



**DRINKING WATER STATE REVOLVING FUND
ANNUAL REPORT**

**FEDERAL FISCAL YEAR 2000
October 1, 1999 – September 30, 2000**

Department of Environment and Natural Resources

THE SOUTH DAKOTA CONSERVANCY DISTRICT

DRINKING WATER STATE REVOLVING FUND

ANNUAL REPORT

**FEDERAL FISCAL YEAR 2000
October 1, 1999 – September 30, 2000**

**Department of Environment and Natural Resources
Division of Financial and Technical Assistance
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**THE SOUTH DAKOTA CONSERVANCY DISTRICT
BOARD MEMBERS**

GREGG GREENFIELD, CHAIRMAN
Sioux Falls
Member since 1996

STEVE LOWRIE, VICE-CHAIRMAN
Watertown
Member since 1985

DALE KENNEDY, SECRETARY
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DON BOLLWEG
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Member since 1996

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Member since 1997

JOHN LOUCKS
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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

2000

ANNUAL REPORT

I. INTRODUCTION

The State of South Dakota herewith submits its Annual Report for Federal Fiscal Year (FFY) 2000 (October 1, 1999 to September 30, 2000). 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 2000 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 initiation of the Drinking Water SRF program and the FFY 2000 activities. The next section addresses the *Goals and Objectives* the state of South Dakota identified in its 2000 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 2000, 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 VII provide detailed financial and environmental program information. Exhibits VIII through XII are the unaudited financial statements of the Drinking Water SRF program prepared by personnel of the Department of Environment and Natural Resources. Finally, Addendum I is the *Intended Use Plan for Federal Fiscal Year 2001*. 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.

II. EXECUTIVE SUMMARY

The South Dakota Drinking Water SRF Program received a federal capitalization grant of \$7,757,000 for FFY 2000. These funds were matched by \$1,551,400 in state issued revenue bonds.

Drinking Water SRF Loans

Seven communities entered into binding commitments with the conservancy district totaling \$2,198,800 in loans for the construction of drinking water projects. A breakdown of the loans made during FFY 2000 are detailed in Table 1. On a cumulative basis, the Board of Water and Natural Resources has obligated a total of 21 loans, one of which was rescinded in FFY 1999. A list of all the binding commitments and a brief description of each project can be found in the loan portfolio section.

**TABLE 1
DRINKING WATER LOANS
FEDERAL FISCAL YEAR 2000**

Recipient	Project Description	Assistance Amount	Rate, Term
Bryant (DW-01)	Water distribution improvements	\$142,000	3.0% for 30 yrs
Fall River WUD (DW-01)	Rural water system project	\$759,000	3.0% for 30 yrs
Hartford (DW-01)	Water main replacement	\$185,000	5.0% for 20 yrs
Irene (DW-01)	Main Street improvements	\$145,000	5.0% for 20 yrs
Kingbrook RWS (DW-01)	Rural water additions	\$475,000	0.0% for 30 yrs
Lead (DW-01)	US Highway 85 line replacement	\$192,800	4.5% for 10 yrs
Tyndall (DW-01)	Water system improvements	\$300,000	2.5% for 10 yrs
TOTAL		\$2,198,800	

Disbursements from the program during FFY 2000 totaled \$6,180,331. This total includes loan disbursements of \$5,940,120 to the various recipients. The balance of the disbursements is for set-asides. See Exhibit V for a breakdown of all disbursements during FFY 2000. The following six projects initiated operations this past year: Black Hawk Water User District (01), Brandon (01), Irene (01), Mina Lake Sanitary District (01), Sturgis (01), and Tyndall (01).

Drinking Water SRF program forms are incorporated into 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 required by EPA's Drinking Water SRF guidance. All forms are also available from the department's website at www.state.sd.us/denr.

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% of the capitalization grant to provide loans to communities with populations less than 10,000. In FFY 2000, \$2,198,800 or 100% of the binding commitments were made to systems serving less than 10,000. Since the Drinking Water SRF program was initiated, \$6,880,157 or 32.4% has been awarded to systems serving a population of 3,300 people and below and \$6,534,800 or 30.8% to systems serving 3,301 to 10,000 people as outlined in Figure 1. Figure 2 shows the binding commitments awarded to small systems from the capitalization grants in FFY's 1997, 1998, and 1999. This reflects the planning aspect of the binding commitments only and is not where the actual loan disbursements were made from.

Interest Rates

The Board of Water and Natural Resources annually sets the interest rates for the federal fiscal year. In determining the rates, the Board reviews: 1) the current market rates, 2) rates secured on state issued matching funds, and 3) current demand for SRF funds.

The Board reviewed rates in the fall of 1999. The Board determined that current market rates for South Dakota communities would range between 5.04% and 5.64% for a 10 to 20 year bond issue which is 0.3% to 0.5% higher than the previous year. The current Rural Development rates ranged from 4.50% to 5.125%. The current average rate on the Bond Buyers Index was 5.83%, which was an increase of 0.6%.

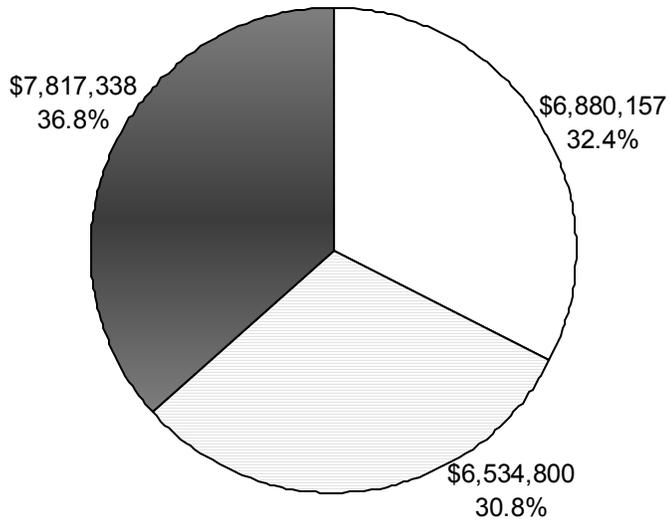
The Board has not issued any bonds since 1998. A review by Piper Jaffray in 1998 using rates ranging from 4.5% to 5.0% showed debt coverage of 144% in the first year increasing to 498% in the final year of the bonds.

Finally, the Board reviewed the available funds and program demand. Anticipated Drinking Water SRF funds available during FFY 2000 was \$19,258,167 with estimated loan demand of \$20,848,000.

The loan rates for FFY 1999 were 4.50% for a 10-year term, 4.75% for a 15-year term, and 5.00% for a 20-year term. After reviewing the required criteria, the Board retained these rates for FFY 2000. These rates include a 1.00% Administrative Surcharge Fee. During FFY 2000, the Drinking Water SRF program received \$186,512.73 in surcharge revenues. No disbursements have been made from surcharge revenues since the program began in 1997.

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. Municipalities, rural water systems, and sanitary districts must have a median household income below 80 percent of the statewide median household income to be eligible for an interest rate two percentage points below that set for other recipients and a median household income less than 60 percent of the statewide median household income 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 rural water systems.

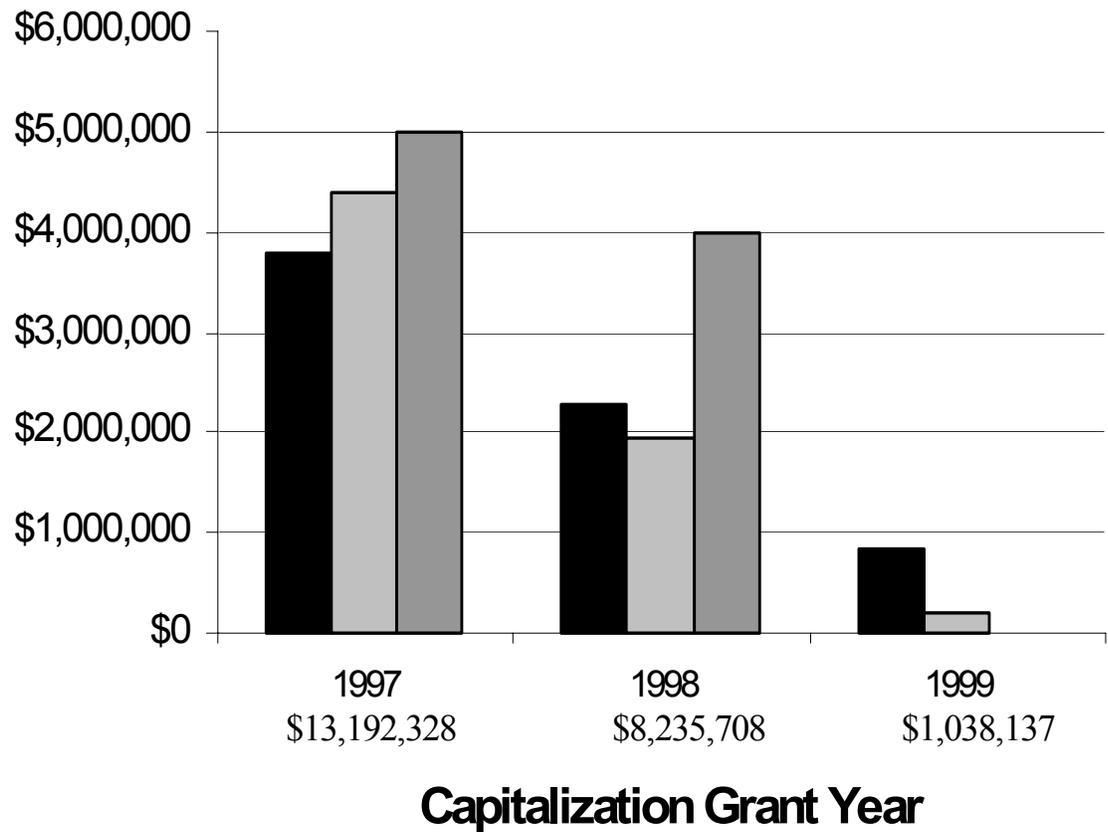
FIGURE 1
DW SRF Loans by Service Population
(\$21.2 Million)



Service Population

□ 3300 and Below □ 3301 to 10,000 ■ 10,001 and above

Figure 2: Service Population Binding Commitments by Capitalization Grant



■ 3,300 and Below

■ 3,301 to 10,000

■ 10,001 and Up

Non-Drinking Water SRF 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 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. Exhibit V details the Drinking Water disbursements during FFY 2000. Table 2 recaps the Drinking Water SRF cumulative set-aside status.

- Administration

Four percent of the 2000 capitalization grant, or \$310,280 was allocated to administer the Drinking Water SRF program. Specific activities funded from this set-aside are staff salary, benefits, travel, and overhead; bond counsel, bond underwriter, and trustee expenses; and other costs to administer the program. During FFY 2000, \$187,387 was disbursed for administrative expenses.

- Small system technical assistance

An allocation of \$125,000 in FFY 1999 was made to provide technical assistance to public water systems serving 10,000 people or less. The objective of this set-aside is to bring non-complying systems into compliance, to improve operations of water systems, and to facilitate small systems' access to the Drinking Water SRF program. With prior years' technical assistance set-asides, we have contracted with five planning districts and the South Dakota Association of Rural Water Systems to provide technical assistance. In FFY 2000, \$52,424 was disbursed for technical assistance.

- Operator Certification

Operator certification training activities were allotted \$20,000 in 1997. In the fall of 1997, proposals were requested from organizations to provide supplemental operator certification training. A contract for the supplemental training was awarded to the South Dakota Association of Rural Water Systems (The Association). The Association will provide the additional dollar for dollar match required under this set-aside category. During FFY 2000, \$400 was disbursed for supplemental operator certification training.

- Local Assistance and other state programs-Source Water Assessment Program

The Department of Environment and Natural Resources did not expend any 1997 set-aside funds (\$1,255,880) during FFY 2000 to delineate and assess source water protection areas. Source water activities conducted during FFY 2000 using other funding sources included the following:

- Sent approved Source Water Assessment Program documents to the Technical Advisory Committee, Citizens Advisory Committee, and interested parties
- Received EPA approval of Source Water Assessment and Protection Plan in October 1999
- Presented source water information at nine local community meetings and conferences across the state including members of the SD Engineering Society, Black Hills Council of Local Governments, SD Association of Rural Water

Systems, Butte County Commission, Fall River County Conservation District, DENR Ground Water Quality Conference, and the Edgemont Chamber of Commerce.

- Completed preliminary source water delineations for approximately 374 systems and 898 sources
- Developed a database to store information collected from the source water delineations

TABLE 2: Drinking Water SRF Set-Aside Status

SET-ASIDE	Prior Years	FFY 2000	Total Obligated	Balance
Administration	\$1,085,756	\$ 310,280	\$ 795,633	\$ 600,403
Small System Tech Assist	\$ 250,000	\$ 0	\$ 191,500	\$ 58,500
State Program Mgmt	\$ 20,000	\$ 0	\$ 20,000	\$ 0
Local Assist. & Other	\$1,255,880	\$ 0	\$ 0	\$1,255,880
Totals	\$2,611,636	\$ 310,280	\$ 1,007,133	\$1,914,783

III. GOALS AND OBJECTIVES

The following goals were developed for the FFY 2000 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 guide management decisions for the Drinking Water SRF program.

- A. Progress Toward Short-Term Goal
GOAL: To fully capitalize the fund.

As of September 30, 2000, South Dakota has made binding commitments equal to all but \$16,492,991 of its total capitalization awards and associated state matching funds.

- B. Progress Toward Long-Term Goals
GOAL: To fully capitalize the fund.

The state has received and fully obligated the 1997 and 1998 capitalization grant and the associated state matching funds. As of September 30, 2000, the state has obligated \$1,038,137 of the 1999 capitalization grant and the associated state matching funds. The state has \$7,494,871 of unobligated 1999 funds as well as all of the 2000 capitalization grant and the associated state matching funds available to obligate (\$9,308,400 less set-asides of \$310,280, or \$8,998,120).

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

The state has awarded 20 loans to 19 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 \$250,000 to be used to provide technical assistance to public water systems serving 10,000 people or less; and has set aside \$20,000 to supplement the existing operator certification program. Additionally, \$1,255,880 has been set aside to provide funding to delineate and assess source water protection areas.

IV. DETAILS OF ACTIVITIES

A. Fund Financial Status

1. Binding Commitments

In order to provide financial assistance for drinking water projects, the state entered into seven binding commitments totaling \$2,198,800. Exhibit I details the Drinking Water SRF binding commitments made during FFY 2000.

2. Sources of Funds

During FFY 2000, the state was awarded a federal capitalization grant totaling \$7,757,000. State match totaling \$1,551,400 was provided. Exhibit III and Figure 3 show the annual allocation and source of Drinking Water SRF funds.

3. Revenues and Expenses

Fund revenues consisted of interest earned on loans to communities, cash and investments, the special reserve account, and administrative expense surcharge payments received from each borrower. These revenues totaled \$1,008,961.82. Fund expenses included administration expenditures, interest payable on bonds, and the amortization of each bond issuance's costs. These expenses totaled \$549,864.63. Additionally, \$18,008.36 was transferred out to the DENR indirect cost pool. The Statement of Income and Retained Earnings is shown on Exhibit XI.

4. Disbursements and Guarantees

There were no loan guarantees during FFY 2000.

5. Findings of the 1999 Audit

The Drinking Water SRF program was audited by the South Dakota Department of Legislative Audit, for state fiscal year 1999 (July 1, 1998, through June 30, 1999). The audit did not contain any written findings or recommendation.

In June 2000, EPA Region VIII conducted a site review of the South Dakota Drinking Water SRF program. The final report has not yet been issued.

B. Assistance Activity

Exhibits I through VII illustrate the assistance activity of the Drinking Water SRF in FFY 2000.

Exhibit I shows those recipients that received Drinking Water SRF loans during FFY 2000.

Exhibit II lists the assistance amount provided to each project by needs category.

Exhibit III lists the total Drinking Water SRF dollars available, broken down by fiscal year, capitalization amounts, and state match amounts.

Exhibit IV lists each Drinking Water SRF loan and its source of funding.

Exhibit V lists the cash draws and the projects or administrative assistance for which they were made.

Exhibit VI lists the estimated and actual cash disbursement schedule from the federal Letter of Credit for FFY 2000. The estimated schedule was agreed upon by the state and EPA in the 2000 Capitalization Grant Agreement.

Exhibit VII lists the environmental review and land purchase information for the loans made in FFY 2000.

C. 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 20 conditions have been met and need no further description:

- Enact Legislation to Establish Drinking Water SRF
- Comply With All Applicable State Statutes and Regulations
- Allocate Adequate Personnel and Resources to Drinking Water SRF Program
- Agreement to Accept Payments
- Cash Draws for Drinking Water SRF Program Separate
- Provide State Match
- Deposit of All Funds into Drinking Water SRF Account
- Establish Fiscal Controls and Accounting Procedures in Accordance With
Generally Accepted Accounting Principles
- Annual Audit
- Loan Covenants
- Timely and Expeditious Use of Funds
- Project Priority List Additions and Modifications
- Annual Revision of the Intended Use Plan
- Reports on the Actual Use of Funds
- Conduct Environmental Reviews
- Set-Asides Will Be Identified Each Year

- Compliance with Specific Title I Requirements

- Authority to Ensure New Systems Demonstrate Technical, Managerial, and Financial Capability
- Funds Provided Only to Systems With Technical, Managerial, and Financial Capability
- Operator Certification

Privately-Owned Systems May Receive Funding

Disadvantaged Communities

Transfers Between Clean Water SRF Program and Drinking Water SRF Program

The following two conditions are 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 Submittal of MBE/WBE Utilization Report.

The state and EPA have agreed on "fair share" goals of 1% MBE and 3% WBE. The actual MBE/WBE participation achieved for FFY 2000 was 0.6% MBE and 1.3% WBE.

2. 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.

The seven loan recipients all submitted project certification forms (EPA 4700-4) to DENR, who in turn submitted these forms to EPA for concurrence.

V. PROGRAM CHANGES

A. 2001 Intended Use Plan

The Annual Report contains the 2001 Intended Use Plan as approved by the Board of Water and Natural Resources on November 8, 2000. The 2001 Intended Use Plan is included in the Annual Report as Addendum I starting on page 47.

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 was the fourth state in the nation to have its complete Drinking Water SRF program approved by EPA.

Capitalization Grant and State Matching Funds

Since 1997 South Dakota's Drinking Water SRF Program received federal capitalization grants totaling \$34,900,900. These funds were matched by \$1,424,260 in state appropriations and \$5,555,920 in state issued revenue bonds. Exhibit III shows the amount of federal capitalization grants and state match by year.

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 will be used to match a portion of the 2001 federal capitalization grant.

Principal Repayment Loans

The Drinking Water SRF program is intended to last in perpetuity. As borrowers repay their loans, the principal repayments are then available to be loaned out to other communities. When federal capitalization grants are discontinued, all loans will be made from the principal repayments of other borrowers. A portion of the Vermillion loan was a principal repayment loan.

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

Alzheimer & Gray was hired as bond counsel for the Series 1998A Drinking Water State Revolving Fund Program Bonds.

Underwriter

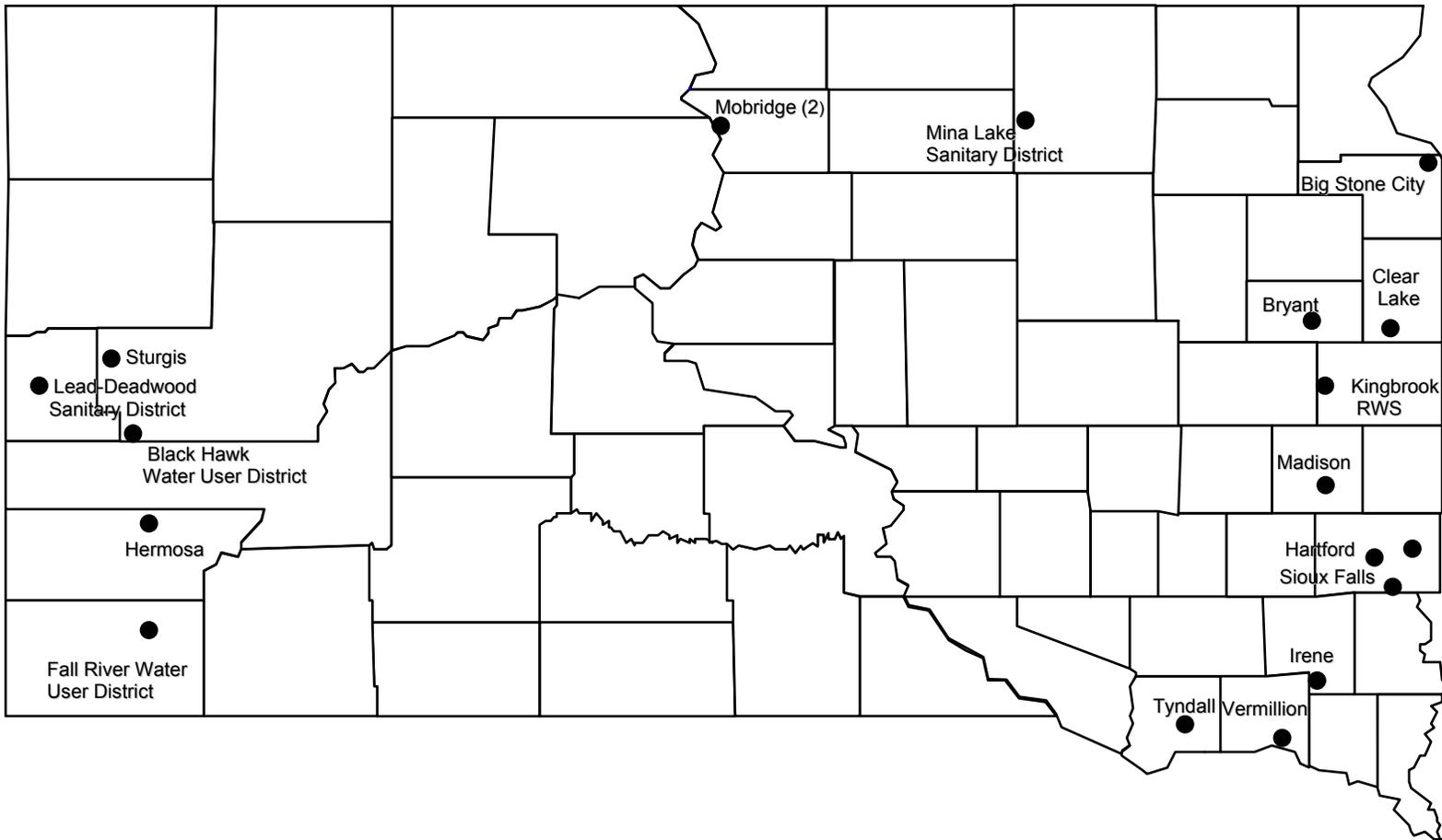
Piper Jaffray was hired as underwriter for the Series 1998A Drinking Water State Revolving Fund Program Bonds.

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

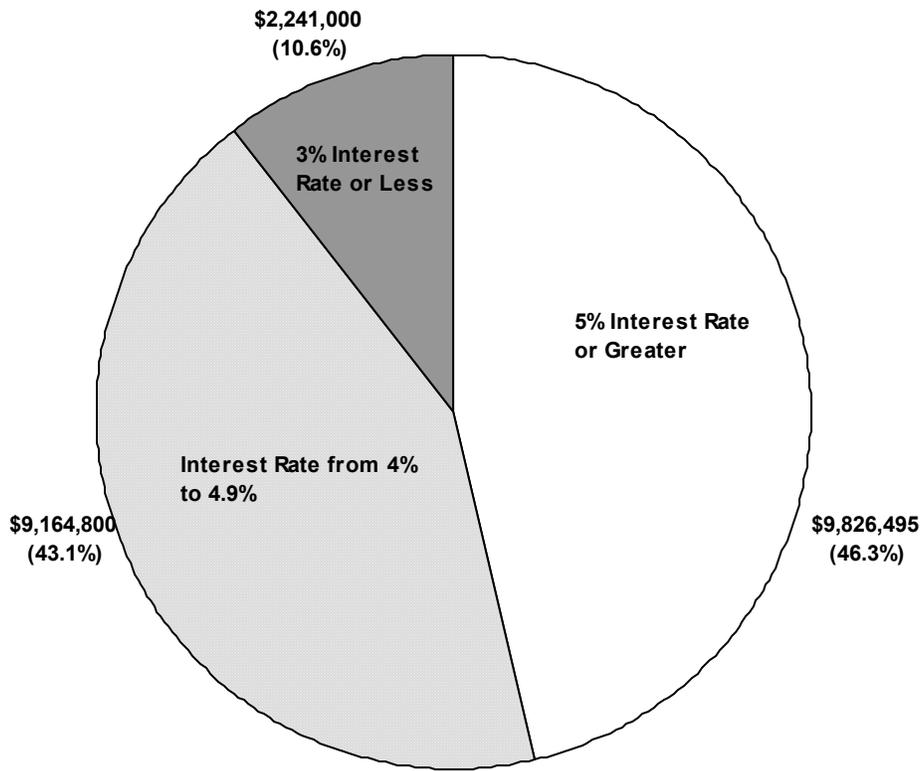
LOAN PORTFOLIO



**TABLE 3: STATE OF SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

RECIPIENT	BINDING COMMITMENT DATE	RATE, TERM	BINDING COMMITMENT AMOUNT	ACTUAL LOAN AMOUNT
Big Stone City	07/22/98	5.25%, 20	\$600,000	\$570,000
Black Hawk WUD	03/26/98	5.25%, 20	\$500,000	\$500,000
Brandon	11/13/98	4.75%, 15	\$1,950,000	\$1,950,000
Bryant	01/13/00	3.00%, 30	\$142,000	\$142,000
Clear Lake	12/10/98	3.00%, 30	\$565,000	\$565,000
Fall River WUD	12/09/99	3.00%, 30	\$759,000	\$759,000
Hartford	04/13/00	5.00%, 20	\$185,000	\$185,000
Hermosa	12/10/98	5.00%, 20	\$300,000	\$300,000
Irene	06/22/00	5.00%, 20	\$145,000	\$145,000
Kingbrook RWS	04/13/00	0.00%, 30	\$475,000	\$475,000
Lead	07/27/00	4.50%, 10	\$192,800	\$192,800
Lead-Deadwood Sanitary District	06/24/98	5.25%, 20	\$2,700,000	\$2,683,957
Madison	05/14/98	5.00%, 15	\$2,372,000	\$2,372,000
Mina Lake San. Dist.	11/13/98	5.00%, 20	\$255,200	\$255,200
Mobridge (01)	03/26/98	5.25%, 20	\$965,000	\$965,000
Mobridge (02)	07/22/98	5.25%, 20	\$355,000	\$355,000
Sioux Falls	07/22/98	4.50%, 10	\$7,022,000	\$7,022,000
Sturgis	01/08/98	5.00%, 15	\$700,000	\$700,000
Tyndall	07/27/00	2.50%, 10	\$300,000	\$300,000
Vermillion	05/13/99	5.00%, 20	\$942,000	\$795,338
WEB	03/26/98	5.25%, 20	\$1,110,000	\$0
TOTAL 20 Loans, 19 Entities			\$22,535,000	\$21,232,295

FIGURE 5
SRF INTEREST RATES BY PERCENT OF LOAN
PORTFOLIO (\$21.2 M)



PROJECT DESCRIPTIONS

Loans approved during Federal Fiscal Year 2000 are designated by the year 2000 written directly beside the loan recipient's name and italic lettering within the paragraph.

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%.

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% for 20 years.

BRANDON - Brandon received a loan for \$1,950,000 at 4.75% for 15 years. This project consists of constructing a new water treatment plant and upgrading the current distribution system.

BRYANT (2000) - *The city of Bryant received a \$142,000 loan to help replace lead service lines and asbestos cement water mains throughout the city. The loan is at 3% interest for a term of 30 years.*

CLEAR LAKE - Clear Lake received a loan in the amount of \$565,000. This loan qualifies for the disadvantaged rate and term of 3% for 30 years. This project consists 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.

FALL RIVER WATER USERS DISTRICT (2000) - *The Fall River Water Users District received a \$759,000 loan at 3% interest for 30 years. This loan will help finance the construction of the Fall River Rural Water System to include supply, storage, and distribution.*

HARTFORD (2000) - *Hartford received a \$185,000 loan at 5% interest for 20 years. This project will replace water distribution lines throughout the city.*

HERMOSA - Hermosa received a loan for \$300,000. This loan is at 5% for 20 years. This project will replace water distribution lines.

IRENE (2000) - *The city of Irene received a 5% interest loan for 20 years in the amount of \$145,000. The project is to replace water main along SD Highway 46.*

KINGBROOK RWS (2000) - *The Kingbrook Rural Water System received a loan in the amount of \$475,000. This loan was at 0% interest for 30 years. The project being financed will*

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.

LEAD (2000) - *Lead received a \$192,800 loan at 4.5% interest for 10 years. This loan will help replace water lines beneath a portion of US Highway 85 in conjunction with the South Dakota Department of Transportation roadway reconstruction project.*

LEAD-DEADWOOD SANITARY DISTRICT - The Lead-Deadwood Sanitary District received a \$2,683,957, 5.25%, 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.

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% for 15 years.

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

MOBRIDGE - 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% for 20 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% for 10 years. The loan will finance central pressure zone improvements with the construction of a new water tower and booster pumps. The city will upgrade the water treatment plant with new filter valves, piping, and wall sleeves in the filter gallery. Two water mains will be upgraded to provide additional water pressure to the existing city pressure zones. The upgrades will allow the city to serve an area recently annexed and an adjacent public water supply that has experienced water quality problems.

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

TYNDALL (2000) - *Tyndall received a loan for \$300,000 at 2.5% interest for 10 years. This loan will finance 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 are currently dead ends.*

VERMILLION - Vermillion received a loan for \$942,000 at 5% interest for 20 years. This loan is being used to construct lime sludge disposal lagoons.

WEB - WEB Water Development Association, Inc. received a loan for \$1,110,000 at 5% interest for 15 years. The project includes the installation of 116,640 feet of new PVC pipe and necessary appurtenances, such as valves and pressure regulators. The project will allow 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.**

EXHIBITS I-VII
DRINKING WATER SRF
STATUS REPORTS

EXHIBIT I

**PROJECTS RECEIVING SRF ASSISTANCE
FEDERAL FISCAL YEAR 2000**

Recipient	Assistance Amount by Population			Binding Commitment	
	3,300 & Below	3,301 - 10,000	10,001 & Above	Date	Rate, Term
Bryant (DW-01)	\$ 142,000			01/13/00	3%, 30
Fall River WUD (DW-01)	\$ 759,000			12/09/99	3%, 30
Hartford (DW-01)	\$ 185,000			04/13/00	5%, 20
Irene (DW-01)	\$ 145,000			06/22/00	5%, 20
Kingbrook RWS (DW-01)	\$ 475,000			04/13/00	0%, 30
Lead (DW-01)		\$ 192,800		07/27/00	4.5%, 10
Tyndall (DW-01)	\$ 300,000			07/27/00	2.5%, 10
TOTAL	\$ 2,006,000	\$ 192,800	\$	-	

**EXHIBIT II
SRF NEEDS CATEGORIES
FEDERAL FISCAL YEAR 2000**

Recipient	I Trans/Dist	III Storage	IV Source
Bryant (DW-01)	142,000		
Fall River WUD (DW-01)	637,560	91,080	30,360
Hartford (DW-01)	185,000		
Irene (DW-01)	145,000		
Kingbrook RWS (DW-01)	447,000	28,000	
Lead (DW-01)	192,800		
Tyndall (DW-01)	300,000		
TOTAL	\$2,049,360	\$119,080	\$30,360

**EXHIBIT III
ALLOCATION AND SOURCE OF
SRF FUNDS**

Fiscal Year	Capitalization Grant Award	State Match	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
TOTAL	\$34,900,900	\$6,980,180	\$41,881,080

EXHIBIT IV

OBLIGATIONS FOR FFY 1997-2000

CAPITALIZATION GRANTS, PRINCIPAL REPAYMENTS, AND DEOBLIGATED FUNDS

1. Projects utilizing 1997 SRF funds:

Project	Binding Commitment Amount	Board Action	Balance
1997 Capitalization Grant & State Match			\$15,070,560
1. Set-Asides	\$1,878,232		\$13,192,328
2. Sturgis (DW-01)	\$700,000	01/08/98	\$12,492,328
3. Black Hawk WUD (DW-01)	\$500,000	03/26/98	\$11,992,328
4. Mobridge (DW-01)	\$965,000	03/26/98	\$11,027,328
5. WEB (DW-01)	\$1,110,000	03/26/98	\$9,917,328
6. Madison (DW-01)	\$2,372,000	05/13/98	\$7,545,328
7. Lead-Deadwood (DW-01)	\$2,700,000	06/24/98	\$4,845,328
8. Big Stone City (DW-01)	\$600,000	07/22/98	\$4,245,328
9. Mobridge (DW-02)	\$355,000	07/22/98	\$3,890,328
10. Sioux Falls (DW-01) *	\$3,890,328	07/22/98	\$0

* Remainder of \$7,022,000 loan (\$3,131,672) is out of 1998 funds

2. Projects utilizing 1998 SRF funds:

Project	Binding Commitment Amount	Board Action	Balance
1998 Capitalization Grant & State Match			\$8,545,560
1. Set-Asides	\$309,852		\$8,235,708
2. Sioux Falls (DW-01) *	\$3,131,672	07/22/98	\$5,104,036
3. Brandon (DW-01)	\$1,950,000	11/13/98	\$3,154,036
4. Mina Lake San Dist (DW-01)	\$255,200	11/13/98	\$2,898,836
5. Clear Lake (DW-01)	\$565,000	12/10/98	\$2,333,836
6. Hermosa (DW-01)	\$300,000	12/10/98	\$2,033,836
7. Vermillion (DW-01) **	\$873,173	05/13/99	\$1,160,663
8. Fall River WUD (DW-01)	\$759,000	12/09/99	\$401,663
9. Bryant (DW-01)	\$142,000	01/13/00	\$259,663
10. Kingbrook RWS (DW-01) ***	\$259,663	04/13/00	\$0

* Remainder of \$7,022,000 loan (\$3,890,328) is out of 1997 funds

** Remainder of \$942,000 loan (\$68,827) is out of repayment funds

*** Remainder of \$475,000 loan (\$215,337) is out of 1999 funds

3. Projects utilizing 1999 SRF funds:

	Project	Binding Commitment Amount	Board Action	Balance
	1999 Capitalization Grant & State Match			\$8,956,560
1.	Set-Asides	\$423,552		\$8,533,008
2.	Kingbrook RWS (DW-01) *	\$215,337	04/13/00	\$8,317,671
3.	Hartford (DW-01)	\$185,000	04/13/00	\$8,132,671
4.	Irene (DW-01)	\$145,000	06/22/00	\$7,987,671
5.	Lead (DW-01)	\$192,800	07/27/00	\$7,794,871
6.	Tyndall (DW-01)	\$300,000	07/27/00	\$7,494,871

* Remainder of \$475,000 loan (\$259,663) is out of 1998 funds

4. Projects utilizing 2000 SRF funds:

	Project	Binding Commitment Amount	Board Action	Balance
	2000 Capitalization Grant & State Match			\$9,308,400
1.	Set-Asides	\$310,280		\$8,998,120

5. Projects utilizing deobligated funds:

	Project	Binding Commitment Amount	Board Action	Balance
	1997-2000 Deobligated Funds			\$1,126,043

6. Projects utilizing repayment funds:

	Project	Binding Commitment Amount	Board Action	Balance
	1997-2000 Repayments			\$511,250
1.	Vermillion (DW-01)	\$68,827	05/13/99	\$442,423

**Note-All Breakdowns listed above are used for planning purposes only and do not reflect the actual source of payments. As payments are processed, oldest funds are expended first.

EXHIBIT V
DRINKING WATER SRF LOAN DISBURSEMENTS AND SET-ASIDE EXPENSES
FFY 2000

Disbursement							Total
Number	Description	Date	Recipient	Other	State	Federal	Payment
00-01	Loan	10/07/99	Mobridge (DW-02)	\$0.00	\$0.00	\$72,451.00	\$72,451.00
	Operator Certification	10/12/99	S.D. Association of Rural Water Systems	\$0.00	\$0.00	\$400.00	\$400.00
00-02	Loan	10/15/99	Brandon (DW-01)	\$0.00	\$0.00	\$158,499.00	\$158,499.00
00-03	Loan	10/15/99	Vermillion (DW-01)	\$0.00	\$0.00	\$288,687.00	\$288,687.00
	Technical Assistance	10/25/99	Northeast Council of Governments	\$0.00	\$0.00	\$500.00	\$500.00
00-04	Loan	10/29/99	Black Hawk WUD(DW01)	\$0.00	\$0.00	\$61,850.00	\$61,850.00
	Technical Assistance	10/29/99	Southeastern Council of Governments	\$0.00	\$0.00	\$500.00	\$500.00
00-05	Loan	11/04/99	Clear Lake (DW-01)	\$0.00	\$0.00	\$22,536.00	\$22,536.00
	Technical Assistance	11/08/99	S.D. Association of Rural Water Systems	\$0.00	\$0.00	\$12,576.90	\$12,576.90
00-06	Loan	11/26/99	Mina Lake SD (DW-01)	\$0.00	\$0.00	\$36,402.00	\$36,402.00
	Technical Assistance	12/14/99	S.D. Association of Rural Water Systems	\$0.00	\$0.00	\$4,313.93	\$4,313.93
00-07	Loan	12/15/99	Sioux Falls (DW-01)	\$0.00	\$1,720,345.00	\$0.00	\$1,720,345.00
00-08	Loan	12/16/99	Big Stone City (DW-01)	\$0.00	\$0.00	\$49,634.00	\$49,634.00
00-09	Loan	12/23/99	Hermosa (DW-01)	\$0.00	\$0.00	\$27,667.00	\$27,667.00
00A-01	Administration	12/23/99	First National Bank	\$0.00	\$0.00	\$4,125.00	\$4,125.00
00A-02	Administration	12/23/99	State of South Dakota	\$0.00	\$0.00	\$39,200.00	\$39,200.00
00-10	Loan	12/29/99	Clear Lake (DW-01)	\$0.00	\$0.00	\$207,200.00	\$207,200.00
00-11	Loan	01/13/00	Mina Lake SD (DW-01)	\$0.00	\$0.00	\$13,891.00	\$13,891.00
00-12	Loan	01/25/00	Hermosa (DW-01)	\$0.00	\$0.00	\$47,211.00	\$47,211.00
	Technical Assistance	01/26/00	First Planning and Development District	\$0.00	\$0.00	\$500.00	\$500.00
	Technical Assistance	01/31/00	Southeastern Council of Governments	\$0.00	\$0.00	\$500.00	\$500.00
00A-03	Administration	02/01/00	State of South Dakota	\$0.00	\$0.00	\$11,500.00	\$11,500.00
00-13	Loan	02/17/00	Hermosa (DW-01)	\$0.00	\$0.00	\$39,847.00	\$39,847.00
00A-04	Administration	02/23/00	State of South Dakota	\$0.00	\$0.00	\$12,100.00	\$12,100.00
	Technical Assistance	02/29/00	S.D. Association of Rural Water Systems	\$0.00	\$0.00	\$1,213.12	\$1,213.12
	Technical Assistance	03/03/00	First Planning and Development District	\$0.00	\$0.00	\$500.00	\$500.00
00-14	Loan	03/09/00	Clear Lake (DW-01)	\$0.00	\$0.00	\$37,525.00	\$37,525.00
	Technical Assistance	03/21/00	Northeast Council of Governments	\$0.00	\$0.00	\$500.00	\$500.00
	Technical Assistance	03/21/00	Southeastern Council of Governments	\$0.00	\$0.00	\$500.00	\$500.00
00-15	Loan	03/24/00	Hermosa (DW-01)	\$0.00	\$0.00	\$3,590.00	\$3,590.00
00-16	Loan	03/24/00	Sioux Falls (DW-01)	\$0.00	\$0.00	\$706,431.00	\$706,431.00
00A-05	Administration	03/24/00	State of South Dakota	\$0.00	\$0.00	\$14,200.00	\$14,200.00
00-17	Loan	03/30/00	Clear Lake (DW-01)	\$0.00	\$0.00	\$19,488.00	\$19,488.00
00-18	Loan	03/30/00	Sturgis (DW-01)	\$0.00	\$0.00	\$153,970.00	\$153,970.00
00-19	Loan	04/06/00	Hermosa (DW-01)	\$0.00	\$0.00	\$3,693.00	\$3,693.00
00A-06	Administration	04/20/00	State of South Dakota	\$0.00	\$0.00	\$9,300.00	\$9,300.00
	Technical	04/27/00	Northeast Council of	\$0.00	\$0.00	\$500.00	\$500.00

	Assistance		Governments				
00-20	Loan	05/04/00	Clear Lake (DW-01)	\$0.00	\$0.00	\$28,868.00	\$28,868.00
00A-07	Administration	05/04/00	Alzheimer & Gray	\$0.00	\$0.00	\$15,500.00	\$15,500.00
00-21	Loan	05/18/00	Hermosa (DW-01)	\$0.00	\$0.00	\$914.00	\$914.00
00A-08	Administration	05/18/00	State of South Dakota	\$0.00	\$0.00	\$9,800.00	\$9,800.00
00-22	Loan	05/24/00	Sturgis (DW-01)	\$0.00	\$0.00	\$80,437.00	\$80,437.00
	Technical Assistance	05/24/00	Northeast Council of Governments	\$0.00	\$0.00	\$1,000.00	\$1,000.00
	Technical Assistance	05/24/00	Southeastern Council of Governments	\$0.00	\$0.00	\$500.00	\$500.00
	Technical Assistance	06/01/00	First Planning and Development District	\$0.00	\$0.00	\$500.00	\$500.00
00A-09	Administration	06/10/00	First National Bank	\$0.00	\$0.00	\$3,012.00	\$3,012.00
00-23	Loan	06/22/00	Sioux Falls (DW-01)	\$0.00	\$0.00	\$474,170.00	\$474,170.00
00A-10	Administration	06/29/00	State of South Dakota	\$0.00	\$0.00	\$20,300.00	\$20,300.00
00-24	Loan	07/07/00	Hermosa (DW-01)	\$0.00	\$0.00	\$45,677.00	\$45,677.00
00-25	Loan	07/13/00	Mobridge (DW-02)	\$0.00	\$0.00	\$29,946.00	\$29,946.00
00-26	Loan	07/20/00	Mina Lake SD (DW-01)	\$0.00	\$0.00	\$12,480.00	\$12,480.00
	Technical Assistance	07/25/00	S.D. Association of Rural Water Systems	\$0.00	\$0.00	\$9,860.00	\$9,860.00
00-27	Loan	07/26/00	Vermillion (DW-01)	\$0.00	\$0.00	\$12,726.00	\$12,726.00
00-28	Loan	07/27/00	Irene (DW-01)	\$0.00	\$0.00	\$64,172.00	\$64,172.00
00-29	Loan	08/03/00	Clear Lake (DW-01)	\$0.00	\$0.00	\$51,500.00	\$51,500.00
00A-11	Administration	08/04/00	State of South Dakota	\$0.00	\$0.00	\$11,250.00	\$11,250.00
	Technical Assistance	08/08/00	S.D. Association of Rural Water Systems	\$0.00	\$0.00	\$11,520.00	\$11,520.00
00-30	Loan	08/11/00	Irene (DW-01)	\$0.00	\$0.00	\$45,945.00	\$45,945.00
	Technical Assistance	08/14/00	Northeast Council of Governments	\$0.00	\$0.00	\$1,000.00	\$1,000.00
	Technical Assistance	08/14/00	Third Planning and Development District	\$0.00	\$0.00	\$500.00	\$500.00
00-31	Loan	08/31/00	Mina Lake SD (DW-01)	\$0.00	\$0.00	\$5,000.00	\$5,000.00
00-32	Loan	08/31/00	Hartford (DW-01)	\$0.00	\$0.00	\$11,264.00	\$11,264.00
00-33	Loan	09/07/00	Hartford (DW-01)	\$0.00	\$0.00	\$33,640.00	\$33,640.00
00-34	Loan	09/07/00	Kingbrook RWS (DW-01)	\$0.00	\$0.00	\$286,371.00	\$286,371.00
	Technical Assistance	09/11/00	Northeast Council of Governments	\$0.00	\$0.00	\$500.00	\$500.00
00A-12	Administration	09/15/00	State of South Dakota	\$0.00	\$0.00	\$11,900.00	\$11,900.00
00-35	Loan	09/21/00	Tyndall (DW-01)	\$0.00	\$0.00	\$103,535.00	\$103,535.00
	Technical Assistance	09/25/00	S.D. Association of Rural Water Systems	\$0.00	\$0.00	\$4,940.00	\$4,940.00
00-36	Loan	09/27/00	Hermosa (DW-01)	\$0.00	\$0.00	\$58,157.00	\$58,157.00
00-37	Loan	09/27/00	Sioux Falls (DW-01)	\$0.00	\$0.00	\$924,401.00	\$924,401.00
00A-13	Administration	09/28/00	State of South Dakota	\$0.00	\$0.00	\$16,771.00	\$16,771.00
00A-13	Administration	09/28/00	State of South Dakota	\$0.00	\$0.00	\$8,429.00	\$8,429.00
				\$0.00	\$1,720,345.00	\$4,459,985.00	\$6,180,330.00
					00	95	95

Loan Disbursements - \$5,940,120.00
Set-Aside Disbursements - \$240,210.95

**EXHIBIT VI
LETTER OF CREDIT PROJECTED VS. ACTUAL DRAWS
FFY 2000**

QUARTER	PROJECTED DRAWS	ACTUAL LOAN DRAWS	ACTUAL SET-A-SIDE DRAWS	DIFFERENCE
1ST	\$1,391,250	\$924,926	\$120,825	(\$345,499)
2ND	\$484,250	\$1,021,953	\$44,300	\$582,003
3RD	\$991,250	\$588,082	\$61,412	(\$341,756)
4TH	\$2,076,350	\$1,684,814	\$71,750	(\$319,786)
TOTAL	\$4,943,100	\$4,219,775	\$298,287	(\$425,038)

THE FOLLOWING IS A DETAILED LIST OF ACTUAL LETTER OF CREDIT DRAWS

Disbursement Number	Date	Borrower Name	Other	State	Federal	Total Payment
00-01	10/07/99	Mobridge (DW-02)	\$0.00	\$0.00	\$72,451.00	\$72,451.00
00-02	10/15/99	Brandon (DW-01)	\$0.00	\$0.00	\$158,499.00	\$158,499.00
00-03	10/15/99	Vermillion (DW-01)	\$0.00	\$0.00	\$288,687.00	\$288,687.00
00-04	10/29/99	Black Hawk WUD(DW01)	\$0.00	\$0.00	\$61,850.00	\$61,850.00
00-05	11/04/99	Clear Lake (DW-01)	\$0.00	\$0.00	\$22,536.00	\$22,536.00
00-06	11/26/99	Mina Lake SD (DW-01)	\$0.00	\$0.00	\$36,402.00	\$36,402.00
00-07	12/15/99	Sioux Falls (DW-01)	\$0.00	\$1,720,345.00	\$0.00	\$1,720,345.00
00-08	12/16/99	Big Stone City	\$0.00	\$0.00	\$49,634.00	\$49,634.00
00A-01	12/22/99	First National Bank *	\$0.00	\$0.00	\$4,125.00	\$4,125.00
00-09	12/23/99	Hermosa (DW-01)	\$0.00	\$0.00	\$27,667.00	\$27,667.00
00A-02	12/28/99	SD *	\$0.00	\$0.00	\$39,200.00	\$39,200.00
00A-02	12/28/99	SD **	\$0.00	\$0.00	\$73,200.00	\$73,200.00
00A-02	12/28/99	SD ***	\$0.00	\$0.00	\$4,300.00	\$4,300.00
00-10	12/29/99	Clear Lake (DW-01)	\$0.00	\$0.00	\$207,200.00	\$207,200.00
00-11	01/13/00	Mina Lake SD (DW-01)	\$0.00	\$0.00	\$13,891.00	\$13,891.00
00-12	01/25/00	Hermosa (DW-01)	\$0.00	\$0.00	\$47,211.00	\$47,211.00
00A-03	01/30/00	SD *	\$0.00	\$0.00	\$11,500.00	\$11,500.00
00A-03	01/30/00	SD **	\$0.00	\$0.00	\$4,300.00	\$4,300.00
00-13	02/17/00	Hermosa (DW-01)	\$0.00	\$0.00	\$39,847.00	\$39,847.00
00A-04	02/18/00	SD *	\$0.00	\$0.00	\$12,100.00	\$12,100.00
00-14	03/09/00	Clear Lake (DW-01)	\$0.00	\$0.00	\$37,525.00	\$37,525.00
00-16	03/23/00	Sioux Falls (DW-01)	\$0.00	\$0.00	\$17,727.00	\$17,727.00
00-15	03/24/00	Hermosa (DW-01)	\$0.00	\$0.00	\$3,590.00	\$3,590.00
00-16	03/24/00	Sioux Falls (DW-01)	\$0.00	\$0.00	\$688,704.00	\$688,704.00
00A-05	03/24/00	SD *	\$0.00	\$0.00	\$14,200.00	\$14,200.00
00A-05	03/24/00	SD **	\$0.00	\$0.00	\$2,200.00	\$2,200.00
00-17	03/30/00	Clear Lake (DW-01)	\$0.00	\$0.00	\$19,488.00	\$19,488.00
00-18	03/30/00	Sturgis (DW-01)	\$0.00	\$0.00	\$153,970.00	\$153,970.00
00-19	04/06/00	Hermosa (DW-01)	\$0.00	\$0.00	\$3,693.00	\$3,693.00
00A-06	04/20/00	SD *	\$0.00	\$0.00	\$9,300.00	\$9,300.00
00A-06	04/20/00	SD **	\$0.00	\$0.00	\$1,500.00	\$1,500.00
00-20	05/04/00	Clear Lake (DW-01)	\$0.00	\$0.00	\$28,868.00	\$28,868.00
00A-07	05/04/00	Alzheimer & Gray *	\$0.00	\$0.00	\$15,500.00	\$15,500.00
00-21	05/18/00	Hermosa (DW-01)	\$0.00	\$0.00	\$914.00	\$914.00
00A-08	05/18/00	SD *	\$0.00	\$0.00	\$9,800.00	\$9,800.00
00-22	05/24/00	Sturgis (DW-01)	\$0.00	\$0.00	\$80,437.00	\$80,437.00

00A-09	06/10/00	First National Bank *	\$0.00	\$0.00	\$3,012.00	\$3,012.00
00-23	06/22/00	Sioux Falls (DW-01)	\$0.00	\$0.00	\$474,170.00	\$474,170.00
00A-10	06/27/00	SD *	\$0.00	\$0.00	\$20,300.00	\$20,300.00
00A-10	06/27/00	SD **	\$0.00	\$0.00	\$2,000.00	\$2,000.00
00-24	07/07/00	Hermosa (DW-01)	\$0.00	\$0.00	\$45,677.00	\$45,677.00
00-25	07/13/00	Mobridge (DW-02)	\$0.00	\$0.00	\$29,946.00	\$29,946.00
00-26	07/20/00	Mina Lake SD (DW-01)	\$0.00	\$0.00	\$12,480.00	\$12,480.00
00-27	07/26/00	Vermillion (DW-01)	\$0.00	\$0.00	\$12,726.00	\$12,726.00
00-28	07/27/00	Irene (DW-01)	\$0.00	\$0.00	\$64,172.00	\$64,172.00
00A-11	08/02/00	SD *	\$0.00	\$0.00	\$11,250.00	\$11,250.00
00A-11	08/02/00	SD **	\$0.00	\$0.00	\$500.00	\$500.00
00-29	08/03/00	Clear Lake (DW-01)	\$0.00	\$0.00	\$51,500.00	\$51,500.00
00-30	08/11/00	Irene (DW-01)	\$0.00	\$0.00	\$45,945.00	\$45,945.00
00-31	08/31/00	Mina Lake SD (DW-01)	\$0.00	\$0.00	\$5,000.00	\$5,000.00
00-32	08/31/00	Hartford (DW-01)	\$0.00	\$0.00	\$11,264.00	\$11,264.00
00-33	09/07/00	Hartford (DW-01)	\$0.00	\$0.00	\$33,640.00	\$33,640.00
00-34	09/07/00	Kingbrook RWS (DW-01)	\$0.00	\$0.00	\$286,371.00	\$286,371.00
00A-12	09/15/00	SD *	\$0.00	\$0.00	\$11,900.00	\$11,900.00
00-35	09/21/00	Tyndall (DW-01)	\$0.00	\$0.00	\$103,535.00	\$103,535.00
00-36	09/27/00	Hermosa (DW-01)	\$0.00	\$0.00	\$58,157.00	\$58,157.00
00-37	09/27/00	Sioux Falls (DW-01)	\$0.00	\$0.00	\$924,401.00	\$924,401.00
00A-13	09/28/00	SD *	\$0.00	\$0.00	\$25,200.00	\$25,200.00
00A-13	09/28/00	SD **	\$0.00	\$0.00	\$22,900.00	\$22,900.00
			\$0.00	\$1,720,345.00	\$4,518,062.00	\$6,238,407.00

* Drinking Water Administration Fees

** Drinking Water Set-a-Side (Technical Assistance)

*** Drinking Water Set-a-Side (Operator Certification Training)

**EXHIBIT VII
ENVIRONMENTAL REVIEW AND
LAND PURCHASE INFORMATION**

	Environmental Assessment Class	Environmental Assessment Publication Date	Land Purchase w/ SRF?
Loan Recipient			
Bryant (DW-01)	CATEX	01/05/00	No
Fall River WUD (DW-01)	FNSI	01/26/96	No
Hartford (DW-01)	CATEX	04/06/00	No
Irene (DW-01)	CATEX	05/11/00	No
Kingbrook RWS (DW-01)	FNSI	03/09/00	No
Lead (DW-01)	CATEX	07/20/00	No
Tyndall (DW-01)	FNSI	04/13/00	No

EXHIBITS VIII - XII
DRINKING WATER SRF
FINANCIAL STATEMENTS
(Unaudited)

**EXHIBIT VIII
LOAN PARTICIPANTS
September 30, 2000
(Unaudited)**

Borrower Name	Rate/Term	Loan Amount	Other Advances	State Advances	Federal Advances	Total Advances	Repayment Amounts	Loan Balances
Big Stone City	5.25%/20 Yrs	\$570,000	\$0	\$0	\$570,000	\$570,000	\$15,325	\$554,675
Black Hawk WUD	5.25%/20 Yrs	\$500,000	\$0	\$109,624	\$390,376	\$500,000	\$9,457	\$490,543
Brandon	4.75%/20 Yrs	\$1,950,000	\$0	\$0	\$1,877,375	\$1,877,375	\$43,523	\$1,833,852
Bryant	3.00%/30 Yrs	\$142,000	\$0	\$0	\$0	\$0	\$0	\$0
Clear Lake	3.00%/30 Yrs	\$565,000	\$0	\$0	\$469,400	\$469,400	\$0	\$469,400
Fall River WUD	3.00%/30 Yrs	\$759,000	\$0	\$0	\$0	\$0	\$0	\$0
Hartford	5.00%/20 Yrs	\$185,000	\$0	\$0	\$44,904	\$44,904	\$0	\$44,904
Hermosa	5.00%/20 Yrs	\$300,000	\$0	\$0	\$242,969	\$242,969	\$2,135	\$240,834
Irene	5.00%/20 Yrs	\$145,000	\$0	\$0	\$110,117	\$110,117	\$0	\$110,117
Kingbrook RWS	0.00%/30 Yrs	\$475,000	\$0	\$0	\$286,371	\$286,371	\$0	\$286,371
Lead	4.50%/10 Yrs	\$192,800	\$0	\$0	\$0	\$0	\$0	\$0
Lead-Deadwood SD	5.25%/20 Yrs	\$2,683,957	\$0	\$1,812	\$2,682,145	\$2,683,957	\$182,335	\$2,501,622
Madison	5.00%/15 Yrs	\$2,372,000	\$0	\$0	\$2,372,000	\$2,372,000	\$194,636	\$2,177,364
Mina Lake SD	5.00%/20 Yrs	\$255,200	\$0	\$110,253	\$144,947	\$255,200	\$0	\$255,200
Mobridge (01)	5.25%/20 Yrs	\$965,000	\$0	\$0	\$965,000	\$965,000	\$43,541	\$921,459

Mobridge (02)	5.25%/20 Yrs	\$355,000	\$0	\$0	\$341,917	\$341,917	\$6,946	\$334,971
Sioux Falls	4.50%/10 Yrs	\$7,022,000	\$0	\$3,879,001	\$2,105,002	\$5,984,003	\$0	\$5,984,003
Sturgis	5.00%/15 Yrs	\$700,000	\$0	\$0	\$383,057	\$383,057	\$13,401	\$369,656
Tyndall	2.50%/10 Yrs	\$300,000	\$0	\$0	\$103,535	\$103,535	\$0	\$103,535
Vermillion	5.00%/20 Yrs	\$795,338	\$68,827	\$0	\$726,511	\$795,338	\$0	\$795,338
		\$21,232,295	\$68,827	\$4,100,690	\$13,815,626	\$17,985,143	\$511,301	\$17,473,842

EXHIBIT IX
PROJECTED CASH FLOW WORKSHEET
for 10/1/00 through 9/30/01
(Unaudited)

Borrower	Principal	Interest	Admin Surcharge	Total
Big Stone City (DW-01)	17,174	21,589	7,197	45,960
Black Hawk WUD (DW-01)	14,880	19,098	6,366	40,344
Brandon (DW-01)	90,191	67,559	17,958	175,708
Clear Lake (DW-01)	7,293	21,372	0	28,665
Hermosa (DW-01)	7,150	5,962	1,490	14,602
Irene (DW-01)	2,178	2,316	579	5,073
Lead Deadwood San Dist (DW-01)	86,024	97,245	32,415	215,684
Madison (DW-01)	119,060	79,994	26,665	225,719
Mina Lake San Dist (DW-01)	5,695	18,011	4,502	28,208
Mobridge (DW-01)	45,872	35,612	11,871	93,355
Mobridge (DW-02)	14,448	11,799	3,933	30,180
Sioux Falls (DW-01)	410,281	172,242	48,581	631,104
Sturgis (DW-01)	19,124	13,312	4,437	36,873
Vermillion (DW-01)	23,814	31,460	7,865	63,139
DW SRF Program Total	\$863,184	\$597,571	\$173,859	\$1,634,614

**EXHIBIT X
DRINKING WATER SRF
BALANCE SHEET
September 30, 2000**

	<u>2000</u>	<u>1999</u>
ASSETS:		
Cash (note 2)	\$256,788.02	\$642,994.80
Investments (notes 3 and 4)	\$4,714,756. 85	\$5,211,024. 67
Loans Receivable (Exhibit VIII)	\$17,473,891 .91	\$11,862,992 .45
Federal LOC Commitment less Cash Draws	\$20,178,741 .00	\$16,939,803 .00
Accrued Interest Receivable	\$219,577.65	\$177,381.87
Due from Other Governments	\$48,485.26	\$38,619.82
Deferred Charges	\$266,090.42	\$281,152.21
TOTAL ASSETS	<u>\$43,158,331</u> .11	<u>\$35,153,968</u> .82
 LIABILITIES AND FUND EQUITY:		
Liabilities:		
Accounts Payable	\$17,556.00	\$10,062.50
Bonds Payable (note 5)	\$6,245,000. 00	\$6,450,000. 00
Wages Payable	\$4,245.34	\$0.00
Accrued Employee Benefits	\$867.12	\$0.00
Accrued Interest Payable	\$49,404.17	\$50,736.67
Total Liabilities	<u>\$6,317,072.</u> 63	<u>\$6,510,799.</u> 17
 Fund Equity:		
Contributions from EPA (note 6)	\$34,900,900 .00	\$27,143,900 .00
Retained Earnings	\$516,098.48	\$75,009.65
Contributed Capital	\$1,424,260. 00	\$1,424,260. 00

Total Fund Equity	<u>\$36,841,258</u> <u>.48</u>	<u>\$28,643,169</u> <u>.65</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$43,158,331</u> <u>.11</u>	<u>\$35,153,968</u> <u>.82</u>

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

EXHIBIT XI
DRINKING WATER SRF
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Fiscal Year Ended September 30, 2000

	<u>2000</u>	<u>1999</u>
Operating Revenues:		
Interest Income	\$558,306.45	\$273,539.76
Investment Income	\$281,034.79	\$524,934.27
Other Income	\$169,620.58	\$95,080.29
	<hr/>	<hr/>
Total Operating Revenue	\$1,008,961.82	\$893,554.32
	<hr/>	<hr/>
Operating Expenses:		
Administrative Expenses (note 7)	\$231,715.34	\$226,582.70
Interest Expense	\$303,087.50	\$346,418.35
Bond Issuance Expense	\$9,981.24	\$9,981.24
Bond Discount Expense	\$5,080.55	\$5,080.55
Total Operating Expenses	\$549,864.63	\$588,062.84
	<hr/>	<hr/>
Operating Income (Loss)	\$459,097.19	\$305,491.48
Operating Transfers:		
Operating Transfer Out	(\$18,008.36)	(\$17,099.90)
	<hr/>	<hr/>
Net Income (Loss)	\$441,088.83	\$288,391.58
Fund Equity, Beginning	\$75,009.65	(\$213,381.93)
	<hr/>	<hr/>
RETAINED EARNINGS, ENDING	\$516,098.48	\$75,009.65
	<hr/> <hr/>	<hr/> <hr/>

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

EXHIBIT XII
DRINKING WATER SRF
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2000

	<u>2000</u>	<u>1999</u>
Cash flows form operating activities:		
Net Income	\$459,097.19	\$305,491.48
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Investment Income	(\$266,769.84)	(\$586,456.66)
Amortization of bond issuance cost	\$9,981.24	\$9,981.24
Amortization of bond discount	\$5,080.55	\$5,080.55
Assets: (Increase)/Decrease		
Loans Receivable	(\$5,610,899.46)	(\$6,807,035.45)
Accrued Interest Receivable on Loans	(\$56,460.73)	(\$83,986.48)
Federal LOC Commitment less Cash Draws	(\$3,238,938.00)	(\$2,695,653.00)
Deferred Bond Issuance Costs		\$0.00
Due from Other Governments	(\$9,865.44)	(\$27,995.82)
Liabilities: Increase/(Decrease)		
Accounts Payable	\$7,493.50	\$10,062.50
Bond Issuance		\$0.00
Accrued Interest payable	(\$1,332.50)	(\$25,243.33)
Cost of Issuance Payable	\$0.00	(\$59,475.00)
Accrued Employee Benefits	\$867.12	
Wages Payable	\$4,245.34	\$0.00
	<hr/>	<hr/>
Net cash provided by operations	(\$8,697,501.03)	(\$9,955,229.97)
Cash flows from noncapital financing activities:		
Operating Transfers	(\$18,008.36)	(\$17,099.90)
Out		
Unamortized Bond Issuance Costs		\$0.00
Unamortized Bond Discount Costs		\$0.00
Bonds Payable	(\$205,000.00)	\$0.00
Payment to Escrow Agent for Defeased Bonds		\$0.00
Contributions from State		\$0.00
Contributions from EPA	\$7,757,000.00	\$7,463,800.00
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	\$7,533,991.64	\$7,446,700.10
Cash Flows from Investing Activities:		
Interest on Investments	\$281,034.79	\$524,934.27
Net (Purchase/Sale) of Investment Securities	\$496,267.82	\$2,536,624.33
	<hr/>	<hr/>
Increase in Investments	\$777,302.61	\$3,061,558.60
	<hr/>	<hr/>
Net Decrease in cash and cash equivalents	(\$386,206.78)	\$553,028.73
Cash and cash equivalents at beginning of year	\$642,994.80	\$89,966.00
Cash and cash equivalents at year end	<u>\$256,788.02</u>	<u>\$642,994.73</u>

NOTES TO FINANCIAL STATEMENTS

- 1 The financial information contained on the Loan Participants; Projected Cash Flow Worksheet; Balance Sheets; Revenues, Expenses and Changes in Retained Earnings; and Cash Flows in Exhibits VIII through XII of the Drinking Water SRF Annual Report is unaudited and prepared by personnel of the Department of Environment and Natural Resources, Division of Financial and Technical Assistance. The format for these statements is generally consistent with guidelines provided by EPA personnel.

- 2 Cash and Cash Equivalents consists of a Goldman Sachs Financial Square Treasury Obligation Fund rated "AAAm" by Standard and Poors, which paid on average approximately 5.84% for the year ending September 30, 2000

- 3 Investments consist of an Investment Agreement at 5.56% with CDC Funding Corporation due August 1, 2008 totaling \$4,139,061

- 4 Reserve Accounts consist primarily of an Investment Agreement at 5.56% with CDC Funding Corporation due August 1, 2008 totaling \$575,696.

- 5 Bonds outstanding plus principal and interest payments on the bond issue is due as follows:

	Bonds Outstanding	February 1, 2001	August 1, 2001
Series 1998 Bonds			
Principal	6,245,000		215,000
Interest		148,212	148,213
Total	\$6,245,000	\$148,212	\$363,213

- 6 The contribution from EPA is the full amount authorized for the periods ending as follows:

	September 30, 2000		
	1997		
			12,558,800
	1998		
			7,121,300
	1999		
			7,463,800
	2000		775,700
Total			\$34,900,900

- 7 The annual administrative expenses of the Drinking Water SRF program are as follows:

	Year Ending September 30,	Cumulative Total
--	------------------------------	---------------------

	2000	
State of South Dakota	221,468	685,998
First National Bank	9,131	17,944
Alzheimer & Gray	19,125	47,625
Other	-	-
Total	\$249,724	\$751,567

ADDENDUM I

FEDERAL FISCAL YEAR 2001

INTENDED USE PLAN

SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FY 2001 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 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 2001 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 State Revolving Fund 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 8, 2000, to review the 2001 Intended Use Plan and receive comments. The IUP reflects the results of this review.

The IUP includes the following:

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

PRIORITY LIST OF PROJECTS

A project must be on Attachment I, the project priority list, to be eligible for a loan. This list was developed from State Water Plan applications, 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 is 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 will not require approval by the Board of Water and Natural Resources.

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.

The SRF program provides loans at the following rates for communities that are not considered disadvantaged: 4.5 percent for 10-year loans, 4.75 percent for 15-year loans, and 5.00 percent for 20-year loans. Loan rates and terms for disadvantaged

communities are in the disadvantaged community subsidies section. Rates are reviewed annually and are set to be competitive with other funding agencies and to keep pace with inflation. The rate and term of a loan is at the discretion of the project sponsor provided the proposed repayment source produces sufficient coverage.

A one-percent administrative surcharge is included in the interest rate. This surcharge will be used for staff salary, benefits, travel, and overhead. Additionally, this surcharge may be used for retaining of bond counsel, bond underwriter, and trustee. The administrative surcharge shall be waived for loans made to disadvantaged communities.

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.

FINANCIAL STATUS

Based on the most current information, the Drinking Water SRF loan program will receive a capitalization grant of \$7,806,300 for federal fiscal year 2001. The required state match of \$1,561,260 will be secured through bonds or a direct state appropriation. The board has contracted with US Bancorp Piper Jaffray to evaluate the effect of each option. The board will make a decision on the source of the state match based on this financial analysis. The bonding authority for this program is established in SDCL 46A-1-60.1.

As of November 1, 2000, twenty-two loans totaling \$27,757,295 have been made.

The department will allocate funds 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	\$312,252
Small System Technical Assistance	\$50,000
Local Assistance and Other State Programs	<u>\$50,000</u>

Total for set-asides \$412,252

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

The department has received four previous capitalization grants totaling \$34,900,900 and has provided the required state match of \$6,980,180. Of this amount, \$2,921,916 was allocated to set-aside activities as follows: \$1,396,036 for administration, \$250,000 for small system technical assistance, \$20,000 for state program management – operator certification, and \$1,255,880 for source water assessment and delineation.

With the 2000 capitalization grant, the South Dakota Drinking Water SRF program will have dedicated \$38,959,164 for loans to qualifying public water systems. Of this amount, \$11.71 million is available for loan as of November 2000. When the state receives the FY 2001 capitalization grant, approximately \$9.0 million of additional funds will be available to loan. This amount is based on the best available information at this time. This information is provided in Attachment III, Drinking Water SRF Funding Status. The attached project priority list identifies \$46.9 million in potential loans. Projects can be amended to the project priority list at any Board of Water and Natural Resources meeting.

Moderate demand is expected on the program for calendar year 2001.

The department does not intend to leverage funds at this time. The department is taking a conservative approach to set-asides and subsidized loans 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 necessary programmatic requirements. The state of South Dakota has complied with the first two of these provisions - assuring the technical, financial and managerial capacity of new water systems and developing a strategy to address the capacity of existing systems. The third deadline is related to requirements for states to develop operator certification programs that comply with guidelines released by EPA in February 1999. States must submit a program for approval by February 5, 2001

or be subject to an automatic withholding of 20 percent of the fiscal year 2001 DWSRF grant funds. In the event the program has been submitted but not approved by February 5, 2001, there will be a 20% holdback that will become a permanent withholding on October 1, 2002, if the program is not approved by then. The state of South Dakota has received legislative approval for its revised operator certification program and taken the steps necessary to put the rules into effect. The program will be submitted to EPA pending approval by the interim rules committee in November. Approval of the operator certification program by EPA is expected prior to or shortly after the February 5, 2001, deadline.

SHORT- AND LONG-TERM GOALS AND OBJECTIVES

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 by approved financial advisors 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 ensure the technical integrity of Drinking Water SRF projects through the review of planning, design plans and specifications, and construction activities;

2. 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;
3. To ensure compliance with all pertinent federal, state, and local safe drinking water rules and regulations; and
4. 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.

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

At the Governor’s discretion, the state may transfer up to 33 percent of the Drinking Water SRF capitalization grant to the Clean Water SRF or an equivalent amount from the Clean Water SRF to the Drinking Water SRF. The state does not anticipate transferring funds in 2001.

DESCRIPTION AND AMOUNT OF NON-DRINKING WATER SRF 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 capitalization grant, or \$312,252 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, and trustee; and other costs to establish and administer the program.

Small system technical assistance. In FY 2001, \$50,000 will be allocated from the capitalization grant to develop a planning grant program for community water systems serving 1,000 or fewer.

The objective of this set-aside is to bring non-complying systems into compliance and improve operations of water systems. Specific activities to be conducted are facility evaluations and on-site training covering all aspects of water treatment and distribution systems.

The department requested proposals from interested organizations for this activity in 1997. The board contracted with the South Dakota Rural Water Association and the five Planning Districts to help communities evaluate the technical, managerial, and financial capability of their water utility. It is anticipated that the \$250,000 in set-aside funds allocated previously to this activity will be sufficient to provide continuation of the activities initiated by the previous contract awards.

To encourage more proactive planning within small communities, the department is proposing to use \$50,000 of these set-aside funds to initiate a planning grants program. It is intended that grants will be available for community water systems serving a population of 1,000 or fewer. The planning grant will reimburse 80 percent of the cost of an engineering study, with the maximum grant amount for any project being \$4,000. The department will evaluate the demand for assistance from this new program to determine future allocations for this purpose.

Unused funds from the set-aside for small system technical assistance will be banked for use in future years.

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.

The department requested proposals from interested organizations for supplemental operator training in 1997. The board contracted with the South Dakota

Rural Water Association to assist operators that were having difficulty becoming certified. It is anticipated that the \$20,000 in set-aside funds allocated previously to this activity will be sufficient to provide continuation of the activities initiated by the previous contract awards.

No funds will be set-aside for these activities in federal fiscal year 2001.

Local assistance and other state programs. In FY 2001, \$50,000 will be allocated to provide assistance to public water systems for capacity development.

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) 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. The set-aside to delineate and assess source water protection areas was available only in federal fiscal year 1997. At that time \$1,255,880 was set-aside for this activity. These funds are available for four years for this activity.

Because many small water systems lack technical, managerial, and/or financial capacity, the department is proposing to develop a Capacity Development Program. To initiate the program, the department is proposing to allocate \$50,000 for this set-aside activity. Depending on the type of problems identified, different types of assistance will be offered. Examples of assistance that could be offered are, but not limited to, board training, accounting assistance, or completion of capacity assessments. The department will evaluate the demand for assistance from this new program to determine future allocations to the program.

DISADVANTAGED COMMUNITY SUBSIDIES

Communities seeking a Drinking Water SRF loan 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 80 percent of the state-wide median household income; and
 - (b) the monthly residential water bill is \$20 or more for 5,000 gallons usage;or

- (2) for rural water systems:

- (a)

the median household income is below 80 percent of the state-wide 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. The Board of Water and Natural Resources, through the rule-making process has provided for a two-percentage point reduction in interest rates as subsidies for disadvantaged communities. Zero-percent interest loans are available for disadvantaged communities with a median household income less than 60 percent of the statewide median household income. Disadvantaged communities may extend the loan term up to 30 years or the expected life of the project, whichever is less.

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 current rules.

Identification of systems to receive subsidies and their amount. Systems that are eligible to receive subsidies are identified in Attachment I and Attachment II.

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 that are expected to be funded in FY 2001.

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
308	Nisland	C462079-01	<i>Problem:</i> the city's water distribution system is old and in poor condition with non-operational valves and fire hydrants, poor flows, and reduced pressure. Additionally the system has tested positive for bacterial contamination on several occasions, which is believed to be largely due to the distribution system conditions. <i>Project:</i> install approximately 13,700 feet of new water main and associated valves, hydrants, and other appurtenances.	\$300,000	0%, 30 yrs.	174	Yes
179	Garretson	C462063-01	<i>Problem:</i> the drinking water violates radium standards. <i>Project:</i> connect to nearby rural water system or construct treatment facility.	\$1,000,000	5%, 20 yrs.	924	
131	B-Y RWS (NW Hutchinson County Expansion)	C462431-02	<i>Problem:</i> the communities of Tripp, Scotland, and Dimock and nearby rural residences have water quality or quantity problems. <i>Project:</i> the installation of 145 miles of pipeline to provide Tripp, Scotland, Dimock, and 175 rural residences with water from the B-Y Rural Water System.	\$1,000,000	5%, 20 yrs.	3,650	
130	B-Y RWS (Bon Homme Expansion)	C462431-01	<i>Problem:</i> the community of Tyndall and nearby rural residences have water quality or quantity problems. <i>Project:</i> the installation of 127 miles of pipeline to provide Tyndall and 127 rural residences with water from the B-Y Rural Water	\$1,300,000	5%, 20 yrs.	1,328	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
130	B-Y RWS (Hanson Expansion)	C462431-04	System. <i>Problem:</i> two nearby Rural water systems are considering consolidation with B-Y Rural Water with the intent to discontinue treating water. <i>Project:</i> the installation of five miles of 24-inch ductile iron pipe and two pumping stations to provide the water necessary for consolidation.	\$1,000,000	5%, 20 yrs.	3,650	
124	Summit	C462296-01	<i>Problem:</i> the community's shallow well produces water of marginal quality and the water tower is old and need of replacement. <i>Project:</i> connect to a rural water system by installing approximately 8.5 miles of 4-inch line and two pumping stations, as well as installing meters at each service within the community.	\$500,000	0%, 30 yrs.	267	Yes
98	B-Y RWS (Treatment Plant Expansion)	C462431-03	<i>Problem:</i> the existing water treatment plant, constructed in 1978-79, will exceed its design peak day demand due to proposed expansion. <i>Project:</i> expand the capacity of the raw water intake and the water treatment plant.	\$2,000,000	5%, 20 yrs.	12,500	
98	B-Y RWS (Treatment Plant Improvements)	C462431-05	<i>Problem:</i> improvements to the plant, which was constructed in 1978-79, are necessary to meet the 1996 Federal Safe Drinking Water Act amendments. <i>Project:</i> improvements include turbidity analyzers, ammonia feed system, carbon feed system, filter-to-waste handling improvements, lime storage and handling facilities, auxiliary backwash scour system, wash water supply improvements, pre-sedimentation launders, and dehumidification.	\$1,000,000	5%, 20 yrs.	12,500	
94	Canistota	C462226-01	<i>Problem:</i> the city is experiencing an increase in breaks in its 70-year-old, cast iron water mains, additionally due to the lack of inoperable valves, large portions of the system must be without water to repair breaks, <i>Project:</i> this project will	\$750,000	3%, 30 yrs.	608	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
92	Kingbrook RWS	C462432-02	replace approximately 18,700 feet of cast iron lines with 6-and 8-inch PVC lines, replace 250 service lines, and install 115 valves. <i>Problem:</i> rural individual well users in Fedora area seek to connect to safe, reliable water source. <i>Project:</i> extend approximately 40 miles of pipeline to serve rural users.	\$300,000	5%, 20 yrs.	115	
88	Minnehaha Community Water Corporation	C462440-01	<i>Problem:</i> two communities - Garretson and Colton - have requested to be connected to the system resulting in the need expand the supply and treatment capabilities. <i>Project:</i> the construction of a new well field and water plant to provide an additional 2 MGD of plant capacity, a 500,000-gallon elevated storage tank, new 10-inch transmission lines, and modifications to an existing high service pump.	\$3,800,000	5%, 20 yrs.	13,863	
87	Wentworth	C462004-01	<i>Problem:</i> the town is experiencing excessive water loss due to old, deteriorating lines. <i>Project:</i> replace approximately 6,600 feet of water main and appurtenances.	\$100,000	5%, 20 yrs.	181	
81	Aurora-Brule RWS	C462425-01	<i>Problem:</i> the three high lift pumps and the backwash pump within the treatment facility are undersized and have met or exceeded the normal pump life. <i>Project:</i> replace the pumps.	\$500,000	5%, 20 yrs.	3,500	
71	South Lincoln RWS	C462441-01	<i>Problem:</i> growth within the system's service area has resulted in an increased demand for water. <i>Project:</i> construct approximately 25 miles of new pipe, ranging in size from 3 to 10 inches, a new well, and pumping station, and make improvements to control systems.	\$860,000	5%, 20 yrs.	3,219	
64	Castlewood	C462246-01	<i>Problem:</i> water lines are old and deteriorating. <i>Project:</i> install approximately 11,500 feet of PVC lines to replace existing cast iron lines.	\$525,000	5%, 20 yrs.	549	
64	Centerville	C462215-01	<i>Problem:</i> portions of the community are served	\$1,700,000	5%, 20 yrs.	887	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
63	Egan	C462271-01	by undersized cast iron mains that are deteriorating. <i>Project:</i> install 38,000 feet of 6-inch PVC water mains to replace existing mains, 88 valves, 45 hydrants, and 300 service lines. <i>Problem:</i> much of the town's water distribution system consists of 2- and 4-inch cast iron water main that is sixty to seventy years old resulting in inadequate pressure and excessive leaking. <i>Project:</i> replace approximately 11,000 feet of existing water lines with 6-inch PVC lines.	\$200,000	5%, 20 yrs.	208	
61	Flandreau	C462125-01	<i>Problem:</i> the city's water source has been designated as "ground water under the influence of surface water," one of the three wells is inoperable, and the existing supply is high in iron and manganese. <i>Project:</i> connect to a rural water system, including construction of a new well to be part of an existing rural water system and pipeline, pumps and other necessary appurtenances.	\$700,000	5%, 20 yrs.	2,311	
60	Skyline Heights Public Works Co-Operative	C462442-01	<i>Problem:</i> Skyline Heights is proposing to abandon its water system and connect to the city of Sioux Falls. <i>Project:</i> installation of approximately 1,200 feet of 8-inch water line to connect to the Sioux Falls system and upgrade existing lines.	\$136,000	5%, 20 yrs.	66	
59	Lake Preston	C462011-01	<i>Problem:</i> water lines are old and deteriorating. <i>Project:</i> replace cast iron lines with PVC lines as part of a street improvement project.	\$100,000	3%, 30 yrs.	663	Yes
58	Colton	C462135-01	<i>Problem:</i> the city is seeking to connect to a regional water system. <i>Project:</i> construct 1.5 miles of 8-inch water line to connect to the Minnehaha Community Water Corporation system and participate in the upgrade of the Minnehaha CWC system necessary to provide	\$325,000	5%, 20 yrs.	657	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
45	Dell Rapids	C462064-01	service to Colton. <i>Problem:</i> community growth is causing portions of the system to become undersized and inadequate. <i>Project:</i> construction of a 400,000-gallon elevated storage tank, improvements to a pumping station and replacement of undersized and outdated distribution lines and appurtenances.	\$900,000	5%, 20 yr.	2,484	
42	Clay RWS	C462437-01	<i>Problem:</i> rural users currently depend on individual wells that vary in quantity and quality. <i>Project:</i> expand the rural water system's service area by installing over 28 miles of 2-, 2.5- and 3-inch lines, and appurtenances.	\$400,000	5%, 20 yrs.	150	
35	Gettysburg	C462196-01	<i>Problem:</i> old and deteriorating cast iron water lines are in constant need of emergency repair and 1-inch water mains within alleys do not provide sufficient water. <i>Project:</i> install approximately 11,800 feet of new water mains and associated appurtenances.	\$268,000	5%, 20 yrs.	1510	
35	Lennox	C462105-01	<i>Problem:</i> old and deteriorating water lines need replaced. <i>Project:</i> install 20,230 feet of 6- and 8-inch water main, services, and appurtenances as part of a 4-year curb and gutter project.	\$690,000	5%, 20 yrs.	1,767	
33	Mitchell	C462129-02	<i>Problem:</i> the city's primary water source is Lake Mitchell, and nutrients carried to the lake promote high algae growth resulting in taste and odor problems that cannot be removed. <i>Project:</i> connect to the B-Y Rural Water System as a supplemental source.	\$1,000,000	5%, 20 yrs.	13,790	
22	Sioux Falls	C462232-02	<i>Problem:</i> components of water treatment plant are near the end of their useful life and areas within the city are experiencing reduced pressure. <i>Project:</i> upgrade various components of the water plant and install/upgrade water	\$5,000,000	4.5%, 10 yrs.	100,814	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
22	Sioux Falls	C462232-03	towers and pumping stations <i>Problem:</i> growth within the community necessitates improvements to the system to meet water demand. <i>Project:</i> expansion of the city's well field in the Big Sioux Aquifer for additional water supply and the construction of a water main to improve water flow to the west side of Sioux Falls.	\$2,237,000	4.5%, 10 yrs.	100,814	
19	McLaughlin	C462233-01	<i>Problem:</i> existing water mains are over 50 years old and in need of replacement. <i>Project:</i> replace approximately 7 blocks of water main in conjunction with a Main Street improvement project.	\$100,000	3%, 30 yrs.	780	Yes
18	Bristol	C462244-01	<i>Problem:</i> the existing pump station is unreliable during high demand periods and the existing elevated storage tank is of insufficient height to provide adequate pressure to the town during normal use periods. <i>Project:</i> construct a 75,000 gallon elevated storage tank at sufficient height to eliminate the need for the pumping station.	\$135,000	5%, 20 yrs.	419	
18	Wessington	C462302-01	<i>Problem:</i> waterlines within the city are old and deteriorating. <i>Project:</i> replace approximately 7,950 feet of water line, 15 gate valves, and other appurtenances.	\$100,000	3%, 30 yrs.	241	Yes
14	Aberdeen	C462072-01	<i>Problem:</i> the city's water treatment plant needs improvements to meet increased demand and to ensure system reliability, operability, and water quality. <i>Project:</i> construct new clarifiers, recarbonation basins, solids contact units, reclaim pump station and basin, chemical feed units, treated water reservoir, pump station, and controls and instrumentation.	\$12,225,000	5%, 20 yrs.	24,927	
11	Redfield	C462182-01	<i>Problem:</i> existing water mains are over 50	\$150,000	4.5%, 10 yrs.	2,770	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advantaged
10	Britton	C462188-01	years old and in need of replacement. <i>Project:</i> replace approximately 4,500 feet of water main in conjunction with a DOT highway reconstruction project. <i>Problem:</i> waterlines with the community are old, deteriorating, and in need of replacement. <i>Project:</i> replace approximately 30 blocks of waterline.	\$364,000	5%, 20 yrs.	1,394	
10	Custer	C462021-01	<i>Problem:</i> waterlines within the city's commercial district are old, undersized, and deteriorating. <i>Project:</i> install approximately 8,500 feet of 4-, 6-, and 8-inch PVC watermains, and appurtenances.	\$725,000	5%, 20 yrs.	1,741	
8	Irene	C462255-02	<i>Problem:</i> the city's water mains are mainly 4-inch cast iron lines that are over 50 years old and are experiencing frequent breaks and reduced flow capacity due to mineral buildup; additionally most of the valves within the system are not fully functional. <i>Project:</i> the installation of 10,500 feet of 6-inch PVC pipe to replace existing cast iron lines and 40 gate valves.	\$280,000	5%, 20 yrs.	464	
8	Yankton	C462038-01	<i>Problem:</i> growth of the community necessitates improvements within the distribution system to meet water demand. <i>Project:</i> replacement of existing mains with approximately 1,200 feet of 6-, 8-, and 16-inch water mains as part of a DOT reconstruction project of US Highway 81 (Broadway Avenue).	\$1,000,000	5%, 20 yrs.	12,703	
5	Chamberlain	C462044-01	<i>Problem:</i> components of the water treatment facility must be updated to ensure a high quality water supply that meets demand and standards. <i>Project:</i> upgrade instrumentation and controls, replace components of the sedimentation basin	\$625,000	5%, 20 yrs.	2,347	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
4	Springfield	C460071-01	and accelerator, upgrade filtration system, replace chemical feed units, and install backwash pumping facilities. <i>Problem:</i> the backwash water, lime sludge, and pretreatment sludge from the city's water treatment plant are discharged to a dammed drainage resulting in non-compliance of the city's discharge permit. <i>Project:</i> construction of two lime sludge settling ponds.	\$100,000	5%, 20 yrs.	834	
4	Tea	C462028-01	<i>Problem:</i> new street needs water service. <i>Project:</i> install 3,060 feet of 6- and 8-inch PVC water main.	\$100,000	5%, 20 yrs.	786	

ATTACHMENT II
LIST OF PROJECTS TO BE FUNDED IN FY2001

Priority Points	Community/ Public Water System	Project Number	Loan Amount	Estimated Funding Date	Expected Cap Grant	Dis-advantaged?
22	Sioux Falls	C462232-02	\$5,000,000	January 2001	1999/2000	
88	Minnehaha Community Water Corporation	C462440-01	\$3,800,000	January 2001	2000	
8	Yankton	C462038-01	\$1,000,000	April 2001	2000/2001	
10	Britton	C462188-01	\$364,000	June 2000	2001	
64	Castlewood	C462246-01	\$525,000	June 2000	2001	
179	Garretson	C462063-01	\$1,000,000	June 2000	2001	
8	Irene	C462255-02	\$280,000	June 2000	2001	
58	Colton	C462135-01	\$325,000	July 2000	2001	
98	B-Y RWS (Treatment Plant Expansion)	C462431-03	\$2,000,000	July 2000	2001	
308	Nisland	C462079-01	\$300,000	October 2000	2001	Yes

**ATTACHMENT III
DRINKING WATER SRF PROGRAM FUNDING STATUS**

FFY 1997 - 2000

Capitalization Grants	\$34,900,900	
State Match	\$6,980,180	
Set-Asides	(\$2,921,916)	
Available to Loan		\$38,959,164

FY 2001

Capitalization Grants	\$7,806,300	
State Match	\$1,561,260	
Set-Asides	(\$412,252)	
Available to Loan		\$8,955,308
Repayments made as of 10/1/00		<u>\$511,250</u>
Total Funds Dedicated to Loan		\$48,356,895
Loans made through November 1, 2000		<u>(\$27,757,295)</u>
Funds Available for Loans with FY 2001 Cap. Grant		<u><u>\$20,599,600</u></u>
Funds Available for Loans as of November 1, 2000		<u><u>\$11,713,119</u></u>
Amount of Estimated Loans Identified on Attachment I of FFY 2001 Intended Use Plan		<u><u>\$46,870,000</u></u>

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