$3,881	\$2,510	\$1,004	\$7,395
Black Hawk WUD (DW-01)	\$15,360	\$12,061	\$2,837	\$30,258
Brandon (DW-01)	\$119,731	\$44,194	\$11,783	\$175,708
Britton (DW-01)	\$9,053	\$7,047	\$2,013	\$18,114
Bryant (DW-01)	\$2,567	\$2,852	\$0	\$5,419
Canton (DW-01)	\$19,148	\$11,244	\$4,497	\$34,888
Centerville (DW-01)	\$13,794	\$15,653	\$4,694	\$34,141
Clay RWS (DW-01)	\$0	\$82,380	\$24,704	\$107,085
Clear Lake (DW-01)	\$10,086	\$10,426	\$0	\$20,512
Colonial Pine Hills (DW-01)	\$19,018	\$10,139	\$4,055	\$33,212
Colton (DW-01)	\$9,802	\$11,253	\$4,501	\$25,555
Crooks (DW-01)	\$2,476	\$1,576	\$472	\$4,524
Custer (DW-01)	\$30,782	\$18,561	\$7,424	\$56,766
Dakota Dunes (DW-01)	\$14,807	\$8,800	\$3,520	\$27,128
Dell Rapids (DW-01)	\$22,926	\$14,420	\$5,768	\$43,113
Elk Point (DW-01)	\$8,747	\$4,711	\$1,884	\$15,342
Elk Point (DW-02)	\$19,511	\$13,320	\$3,994	\$36,825
Fall River (DW-01)	\$13,767	\$15,079	\$0	\$28,845
Fall River (DW-02)	\$4,831	\$4,462	\$0	\$9,293
Garretson (DW-01)	\$17,084	\$19,614	\$7,845	\$44,543
Gettysburg (DW-01)	\$21,130	\$17,004	\$4,858	\$42,992
Gregory (DW-01)	\$6,478	\$5,905	\$0	\$12,383
Groton (DW-01)	\$16,316	\$11,053	\$3,315	\$30,683
Groton (DW-02)	\$10,750	\$7,446	\$2,233	\$20,429
Harrisburg (DW-01)	\$14,820	\$13,126	\$3,281	\$31,228
Hartford (DW-01)	\$5,228	\$4,630	\$1,157	\$11,015
Hartford (DW-02)	\$16,057	\$9,271	\$3,708	\$29,035
Hartford (DW-03)	\$5,037	\$15,807	\$4,740	\$25,584
Hermosa (DW-01)	\$9,369	\$6,804	\$1,701	\$17,873
Huron (DW-01)	\$117,904	\$69,407	\$27,761	\$215,071
Keystone (DW-01)	\$22,461	\$15,431	\$4,628	\$42,520
Kingbrook RWS (DW-01)	\$11,891	\$0	\$0	\$11,891

Borrower	Principal	Interest	Admin	
			Surcharge	Total
Kingbrook RWS (DW-02)	\$32,719	\$38,661	\$11,594	\$82,974
Lead (DW-01)	\$13,790	\$3,303	\$944	\$18,037
Lead (DW-02)	\$2,979	\$3,520	\$1,056	\$7,554
Lennox (DW-01)	\$0	\$43,340	\$12,997	\$56,337
Lincoln County RWS (DW-01)	\$40,018	\$25,171	\$10,068	\$75,256
Martin (DW-01)	\$21,210	\$22,347	\$0	\$43,557
McLaughlin (DW-01)	\$7,992	\$8,626	\$0	\$16,618
Mina Lake San Dist (DW-01)	\$10,168	\$8,073	\$2,018	\$20,259
Minnehaha CWC (DW-01)	\$227,095	\$137,570	\$55,024	\$419,689
Mitchell (DW-01)	\$104,042	\$77,772	\$25,924	\$207,739
Nisland (DW-01)	\$8,750	\$0	\$0	\$8,750
Parker (DW-01)	\$10,755	\$31,634	\$9,487	\$51,876
Pierre (DW-01)	\$43,294	\$14,445	\$5,778	\$63,517
Pierre (DW-02)	\$98,024	\$42,544	\$17,017	\$157,585
Platte (DW-01)	\$26,464	\$5,405	\$1,351	\$33,221
Redfield (DW-01)	\$2,640	\$1,720	\$491	\$4,851
Salem (DW-01)	\$10,811	\$2,350	\$940	\$14,100
Scotland (DW-01)	\$5,505	\$5,661	\$0	\$11,166
Sioux Falls (DW-01)	\$690,854	\$94,584	\$27,020	\$812,458
Sioux Falls (DW-02)	\$222,697	\$54,601	\$15,598	\$292,896
Sioux Falls (DW-03)	\$725,741	\$151,883	\$60,749	\$938,374
Sioux Falls (DW-04)	\$25,027	\$5,850	\$2,340	\$33,217
Sioux Falls (DW-05)	\$624,522	\$135,427	\$33,857	\$793,805
South Lincoln RWS (DW-01)	\$42,147	\$26,509	\$10,603	\$79,259
Tripp (DW-01)	\$5,553	\$5,162	\$0	\$10,714
Tripp County WUD (DW-01)	\$82,601	\$82,855	\$0	\$165,457
Tripp County WUD (DW-02)	\$4,382	\$0	\$0	\$4,382
Tyndall (DW-01)	\$22,653	\$3,889	\$0	\$26,542
Tyndall (DW-02)	\$19,790	\$20,851	\$0	\$40,640
Vermillion (DW-01)	\$24,213	\$18,513	\$4,628	\$47,354
Vermillion (DW-02)	\$42,807	\$25,687	\$10,274	\$78,768
Webster(DW-01)	\$12,457	\$6,983	\$2,793	\$22,233
W. River/Lyman Jones (DW-01)	\$8,419	\$7,725	\$0	\$16,143
W. River/Lyman Jones (DW-02)	\$0	\$187,232	\$56,148	\$243,379
Wolsey (DW-01)	\$0	\$3,338	\$1,001	\$4,340
Worthing (DW-01)	\$8,057	\$5,115	\$2,046	\$15,218
Yankton (DW-01)	\$102,671	\$58,129	\$23,250	\$184,050
Total FFY07	\$4,526,036	\$2,251,616	\$710,710	\$7,488,362

EXHIBITS X -- XII

DRINKING WATER SRF

FINANCIAL STATEMENTS
(Unaudited)

EXHIBIT X
DENR DRINKING WATER STATE REVOLVING FUND
BALANCE SHEET
6/30/2006

	SETASIDES			ADMIN SURCHARGE	LOANS	TOTAL
	STATE ADMIN	TECHNICAL ASSISTANCE	TOTAL SETASIDES			
Assets						
Current Assets:						
Cash and Cash Equivalents	(\$17,929.76)	(\$16,300.07)	(\$34,229.83)	\$2,361,837.05	\$482,178.84	\$2,809,786.06
Restricted Cash and Cash Equivalents					\$10,880.22	\$10,880.22
Due from Federal Government	\$275,577.64	\$113,823.86	\$389,401.50			\$389,401.50
Due from Other Governments			\$0.00	\$175,517.16		\$175,517.16
Deferred Charges	\$9,981.24		\$9,981.24		\$24,864.72	\$34,845.96
Accrued Interest Receivable	\$0.12		\$0.12	\$9,176.19	\$1,345,924.51	\$1,355,100.82
Loans Receivable			\$0.00		\$5,235,705.88	\$5,235,705.88
Total Current Assets	\$267,629.24	\$97,523.79	\$365,153.03	\$2,546,530.40	\$7,099,554.17	10,011,237.60
Noncurrent Assets:						
Investments					\$33,429,181.17	\$33,429,181.17
Restricted Investments					\$948,229.90	\$948,229.90
Deferred Charges	\$109,000.67		\$109,000.67		\$409,796.67	\$518,797.34
Loans Receivable					\$86,406,452.22	\$86,406,452.22
Total Assets	\$376,629.91	\$97,523.79	\$474,153.70	\$2,546,530.40	\$128,293,214.13	131,313,898.23
Liabilities						
Current Liabilities:						
Accounts Payable	\$33,782.51	\$24,625.00	\$58,407.51	\$15,000.00		\$73,407.51
Accrued Liabilities	\$10,906.85		\$10,906.85			\$10,906.85
Compensated Absences Payable	\$16,762.74		\$16,762.74			\$16,762.74
Accrued Interest Payable			\$0.00		\$942,151.82	\$942,151.82
Bonds Payable - net of unamortized premium and discount	(\$5,080.55)		(\$5,080.55)		\$1,408,901.32	\$1,403,820.77
Total Current Liabilities	\$56,371.55	\$24,625.00	\$80,996.55	\$15,000.00	\$2,351,053.14	2,447,049.69

Noncurrent Liabilities:						
Compensated Absences Payable	\$15,105.58		\$15,105.58		\$15,105.58	
Bonds Payable - net of unamortized premium and discount	<u>(\$55,482.39)</u>		<u>(\$55,482.39)</u>		<u>\$44,856,595.29</u>	<u>\$44,801,112.90</u>
Total Liabilities	<u>15,994.74</u>	<u>24,625.00</u>	<u>40,619.74</u>	<u>15,000.00</u>	<u>47,207,648.43</u>	<u>47,263,268.17</u>
Net Assets						
Restricted			\$0.00		\$959,110.12	\$959,110.12
Unrestricted	<u>\$360,635.17</u>	<u>\$72,898.79</u>	<u>\$433,533.96</u>	<u>\$2,531,530.40</u>	<u>\$80,126,455.58</u>	<u>\$83,091,519.94</u>
Total Net Assets	<u>\$ 360,635.17</u>	<u>\$ 72,898.79</u>	<u>\$ 433,533.96</u>	<u>\$ 2,531,530.40</u>	<u>\$ 81,085,565.70</u>	<u>\$ 84,050,630.06</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT XI
DENR DRINKING WATER STATE REVOLVING FUND
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Fiscal Year Ended June 30, 2006

	SETASIDES			ADMIN SURCHRG	LOANS	TOTAL
	STATE ADMIN	TECHNICAL ASSISTANCE	TOTAL SETASIDES			
Operating Revenues:						
Loan Interest Income			\$0.00		\$2,095,287.04	\$2,095,287.04
Federal Capitalization Grants	\$320,791.38	\$122,875.07	\$443,666.45		\$10,002,004.00	\$10,445,670.45
Other Income			\$0.00	\$677,956.80		\$677,956.80
Total Operating Revenue	<u>320,791.38</u>	<u>122,875.07</u>	<u>443,666.45</u>	<u>677,956.80</u>	<u>12,097,291.04</u>	<u>13,218,914.29</u>
Operating Expenses:						
Administrative Expenses						
Personal Services	\$144,623.58		\$144,623.58			\$144,623.58
Employee Benefits	\$18,311.65		\$18,311.65			\$18,311.65
Travel	\$9,754.20		\$9,754.20			\$9,754.20
Contractual	\$100,072.56	\$61,140.00	\$161,212.56	\$42,500.00		\$203,712.56
Supplies	\$820.14		\$820.14			\$820.14
Grants		\$52,242.69	\$52,242.69			\$52,242.69
Other	\$2,255.74		\$2,255.74			\$2,255.74
Total Administrative Expenses	<u>\$275,837.87</u>	<u>\$113,382.69</u>	<u>\$389,220.56</u>	<u>\$42,500.00</u>	<u>\$0.00</u>	<u>431,720.56</u>
Interest Expense	\$5,080.55		\$5,080.55		\$2,103,022.68	\$2,108,103.23
Bond Issuance Expense					\$33,545.71	\$33,545.71
Total Operating Expenses	<u>\$280,918.42</u>	<u>\$113,382.69</u>	<u>\$394,301.11</u>	<u>\$42,500.00</u>	<u>\$2,136,568.39</u>	<u>2,573,369.50</u>
Operating Income (Loss)	39,872.96	9,492.38	49,365.34	635,456.80	9,960,722.65	10,645,544.79
Nonoperating Revenue (Expenses):						
Investment Income	\$1.18		\$1.18	\$79,435.78	\$1,975,571.02	\$2,055,007.98

EXHIBIT XII
DENR DRINKING WATER STATE REVOLVING FUND
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006

	SETASIDES					
	STATE ADMIN	TECHNICAL ASSISTANCE	TOTAL SETASIDES	ADMIN SURCHARGE	LOANS	TOTAL
Cash Flows from Operating Activities:						
Receipts for Loan Repayments					\$3,226,520.58	\$3,226,520.58
Receipts for Interest Income on Loans					\$1,996,420.99	\$1,996,420.99
Receipts for Surcharge Interest on Loans				\$658,032.72		\$658,032.72
Receipts for Administering Program	\$338,413.00	\$101,300.00	\$439,713.00		\$10,002,004.00	\$10,441,717.00
Payments to Loan Recipients					(\$25,895,036.00)	(\$25,895,036.00)
Payments for Employee Services	(\$180,610.05)		(\$180,610.05)			(\$180,610.05)
Payments for Contractual Services	(\$122,567.62)	(\$41,865.00)	(\$164,432.62)	(\$30,000.00)		(\$194,432.62)
Other Payments	(\$10,742.69)	(\$66,242.69)	(\$76,985.38)			(\$76,985.38)
Net Cash Provided (Used) by Operating Activities	24,492.64	(6,807.69)	17,684.95	628,032.72	(10,670,090.43)	(10,024,372.76)
Cash Flows from Noncapital Financing Activities:						
Bond Issuance Costs Paid					(\$85,511.75)	(\$85,511.75)
Bond Premium Revenue					\$293,105.63	\$293,105.63
Bond Receipts					\$8,470,000.00	\$8,470,000.00
Transfers Out	(\$24,886.93)		(\$24,886.93)		(\$81,250.32)	(\$106,137.25)
Principal Payments on Bonds					(\$440,000.00)	(\$440,000.00)
Interest Payments on Bonds and Notes					(\$1,931,210.69)	(\$1,931,210.69)
Net Cash Provided (Used) by Noncapital Financing Activities	(24,886.93)	-	(24,886.93)	-	6,225,132.87	6,200,245.94
Cash Flows from Investing Activities:						
Interest on Investments	\$1.13		\$1.13	\$74,032.58	\$1,993,034.88	\$2,067,068.59
Proceeds from Sale of Investment Securities					\$25,772,327.20	\$25,772,327.20
Purchase of Investment Securities					(\$24,395,042.08)	(\$24,395,042.08)
Net Cash Provided (Used) by Investing Activities	\$1.13	\$0.00	\$1.13	\$74,032.58	\$3,370,320.00	\$3,444,353.71
Net Increase (Decrease) in Cash and Cash Equivalents	(393.16)	(6,807.69)	(7,200.85)	702,065.30	(1,074,637.56)	(379,773.11)
Cash and Cash Equivalents at Beginning of Year	(\$17,536.60)	(\$9,492.38)	(\$27,028.98)	\$1,659,771.75	\$1,567,696.62	3,200,439.39
Cash and Cash Equivalents at End of Year	\$ (17,929.76)	\$ (16,300.07)	\$ (34,229.83)	\$ 2,361,837.05	\$ 493,059.06	\$ 2,820,666.28

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities						
Operating Income (Loss)	\$	\$	\$	\$	\$	\$
	39,872.96	9,492.38	49,365.34	635,456.80	9,960,722.65	10,645,544.79
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:						
Interest Expense					2,103,022.68	2,108,103.23
Amortization of Bond Issuance Cost	5,080.55		5,080.55		33,545.71	33,545.71
Assets: (Increase)/Decrease						
Loans Receivable					(\$22,668,515.42)	(\$22,668,515.42)
Accrued Interest Receivable on Loans					(\$98,866.05)	(\$98,866.05)
Due from Federal Government	\$17,621.62	(\$21,575.07)	(\$3,953.45)			(\$3,953.45)
Due from Other Governments				(\$19,924.08)		(\$19,924.08)
Liabilities: Increase/(Decrease)						
Accounts Payable	(\$20,407.67)	\$5,275.00	(\$15,132.67)	\$12,500.00		(\$2,632.67)
Accrued Employee Benefits	(\$15,529.26)		(\$15,529.26)			(\$15,529.26)
Accrued Liabilities	(\$2,145.56)		(\$2,145.56)			(\$2,145.56)
Total Adjustments	(15,380.32)	(16,300.07)	(31,680.39)	(7,424.08)	(20,630,813.08)	(20,669,917.55)
Net Cash Provided by Operations	\$	\$	\$	\$	\$	\$
	24,492.64	(6,807.69)	17,684.95	628,032.72	(10,670,090.43)	(10,024,372.76)

The notes to the financial statements are an integral part of this statement.

DRINKING WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Authorizing Legislation

The Drinking Water State Revolving Fund (DWSRF) Loan program was federally authorized by the Safe Drinking Water Act Amendments of 1996. The state authorized the loan program in 1994 in anticipation of federal action. The Environmental Protection Agency (EPA) developed final guidance for the Drinking Water State Revolving Fund on February 28, 1997. The South Dakota Conservancy District, acting in its capacity as the Board of Water and Natural Resources, conducted a public hearing on April 15, 1997 to adopt formal administrative rules for the program. The DWSRF is a low interest loan program to finance drinking water projects. Funds are provided to the states in the form of capitalization grants awarded annually through the United States Environmental Protection Agency. The federal capitalization grants are matched by state funds at a ratio of 5:1. The Drinking Water State Revolving Fund is a part of the State of South Dakota and, as such, the accompanying financial statements are included in the Comprehensive Annual Financial Report of the State of South Dakota.

B. Fund Accounting

The DWSRF is accounted for as an enterprise fund. An enterprise fund is a proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

C. Basis of Accounting

The DWSRF follows the accrual basis of accounting. This method of accounting recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows. The DWSRF follows all Governmental Accounting Standards Board (GASB) pronouncements and those Financial Accounting Standards Boards Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

D. Cash and Cash Equivalents

For purposes of the accompanying statement of net assets and statement of cash flows all highly liquid investments with original maturities of 90 days or less are considered to cash equivalents.

E. Investments

Investments are reported at fair value. Unrealized gains and losses due to fluctuations in market value are included in investment income.

F. Deferred Charges

Issuance costs, discounts, and premiums on bonds are amortized using the straight line method over the life of the bonds to which they relate.

G. Reserves

The bond indentures provide that certain reserve accounts be established. The reserves as of June 30, 2006 consist of an Investment Agreement at 5.56% with CDC Funding Corporation due August 1, 2008 totaling \$528,980. Also an Investment Agreement at 5.07% with AIG Matched Funding Corp due August 1, 2025 totaling \$419,250. The reserves are reported as restricted assets in the financial statements.

In addition, \$10,880 is invested in the Goldman Sachs Fund described in note 2 below.

H. Restricted Resources

When both restricted and unrestricted resources are available for use, it is the DWSRF's policy to use restricted resources first, and then unrestricted resources as they are needed.

I. Revenue and Expense Recognition

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering items in connection with an enterprise fund's principal ongoing operations. The DWSRF records all revenues derived from interest on loans, and federal capitalization grants as operating revenues since these revenues are generated from the DWSRF's daily operations needed to carry out its purpose. Operating expenses include interest expense on bonds, grants and subsidies, and contractual service expenses related to the administration of the DWSRF program.

J. Federal Capitalization Grant

Federal capitalization grants reported as operating income in the statement of revenues, expenses, and changes in fund net assets is a federally funded loan program. Information about the program is as follows:

CFDA Number:	66.468
Federal Agency:	Water Management Division
Program:	Drinking Water State Revolving Fund
State Agency:	Environment & Natural Resources
Expenditures:	\$92,089,073
Outstanding Loans:	\$91,642,158
Current Year	
Administrative Expense:	\$446,915
Loan Disbursement:	\$25,895,036

2. CASH AND INVESTMENTS

Cash and Cash Equivalents consist of a Goldman Sachs Financial Square Treasury Obligation Fund (mutual fund) and is rated "AAA" by Standard and Poor's Rating Group. The fund paid on average approximately 3.96% for the year ending June 30, 2006.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Drinking Water State Revolving Funds investments may not be returned. At June 30, 2006, the following investments were uninsured and unregistered, with the securities held by its trust department, but not in Drinking Water's name, \$34,377,411 of guaranteed investment contracts.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The maturities of the investments are listed below.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Guaranteed Investment Contract	8/1/2008	\$ 5,192,866
Guaranteed Investment Contract	8/1/2025	20,074,630
Guaranteed Investment Contract	8/1/2026	<u>9,109,915</u>

\$ 34,377,411

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to Drinking Water. The South Dakota State Revolving Fund Master Trust Indenture requires any investment agreement to be with a guarantor whose long-term rating category is no lower than the two highest long-term rating categories. The investment is rated by Moody's Investors Service.

<u>Moody's Rating</u>	<u>Fair Value</u>
Aaa	\$ 5,192,866
Aa2	<u>29,184,545</u>
	<u>\$ 34,377,411</u>

3. LOANS RECEIVABLE

Loans receivable consists of loans made to local governments through a loan agreement. In order for a local government to receive a loan, evidence must be shown that the principal and interest of the loan will be repaid. Loans made from the DWSRF may be made at or below market interest rates and shall be fully amortized within twenty years, unless the loan is to a Disadvantaged Community, in which case the loan must be amortized within 30 years. Interest rates are reduced for those loans with shorter amortization periods.

4. LONG-TERM DEBT

Revenue Bonds

The bond issues outstanding as of June 30, 2006 are as follows:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity Through</u>	<u>Principal Balance</u>
Series 1998A			
Serial Bonds	4.4%-4.9%	2012	\$ 2,120,000
Term Bonds	5.0%	2019	2,960,000
Series 2001			
Serial Bonds	4% - 5%	2014	2,040,000
Term Bonds	5.0%	2022	2,700,000
Series 2004			
Leveraged Serial Bonds	2.0%-5.25%	2025	22,145,000
St. Match Serial Bonds	2.0%-5.25%	2025	4,925,000
Series 2005			
Leveraged Serial Bonds	3.25%-5.0%	2026	6,835,000
St. Match Serial Bonds	3.25%-5.0%	2026	<u>1,635,000</u>
Total			45,360,000
Less: Unamortized Original Issue Discount			(87,672)
Add: Unamortized Premium			<u>932,605</u>
Total Net of Amortization			<u>\$ 46,204,933</u>

Future bond payments and future interest payments remaining as of June 30, 2006 are as follows:

Year Ended June 30,	Principal	Interest	Total Principal and Interest
2007	\$ 1,360,000	\$ 2,158,839	\$ 3,518,839
2008	1,685,000	2,027,820	3,712,820
2009	1,745,000	1,968,216	3,713,216
2010	1,815,000	1,902,259	3,717,259
2011	1,875,000	1,830,503	3,705,503
2012-2016	10,665,000	7,870,680	18,535,680
2017-2021	12,800,000	5,047,676	17,847,676
2022-2026	12,790,000	1,769,138	14,559,138
2027-2031	<u>625,000</u>	<u>15,625</u>	<u>640,625</u>
TOTAL	<u>\$45,360,000</u>	<u>\$ 24,590,756</u>	<u>\$69,950,756</u>

Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$37,921,192	\$8,769,963	\$ 486,222	\$46,204,933	\$ 1,403,820
Compensated Absences	<u>47,398</u>	<u>11,576</u>	<u>27,106</u>	<u>31,868</u>	<u>16,763</u>
Long-Term Liabilities	<u>\$37,968,590</u>	<u>\$8,781,539</u>	<u>\$ 513,328</u>	<u>\$46,236,801</u>	<u>\$ 1,420,583</u>

The Revenue Bonds beginning balance is shown net of unamortized bond discount and unamortized bond premium and, therefore, does not agree with the prior year's ending balance.

5. COMMITMENTS

As of June 30, 2006, the DWSRF had loan commitments with political subdivisions worth \$34,023,905.

6. RETIREMENT PLAN

The South Dakota Retirement System (SDRS) is a cost-sharing multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Employees are required by state statute to contribute 6 percent of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. The DWSRF contributions to the SDRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$10,173.06, \$9,688.40, and \$10,868.03 respectively, equal to the required contributions each year.

7. ANNUAL AND SICK LEAVE ACCRUAL

All employees earn annual leave. Upon termination, employees are eligible to receive compensation for their accrued annual leave balances. At June 30, 2006, a liability existed for accumulated annual leave calculated at the employee's June 30, 2006, pay rate in the amount of \$15,317. Employees who have been continuously employed by the State of South Dakota for at least seven years prior to the date of their retirement, voluntary resignation or death will receive payment for one-fourth of their accumulated sick leave balance. This payment is not to exceed the sum of twelve weeks of employee's annual compensation. At June 30, 2006, a liability existed for accumulated sick leave, calculated at each employee's June 30, 2006, pay rate in the amount of \$16,551. The total leave liability of \$31,868 at June 30, 2006, is shown as a liability on the balance sheet.

8. PUBLIC ENTITY POOL FOR LIABILITY

The Bureau of Personnel is insured through a Public Entity Pool for Liability Fund (PEPL). The PEPL Fund covers risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability, medical malpractice liability, law enforcement liability, and products liability).

ADDENDUM A

FEDERAL FISCAL YEAR 2007

INTENDED USE PLAN

**SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FISCAL YEAR 2007 INTENDED USE PLAN**

INTRODUCTION

The Safe Drinking Water Act Amendments of 1996 and South Dakota Codified Law 46A-1-60.1 to 46A-1-60.3, inclusive, authorize the South Dakota Drinking Water State Revolving Fund (SRF) program. Program rules are established in Administrative Rules of South Dakota chapter 74:05:11.

The state of South Dakota proposes to adopt the following Intended Use Plan (IUP) for the federal fiscal year 2007 as required under Section 1452(b) of the Safe Drinking Water Act and ARSD 74:05:11:03. The IUP describes how the state intends to use the Drinking Water SRF to meet the objectives of the Safe Drinking Water Act and further the goal of protecting public health. A public hearing was held on November 2, 2006, to review the 2007 Intended Use Plan and receive comments. The IUP reflects the results of this review.

The IUP includes the following:

- Priority list of projects;
- Short- and long-term goals;
- Criteria and method of fund distribution;
- Funds transferred between the Drinking Water SRF and the Clean Water SRF;
- Financial status;
- Description and amount of non-Drinking Water SRF (set-aside) activities; and
- Disadvantaged community subsidies.

PRIORITY LIST OF PROJECTS

A project must be on the project priority list, Attachment I, to be eligible for a loan. This list was developed from the State Water Plan and includes projects that did not designate Drinking Water SRF loans as a funding source.

Projects may be added to the project priority list at any meeting of the Board of Water and Natural Resources if the action is included on the agenda at the time it is posted.

Priority ratings are based on the project priority system established in ARSD 74:05:11:06. The general objective of the priority system is to assure projects that address compliance or health concerns, meet certain affordability criteria, or regionalize facilities receive priority for funding.

Attachment II is a list of those projects from which the department expects to receive applications. The estimated funding dates are only estimates and should not be interpreted as deadlines or that the loan funds have been reserved. Projects with a later expected funding date may receive loans prior to those projects with an earlier date based on time of submittal of its funding application. Any project that is listed on the project priority list, but not listed on Attachment II, will be moved to Attachment II upon submittal of an application. Attachment II will be revised as projects are added. These revisions do not require approval by the Board of Water and Natural Resources.

GOALS, OBJECTIVES, AND ENVIRONMENTAL RESULTS

The long-term goals of the Drinking Water SRF are to fully capitalize the fund, ensure that the state's drinking water supplies remain safe and affordable, ensure that systems are operated and maintained, and promote economic well-being.

The specific long-term objectives of the program are:

1. To maintain a permanent, self-sustaining SRF program that will serve in perpetuity as a financing source for drinking water projects and source water quality protection measures. This will necessitate that the amount of capitalization grant funds for non-Drinking Water SRF activities are reviewed annually to assure adequate cash flow to maintain the fund.
2. To fulfill the requirements of pertinent federal, state, and local laws and regulations governing safe drinking water activities, while providing the state and local project sponsors with maximum flexibility and decision making authority regarding such activities.

The short-term goal of the SRF is to fully capitalize the fund.

The specific short-term objectives of the program are:

1. To assist systems in replacing aging infrastructure.
2. To assist systems in maintaining and upgrading its water treatment capabilities to ensure compliance with the Safe Drinking Water Act.

3. To promote regionalization and consolidations of water systems, where mutually beneficial, as a practical means of addressing financial, managerial, and technical capacity.
4. To ensure the technical integrity of Drinking Water SRF projects through the review of planning, design plans and specifications, and construction activities.
5. To ensure the financial integrity of the Drinking Water SRF program through the review of the financial impacts of the set-asides and disadvantaged subsidies and individual loan applications and the ability for repayment.
6. To obtain maximum capitalization of the funds for the state in the shortest time possible while taking advantage of the provisions for disadvantaged communities and supporting the non-Drinking Water SRF activities.

Environmental Results

Beginning January 1, 2005, states were required to establish program activity measures (outcomes) in its Intended Use Plan to receive the federal capitalization grant. Progress related to the measures is to be reported in the following annual report.

For fiscal year 2007, the specific measures are:

1. In fiscal year 2006, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 95.6 percent, which is above the national average of 88 percent. For fiscal year 2007, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.

2. In fiscal year 2006, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 77.9 percent. For fiscal year 2007, the goal is to maintain the construction pace at or above 75 percent.

3. For fiscal year 2007, the goal of the Drinking Water SRF program is to fund 11 loans, totaling \$19.1 million.

4. For fiscal year 2007, it is estimated that twelve projects will initiate operations.

5. For fiscal year 2007, it is estimated that 10 Small Community Planning Grants will be awarded to small systems to evaluate the system's infrastructure needs.

6. For fiscal year 2007, it is estimated that the South Dakota Association of Rural Water Systems will provide 900 hours of technical assistance to small systems.

CRITERIA AND METHOD OF FUND DISTRIBUTION

Projects will be funded based on their assigned priority as set forth on the Project Priority list. Projects with the highest ranking that have submitted a complete State Revolving Fund loan application and demonstrated adequate financial, managerial, and technical capacity to receive the loan shall be funded before any lower ranked projects. Projects on the priority list may be bypassed if they have not demonstrated readiness to proceed by submitting a loan application. The next highest priority project that has submitted an application will be funded. The state shall exert reasonable effort to assure that the higher priority projects on the priority list are funded.

Interest rates are reviewed annually and are set to be competitive with other funding agencies. In September 2006, the Board of

Water and Natural Resources retained the interest rates established in March 2004, which are 2.50 percent for loans with a term of 10 years or less and 3.25 percent for loans with a term greater than 10 years. The term of each loan is at the discretion of the project sponsor provided that the proposed repayment source produces sufficient coverage. The rate for loans for interim financing is 2.0 percent. The maximum allowable term for interim financing loans is three years. Loan rates for disadvantaged communities are 3.25 percent, 2.5 percent or zero percent depending on the recipient's median household income. Information regarding disadvantaged eligibility and subsidy level criteria can be found in the disadvantaged community subsidies section.

The interest rate includes an administrative surcharge as identified in Table 1. The primary purpose of the surcharge is to provide a pool of funds to be used for administrative

Table 1 - Drinking Water SRF Interest Rates				
	Up to 3 Yrs	Up to 10 Yrs	Up to 20 Yrs	Up to 30 Yrs
<u>Interim Rate</u>				
Interest Rate	2.00%			
Admin. Surcharge	0.00%			
Total	2.00%			
<u>Base Rate</u>				
Interest Rate		2.00%	2.50%	
Admin. Surcharge		0.50%	0.75%	
Total		2.50%	3.25%	
<u>Disadvantaged Rate - 100% of MHI</u>				
Interest Rate				2.50%
Admin. Surcharge				0.75%
Total				3.25%
<u>Disadvantaged Rate - 80% of MHI</u>				
Interest Rate				2.00%
Admin. Surcharge				0.50%
Total				2.50%
<u>Disadvantaged Rate - 60% of MHI</u>				
Interest Rate				0.00%
Admin. Surcharge				0.00%
Total				0.00%

purposes after the state ceases to receive capitalization grants. The administrative surcharge is also available for other purposes, as determined eligible by EPA and at the discretion of the Board of Water and Natural Resources and department. As of September 30, 2006, \$2.44 million of administrative surcharge funds are available.

Beginning in fiscal year 2005, administrative surcharge funds were provided to the planning districts to defray expenses resulting from SRF application preparation and project administration. Reimbursement is \$7,500 per approved loan with payments made in \$2,500 increments as certain milestones are met. Based on recent loan demand, \$150,000 will be obligated for this purpose in fiscal year 2007.

A requirement of the program is that a minimum of 15 percent of all dollars credited to the fund be used to provide loan assistance to small systems that serve fewer than 10,000 persons. Since the inception of the program, \$67.2 million has been obligated to systems meeting this population threshold, or 42.2 percent of the \$159.3 million of total funds available for loan. With \$3.95 million identified for systems serving fewer than 10,000 persons on Attachment II – List of Projects to be funded in Fiscal Year 2007, the state expects to continue to exceed the 15 percent threshold.

Water systems must demonstrate the technical, managerial, and financial capability to operate a water utility before it can receive a loan.

The distribution methods and criteria are designed to provide affordable assistance to the borrower with maximum flexibility while providing for the long-term viability of the fund.

AMOUNT OF FUNDS TRANSFERRED BETWEEN THE DRINKING WATER SRF AND THE CLEAN WATER SRF

The Safe Drinking Water Act Amendments of 1996 allowed states to transfer an amount equal to 33 percent of its Drinking Water SRF capitalization grant to the Clean Water SRF or an equivalent amount from the Clean Water SRF to the Drinking Water SRF. One-year extensions of this transfer authority were granted for fiscal years 2002 - 2005. This transfer authority has been extended by Congressional action for fiscal year 2006 and thereafter. States can also transfer state match, investment earnings, or principal and interest repayments between SRF programs and may transfer a previous year's allocation at any time.

South Dakota transferred \$15,574,320 from the Clean Water SRF program in past years. In fiscal year 2006, \$7.5 million of leveraged bond proceeds was transferred from the Drinking Water SRF program to the Clean Water SRF program. With the 2007 capitalization grants, the ability exists to transfer up to \$14.75 million from the Clean Water SRF program to the Drinking Water SRF program. Up to \$22.83 million could be transferred from the Drinking Water SRF program to the Clean Water SRF program. Table 2 (page 9) itemizes the amount of funds transferred between the programs and the amount of funds available to be transferred.

No transfers are anticipated in fiscal year 2007.

FINANCIAL STATUS

Loan funds are derived from various sources and include federal capitalization grants, state match, leveraged bonds, borrowers' principal repayments, and interest earnings.

Capitalization Grants/State Match: Federal capitalization grants are provided to the state annually. These funds must be matched by the state at a ratio of 5 to 1. The fiscal year 2007 capitalization grant is expected to be \$8,270,000 which requires \$1,654,000 in state match. Bond proceeds will be used to match 2007 capitalization grant funds. The bonding authority for this program is established in SDCL 46A-1-60.1.

Leveraged Bonds: The South Dakota Conservancy District has the ability to issue additional bonds above that required for state match, known as leveraged bonds. Additional (leveraged) bonds above that required for state match were issued in fiscal years 2004 and 2006 in amounts of \$22.5 million and \$14.5 million, respectively. Subsequently, \$7.5 million of the 2006 proceeds were transferred to the Clean Water SRF program. There does not appear to be a need to issue leveraged bonds in fiscal year 2007.

Borrowers' Principal Repayments: The principal repaid by the loan borrowers is used to make semi-annual leveraged bond payments. Any excess principal is available for loans. It is estimated that \$1,100,000 in principal repayments will be available for loans in fiscal year 2007.

Interest Earnings: The interest repaid by the loan borrowers, as well as interest earned on investments, is dedicated to make semi-annual state match bond payments. Any excess interest is available for loans. It is estimated that \$1,600,000 in interest earnings will be available for loans in fiscal year 2007. As of September 30, 2006, 104 loans totaling \$165,349,822 have been made.

At the beginning of fiscal year 2007, \$6,955,142 is available for loan. The attached project priority list identifies \$44.8 million in potential loans. With the 2007 capitalization grant, state match, leveraged

bonds, excess interest earnings, and repayments, approximately \$22.9 million will be available to loan. This information is provided in Attachment III, Drinking Water SRF Funding Status.

Funds will be allocated to the set-aside activities in the amounts indicated below. All remaining funds will be used to fund projects on the project priority list. A more detailed description of the activities can be found in the section pertaining to set-asides and the attachments.

Administration	\$330,800
Small System Technical Assistance	<u>\$165,400</u>
Total for set-asides	\$496,200

The program has received ten previous capitalization grants totaling \$83,564,500 and has provided the required state match of \$16,712,900. Of this amount, \$4,625,494 was allocated to set-aside activities as follows: \$3,342,580 for administration, \$1,057,408 for small system technical assistance, \$4,300 for state program management – operator certification, \$21,206 for capacity development, and \$200,000 for wellhead protection support.

With the adoption of the amended and restated Master Indenture in 2004, the Clean Water and Drinking Water SRF programs are cross-collateralized. This allows the board to pledge excess revenues on deposit in the Drinking Water SRF program to act as additional security for bonds secured by excess revenues on deposit in the Clean Water SRF program, and vice versa.

A conservative approach to set-asides and subsidized loans has been taken to assure achieving the goals of developing a permanent, self-sustaining SRF program. Future demand on the program will influence

the allocation of funds to set-asides and loan subsidies.

The Safe Drinking Water Act included three provisions that call for a withholding of Drinking Water SRF grant funds where states fail to implement three necessary programmatic requirements. These provisions were assuring the technical, financial, and managerial capacity of new water systems, developing a strategy to address the capacity of existing systems, and developing an operator certification program that complies with EPA guidelines. The State of South Dakota continues to meet the requirements of these provisions and will not be subject to withholding of funds.

DESCRIPTION AND AMOUNT OF NON-PROJECT ACTIVITIES (SET-ASIDES)

The Safe Drinking Water Act authorizes states to provide funding for certain non-project activities provided that the amount of that funding does not exceed certain ceilings. Unused funds in the non-Drinking Water SRF will be banked for future use, where allowable, or transferred to the project loan account at the discretion of the state and with concurrence from the EPA Regional Administrator.

The following sections identify what portions of the capitalization grant will be used for non-Drinking Water SRF activities and describe how the funds will be used.

Administration. Four percent of the fiscal year capitalization grant (\$330,800) will be allocated to administer the Drinking Water SRF program. This is the maximum allowed for this purpose.

Specific activities to be funded are: staff salary, benefits, travel, and overhead; retaining of bond counsel, bond underwriter,

financial advisor, and trustee; and other costs to administer the program.

Unused administrative funds will be banked to assure a source of funds not dependent on state general funds.

Small system technical assistance. Two percent of the capitalization grant (\$165,400) will be allocated to provide technical assistance to public water systems serving 10,000 or fewer. This is the maximum allowed for this purpose.

The objective of this set-aside is to bring non-complying systems into compliance and improve operations of water systems.

In fiscal year 1997, the board contracted with the South Dakota Association of Rural Water Systems to help communities evaluate the technical, managerial, and financial capability of its water utilities. This contract has been renewed annually. The contract will be amended to allow the continuation of assistance activities. The South Dakota Association of Rural Water Systems has been allocated \$473,500 in set-aside funds. The Rural Water Association provides such on-site assistance as leak detection, consumer confidence reports, water audits, board oversight and review, treatment plant operations, operator certification, and rate analysis. Contracts to date have provided nearly 7,400 hours of on-site small system technical assistance.

To promote proactive planning within small communities, the Small Community Planning Grant program was initiated in fiscal year 2001. The systems are reimbursed 80 percent of the cost of an engineering study, with the maximum grant amount for any project being \$6,000. Ninety-one grants have been made for this purpose, totaling \$359,645 in obligations. Grants are available only for

communities with a population of 2,500 or less.

The board also provides additional grants for studies incorporating a rate analysis using Rate Maker software. Reimbursement for performing a rate analysis is 80 percent of costs up to a maximum of \$1,600. Twelve grants, totaling \$17,600, have been awarded for rate analyses.

Unused funds from previous years' set-aside for small system technical assistance are banked for use in future years. Currently, \$180,746 remains from previous years' allocations to be used for the purposes described above.

To assure available funds to support the existing small system technical assistance endeavors, \$167,050 from the fiscal year 2007 capitalization grant will be allocated to this set-aside. Specific use of funds will be on an as-needed basis.

State program management. The state may use up to 10 percent of its allotment to (1) administer the state PWSS program; (2) administer or provide technical assistance through water protection programs, including the Class V portion of the Underground Injection Control program; (3) develop and implement a capacity development strategy; and (4) develop and implement an operator certification program. A dollar-for-dollar match of capitalization funds must be provided for these activities.

No funds will be set-aside for these activities in federal fiscal year 2007.

Local assistance and other state programs. The state can fund other activities to assist development and implementation of local drinking water protection activities. Up to 15 percent of the capitalization grant may be used for the activities specified below, but not

more than 10 percent can be used for any one activity. The allowable activities for this set-aside are: (1) assistance to a public water system to acquire land or a conservation easement for source water protection; (2) assistance to a community water system to implement voluntary, incentive-based source water quality protection measures; (3) to provide funding to delineate and assess source water protection areas; (4) to support the establishment and implementation of a wellhead protection program; and (5) to provide funding to a community water system to implement a project under the capacity development strategy.

No funds will be set-aside for these activities in federal fiscal year 2007.

DISADVANTAGED COMMUNITY SUBSIDIES

Communities that meet the disadvantaged eligibility criteria described below may receive additional subsidies. This includes communities that will meet the disadvantaged criteria as a result of the project.

Definition. To be eligible for loan subsidies a community must meet the following criteria:

- (1) for municipalities and sanitary districts:
 - (a) the median household income is below the statewide median household income; and
 - (b) the monthly residential water bill is \$20 or more for 5,000 gallons usage; or
- (2) for other community water systems:
 - (a) the median household income is below the statewide median household income; and

(b) the monthly water bill for rural households is \$50 or more for 7,000 gallons usage.

The source of income statistics will be the most recent federal census or statistically valid information supplied by the applicant.

Affordability criteria used to determine subsidy amount. Loans given to disadvantaged communities may have a term up to 30 years or the expected life of the project, whichever is less. Disadvantaged communities below the statewide median household income, but at or greater than 80 percent, are eligible to extend the term of the loan up to 30 years. Disadvantaged communities below 80 percent of the statewide median household income, but at or greater than 60 percent may receive up to a two percentage point reduction in interest rates. See Table 1 on page 3 for the disadvantaged interest rate for fiscal year

2007. Disadvantaged communities with a median household income less than 60 percent of the statewide median household income may receive a zero percent loan.

Amount of capitalization grant to be made available for providing additional subsidies. Additional subsidies in the form of principal forgiveness or negative interest rates are not authorized under the program rules.

Identification of systems to receive subsidies and the amount. Systems that are eligible to receive disadvantaged community rates and terms are identified in Attachment I and Attachment II.

Table 2 - Amounts Available to Transfer between State Revolving Fund Programs

Year	DWSRF Capitalization Grant	Amount Available for Transfer	Banked Transfer Ceiling	Amount Transferred from CWSRF to DWSRF	Amount Transferred from DWSRF to CWSRF	Transfer Description	CWSRF Funds Available to Transfer	DWSRF Funds Available to Transfer
1997	\$12,558,800	\$4,144,404	\$4,144,404				\$4,144,404	\$4,144,404
1998	\$7,121,300	\$2,350,029	\$6,494,433				\$6,494,433	\$6,494,433
1999	\$7,463,800	\$2,463,054	\$8,957,487				\$8,957,487	\$8,957,487
2000	\$7,757,000	\$2,559,810	\$11,517,297				\$11,517,297	\$11,517,297
2001	\$7,789,100	\$2,570,403	\$14,087,700				\$14,087,700	\$14,087,700
2002	\$8,052,500	\$2,657,325	\$16,745,025	\$7,812,960		CW Cap Grant/Match	\$8,932,065	\$16,745,025
2003	\$8,004,100	\$2,641,353	\$19,386,378	\$7,761,360		CW Cap Grant/Match	\$3,812,058	\$19,386,378
2004	\$8,303,100	\$2,740,023	\$22,126,401				\$6,552,081	\$22,126,401
2005	\$8,352,500	\$2,756,325	\$24,882,726				\$9,308,406	\$24,882,726
2006	\$8,229,300	\$2,715,669	\$27,598,395		\$7,500,000	Leveraged Bonds	\$12,024,075	\$20,098,395
2007 (est.)	\$8,270,000	\$2,729,100	\$30,327,495				\$14,753,175	\$22,827,495

ATTACHMENT I

PROJECT PRIORITY LIST

Attachment I is a comprehensive list of projects that are eligible for Drinking Water SRF loans. This list was developed from State Water Plan applications. Inclusion on the list carries no obligations to the Drinking Water SRF program. Attachment II lists those projects expected to be funded in fiscal year 2007.

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
152	West River/Lyman-Jones Rural Water System	C462446-03	<i>Problem:</i> rural residents in Stanley and Haakon County have inadequate sources of water with marginal water quality. <i>Project:</i> the second phase of a two-phase project to extend pipeline from the Mni Wiconi water treatment plant in Fort Pierre to Philip.	\$8,700,000	3.25%, 30 yrs	4,968	Yes
135	Hanson Rural Water System	C462458-01	<i>Problem:</i> additional users within the system's service area cannot be connected due to the lack of excess water. <i>Project:</i> connect to an adjacent rural water system for additional water and construct approximately 17 miles of water lines to connect additional users.	\$2,000,000	3.25%, 30 yrs	2,145	Yes
135	Tripp County Water User District	C462434-03	<i>Problem:</i> the wells and springs on which homes in the Clearfield area rely for domestic water cannot provide adequate water - either in quality or quantity - due to drought. <i>Project:</i> construction of approximately 72 miles of various sized water line, meters, pump station, and a 50,000-gallon reservoir.	\$900,000	2.50%, 30 yrs	2,338	Yes
129	Edgemont	C462216-01	<i>Problem:</i> the city's storage facilities and distribution system is old and in disrepair and has had routine and repeat samples that tested positive for total and fecal coliform; additionally the system is unmetered. <i>Project:</i> replace the existing concrete reservoirs, repair the existing steel reservoir, and install water meters.	\$750,000	2.50%, 30 yrs	867	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
122	BDM Rural Water System	C462444-03	<i>Problem:</i> the town of Hecla's water source is of poor quality and insufficient quantity. <i>Project:</i> install several miles of pipe to connect Hecla and other rural residences to the BDM Rural Water System.	\$2,000,000	3.25%, 30 yrs.	464	Yes
93	Fall River Water User District	C462435-03	<i>Problem:</i> the Fall River WUD was served a petition for annexation from a group of area ranchers, businesses and other landowners. <i>Project:</i> construct approximately 48 miles of variously sized water mains to serve new users in Fall River and Custer Counties.	\$650,000	3.25%, 30 yrs.	275	Yes
88	Sioux Falls	C462232-06	<i>Problem:</i> portions of the city's distribution system are old and in need of repair, newer areas lack connectivity between pressure zones, and equipment at the treatment plant is aging. <i>Project:</i> replace distribution lines throughout the city, install new lines to improve system reliability through line looping, and upgrade systems at the treatment plant (SCADA, backwash water equalization basin, filters, solid contact units, and sludge handling system.	\$10,255,400	2.5%, 10 yrs	123,975	
85	Wagner	C462209-02	<i>Problem:</i> the city's cast iron water mains are over 100 years old and in poor condition. <i>Project:</i> Replace approximately 1,500 feet of cast iron main with PVC line.	\$100,000	0%, 30 yrs	1,675	Yes
83	B-Y Rural Water System	C462431-02	<i>Problem:</i> vulnerability assessments indicate that disruption of one of the two remote intake sites would limit the ability to provide a safe reliable drinking water supply <i>Project:</i> construct a new raw water intake.	\$3,000,000	3.25%, 30 yrs	15,000	Yes
65	Salem	C462057-03	<i>Problem:</i> the water treatment plant is 30 to 40 years old and in need of repair and the well capacity does not meet recommended standards. <i>Project:</i> construct a new water treatment facility to include a microfiltration pretreatment	\$1,000,000	3.25%, 30 yrs	1,371	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
58	Green Valley Sanitary District	C462251-01	system and a nanofiltration softening system and the installation of one new well. <i>Problem:</i> most residences in the district are served by individual shallow wells for water use and septic systems for wastewater treatment. High groundwater levels and poorly operating septic tanks have led to water quality problems. <i>Project:</i> construct a distribution system and connect to the Rapid City system.	\$500,000	3.25%, 20 yrs	768	
57	Rapid Valley Sanitary District	C462013-01	<i>Problem:</i> the existing treatment plant will not be able to meet future turbidity standards required by the Enhanced Surface Water Treatment Rule. <i>Project:</i> construct a new water treatment plant consisting of an Actifloc clarification process, gravity filters and ultraviolet radiation for disinfection.	\$2,600,000	3.25%, 20 yrs.	7,043	
53	Stagebarn Sanitary District	C462451-01	<i>Problem:</i> the system lacks adequate storage and an upcoming highway project will require relocation or elimination of two pump houses. <i>Project:</i> install approximately 5,500 feet of 6-inch, 8-inch, and 10-inch water mains to connect to the Black Hawk Water User District.	\$100,000	3.25%, 20 yrs.	320	
23	Yankton	C462038-02	<i>Problem:</i> low flows and high sediment loads in the Missouri River are causing problems with the water intakes and old cast iron lines with the distribution system have had significant maintenance problems. <i>Project:</i> drill two wells to draw water from under the Missouri river and replace water lines	\$4,700,000	3.25%, 30 yrs	13,528	Yes
21	Box Elder	C462003-01	<i>Problem:</i> the city's three wells are unable to meet peak domestic demand and portions of the distribution system are asbestos-cement and undersized PVC pipe. <i>Project:</i> develop two additional wells and replace the asbestos-cement and undersized PVC pipe within the distribution	\$3,300,000	3.25%, 30 yrs	2,841	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
15	Big Sioux Community Water System	C462439-02	system. <i>Problem:</i> the Lake Madison service area experiences low pressure during periods of peak demand. <i>Project:</i> construct approximately six miles of 10-inch, 8-inch, and 6-inch watermain from the Ethanol Tower to Lake Madison.	\$880,000	3.25%, 20 yrs.	2,597	
13	Brookings	C462019-01	<i>Problem:</i> water lines under Main Street are over 90 years old and in need of replacement. <i>Project:</i> replace approximately 2,200 feet of cast iron mains with PVC.	\$200,000	3.25%, 20 yrs.	18,504	
13	Mellette	C462363-01	<i>Problem:</i> low pressure is being experienced in parts of the community due to undersized lines and inadequate looping. <i>Project:</i> install nine blocks of new water main, gate valves and hydrants.	\$110,000	3.25%, 30 yrs	248	Yes
13	Tyndall	C462131-03	<i>Problem:</i> portions of the distribution system consist of asbestos cement pipe that is over 50 years old and undersized. <i>Project:</i> replace approximately 2,800 feet of asbestos cement water line with PVC.	\$300,000	2.5%, 30 yrs.	1,239	Yes
11	Lead	C462007-03	<i>Problem:</i> water lines are old and deteriorating. <i>Project:</i> replace water lines in conjunction with a sanitary/storm sewer separation project.	\$250,000	3.25%, 30 yrs	3,027	Yes
10	Elk Point	C462059-04	<i>Problem:</i> a two-block section of cast iron water main on Washington Street is old and has inadequate cover. <i>Project:</i> replace the existing line with PVC water main.	\$100,000	2.5%, 20 yrs.	1,714	
10	Hartford	C462104-04	<i>Problem:</i> portions of the water distribution system are old and experience water loss and decreased pressure and about half of the meters in the water system need to be replaced. <i>Project:</i> replace approximately 500 feet of water main on South Street, Main Avenue, and Mickelson Road and convert to an automatic water meter reading system.	\$200,000	2.5%, 20 yrs.	1,844	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
9	Selby	C462137-01	<i>Problem:</i> the city's distribution system is old, undersized and in need of replacement. <i>Project:</i> install approximately 17,000 feet of PVC pipe to replace existing cast iron and asbestos cement water lines.	\$650,000	2.5%, 30 years		Yes
9	Woonsocket	C462138-01	<i>Problem:</i> a portion of the city's distribution system is old and experiencing unacceptable leakage. <i>Project:</i> replace approximately 4,460 feet of asbestos cement pipe and 700 feet of cast iron pipe with PVC to complete a total replacement of the distribution system.	\$390,000	3.25%, 20 yrs	720	
8	South Lincoln Rural Water System	C462441-02	<i>Problem:</i> a 25-year old pumping station is aging and in need of repair, the telemetry system hardware and software is outdated causing reliability concerns, and increased demand is straining the existing supply. <i>Project:</i> upgrade the existing pump station and SCADA system, and develop a new well.	\$800,000	3.25%, 20 yrs	13,013	
8	Wolsey	C462262-02	<i>Problem:</i> the city's water distribution system is old and deteriorating. <i>Project:</i> replace water lines under Highway 14 in conjunction with a DOT highway project	\$125,000	3.25%, 20 yrs.	418	
7	Kingbrook Rural Water System	C462432-05	<i>Problem:</i> portions of the unincorporated community of Winfred's distribution system are cast iron lines that need to be replaced. <i>Project:</i> make improvements to the distribution system to allow individual service from the Kingbrook Rural Water System.	\$100,000	3.25%, 20 years	176	
2	Copper Oaks #1 Water Association	C462457-01	<i>Problem:</i> the system is supplied with one well that is susceptible to contamination. <i>Project:</i> development of a new well to provide redundancy and better quality water.	\$100,000	3.25%, 20 yrs	70	

ATTACHMENT II - LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2007

Priority Points	Community/ Public Water System	Project Number	Loan Amount	Funding Date	Expected Funding Source	Dis-advantaged?
Loans Expected						
129	Edgemont	C462216-01	\$750,000	March 2007	FY 2007	Yes
13	Brookings	C462019-01	\$200,000	March 2007	FY 2007	
93	Fall River Water User District	C462435-03	\$650,000	June 2007	UCE	Yes
23	Yankton	C462038-02	\$4,700,000	June 2007	UCE	Yes
13	Mellette	C462363-01	\$110,000	June 2007	UCE	Yes
11	Lead	C462007-03	\$250,000	June 2007	UCE	Yes
8	South Lincoln RWS	C462441-02	\$800,000	June 2007	FY 2007	
135	Tripp County WUD	C462434-03	\$900,000	September 2007	UCE	Yes
88	Sioux Falls	C462232-06	\$10,255,400	September 2007	FY 2007/Repayments	
85	Wagner	C462209-02	\$100,000	September 2007	FY 2007	Yes
9	Woonsocket	C462138-01	\$390,000	September 2007	FY 2007	

**ATTACHMENT III
PROGRAM FUNDING STATUS**

Fiscal Years 1997 - 2006

Capitalization Grants	\$83,564,500
State Match	\$16,712,900
Set-Asides	(\$4,625,494)
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	\$15,574,320
Leveraged Bonds	\$29,504,075
Excess Interest as of September 30, 2006	\$5,919,674
Excess Principal Repayments as of Sept. 30, 2006	\$12,889,477
 Total Funds Dedicated to Loan	 \$159,279,133
 Loans made through September 30, 2006	 <u>(\$152,323,992)</u>
 Balance of funds as of September 30, 2006	 \$6,955,141

Fiscal Year 2007

Capitalization Grants	\$8,270,000
State Match	\$1,654,000
Set-Asides	(\$496,200)
Projected Excess Principal Repayments	\$1,100,000
Projected Unrestricted Interest Earnings	\$1,600,000
WEB Rescission	\$3,950,000
Arbitrage Rebate Liability	(\$180,000)
 Projected Fiscal Year 2007 Sub-total	 <u>\$15,897,800</u>
 Total Funds Available for Loans	 <u>\$22,852,941</u>
 Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2007	 <u>\$19,105,400</u>

Administrative Surcharge Funds Available as of September 30, 2006	
Program Income	\$ 1,255,223
Non-Program Income	\$ <u>1,183,619</u>
Total	\$2,438,842