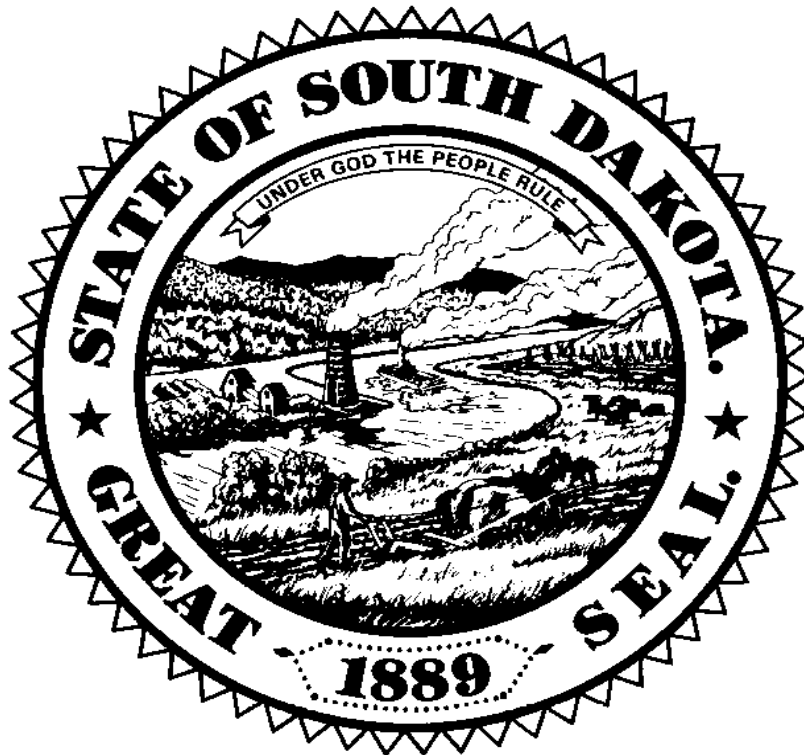


**THE SOUTH DAKOTA CONSERVANCY DISTRICT  
DRINKING WATER STATE REVOLVING FUND  
ANNUAL REPORT**

**FEDERAL FISCAL YEAR 2002  
October 1, 2001 - September 30, 2002**



**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**

GREGG GREENFIELD, CHAIRMAN  
Sioux Falls  
Member since 1996

STEVE LOWRIE, VICE-CHAIRMAN  
Watertown  
Member since 1985

DALE KENNEDY, SECRETARY  
Beresford  
Member since 1985

DON BOLLWEG  
Harrold  
Member since 1994

GENE JONES, JR.  
Sioux Falls  
Member since 2002

JERRY KLEINSASSER  
Frankfort  
Member since 1996

JOHN LOUCKS  
Rapid City  
Member since 1989

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## 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**

**2002**

**ANNUAL REPORT**

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## INTRODUCTION

The State of South Dakota herewith submits its Annual Report for Federal Fiscal Year (FFY) 2002 (October 1, 2001 through September 30, 2002). 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 2002 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 2002 activities. The next section addresses the *Goals and Objectives* the State of South Dakota identified in its 2002 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 2002, 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 the Department of Environment and Natural Resources. Finally, Addendum I is the *Intended Use Plan* for Federal Fiscal Year 2003. 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 \$8,052,500 for FFY 2002. These funds were matched by \$1,610,500 in state issued revenue bonds. In addition, the FFY 2002 Clean Water SRF Capitalization Grant, consisting of \$6,510,800 federal funds and \$1,302,160 administrative surcharge (match) funds, was transferred to the drinking water program. This brought the total FFY 2002 grant funds and state match available to the Drinking Water SRF program to \$17,475,960.

### DRINKING WATER SRF LOANS

Twenty-one communities entered into binding commitments with the conservancy district totaling \$33,008,430 in loans for the construction of drinking water projects. A breakdown of the loans made during FFY 2002 is detailed in Table 1 and Exhibit I. On a cumulative basis, the Board of Water and Natural Resources has obligated a total of 50 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 2002**

Recipient	Project Description	Assistance Amount	Rate/Term
Baltic (DW-01)	Water Improvements	\$250,000	3.5%/20
BDM RWS (DW-01)	Expansion for the city of Britton	536,000	3.5%/20
Colonial Pine Hills SD (DW-01)	Water Distribution System Imprv	659,000	3.5%/20
Colton (DW-01)	MCWC Connection	681,720	3.5%/30
Dakota Dunes CID (DW-01)	Water Supply	908,000	3.5%/20
Elk Point (DW-01)	Pearl Street Utility Improvement	220,000	3.5%/20
Fall River WUD (DW-02)	Phase II of the RWS	400,000	2.5%/30
Garretson (DW-01)	MCWC Connection	1,261,060	3.5%/30
Gregory (DW-01)	Water Improvement Project	380,000	2.5%/30
Huron (DW-01)	Treatment Plant Improvements	4,000,000	3.5%/20
Lincoln Co. RWS (DW-01)	Storage Improvements	1,200,000	3.5%/20
Minnehaha CWC (DW-01)	RWS Expansion	6,500,000	3.5%/20
Nisland (DW-01)	Water Dist Sys Reconstruct	350,000	0.0%/30
Pierre (DW-01)	Wellfield Expansion	1,094,200	3.5%/15
Sioux Falls (DW-03)	Drinking Water Facilities Imprv	7,930,000	3.5%/10
Tyndall (DW-02)	B-Y Rural Water Service	861,000	2.5%/30
Vermillion (DW-02)	Water Treatment Plant Imprv	1,510,000	3.5%/20
WEB WDA (DW-02)	Glenham Water System Imprv	137,450	2.5%/30
Webster (DW-01)	Water Improvements	330,000	3.5%/20
West River/Lyman Jones RWS (DW-01)	Reliance Water System Imprv	340,000	2.5%/30
Yankton (DW-01)	Line Replace & Water Trmt Plant	3,460,000	3.5%/20
<b>TOTAL</b>		<b>\$33,008,430</b>	

Disbursements from the program during FFY 2002 totaled \$5,555,130. This total includes loan disbursements of \$5,116,734 to the various recipients with the balance going to set-asides. See Exhibit V for a breakdown of all disbursements during FFY 2002. The following eleven projects initiated operations this past year:

Britton (DW-01)	Bryant (DW-01)
Elk Point (DW-01)	Fall River WUD (DW-02)
Gettysburg (DW-01)	Gregory (DW-01)
Harrisburg (DW-01)	Redfield (DW-01)
Sioux Falls (DW-02)	Tripp (DW-01)
West River/Lyman Jones RWS (DW-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/dfta/wwfunding/wwfprg.htm](http://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 the capitalization grant to provide loans to communities with populations less than 10,000. In FFY 2002, \$9,886,780 (30 percent) of the binding commitments were made to systems serving less than 10,000. Since the Drinking Water SRF program was initiated, \$24,748,459 (38.7 percent) has been awarded to systems serving a population of 10,000 people and below. See Figure 1. Figure 2 shows the binding commitments awarded to small systems from the capitalization grants in FFY 1997 through 2002. This reflects the planning aspect of the binding commitments only and is not indicative of the year in which the actual loan disbursements were made.

### **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 the current market rates, rates secured on state issued matching funds, and current demand for SRF funds.

The board reviewed interest rates in July 2001 and determined that the current average rate on the Bond Buyers Index was 5.55 percent, which was a decrease of 0.4 percent from the previous year. A review of Rural Development rates showed that its current rates were 4.500 percent poverty rate, 4.875 percent intermediate rate, and 5.25 percent market rate, which was a decrease for intermediate and market rates from the previous year. The board decided to set interest rates for FFY 2002 at 3.5 percent for terms up to 20 years, which is 2.5 percent interest

plus 1.0 percent administrative surcharge fee. The board also set a rate of 2.5 percent for up to 3 years for Interim Financing of eligible projects.

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 3.5 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 up to two percentage points below that set for other recipients 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**

Twenty-one loans are currently in repayment, and one loan has been repaid in full. Repayments equaled \$2,440,574 in FFY 2002 and consisted of \$1,568,252 in principal, \$683,979 in interest, and \$188,343 in administrative surcharge fees.

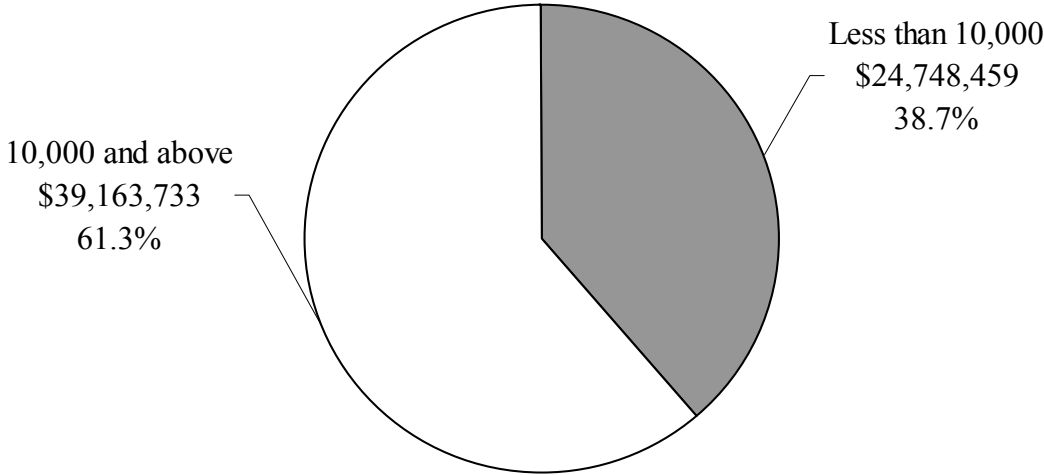
### **BOND ISSUE**

The district issued \$5,270,000 in Program Bonds on October 1, 2001. The following organizations were selected to assist the district:

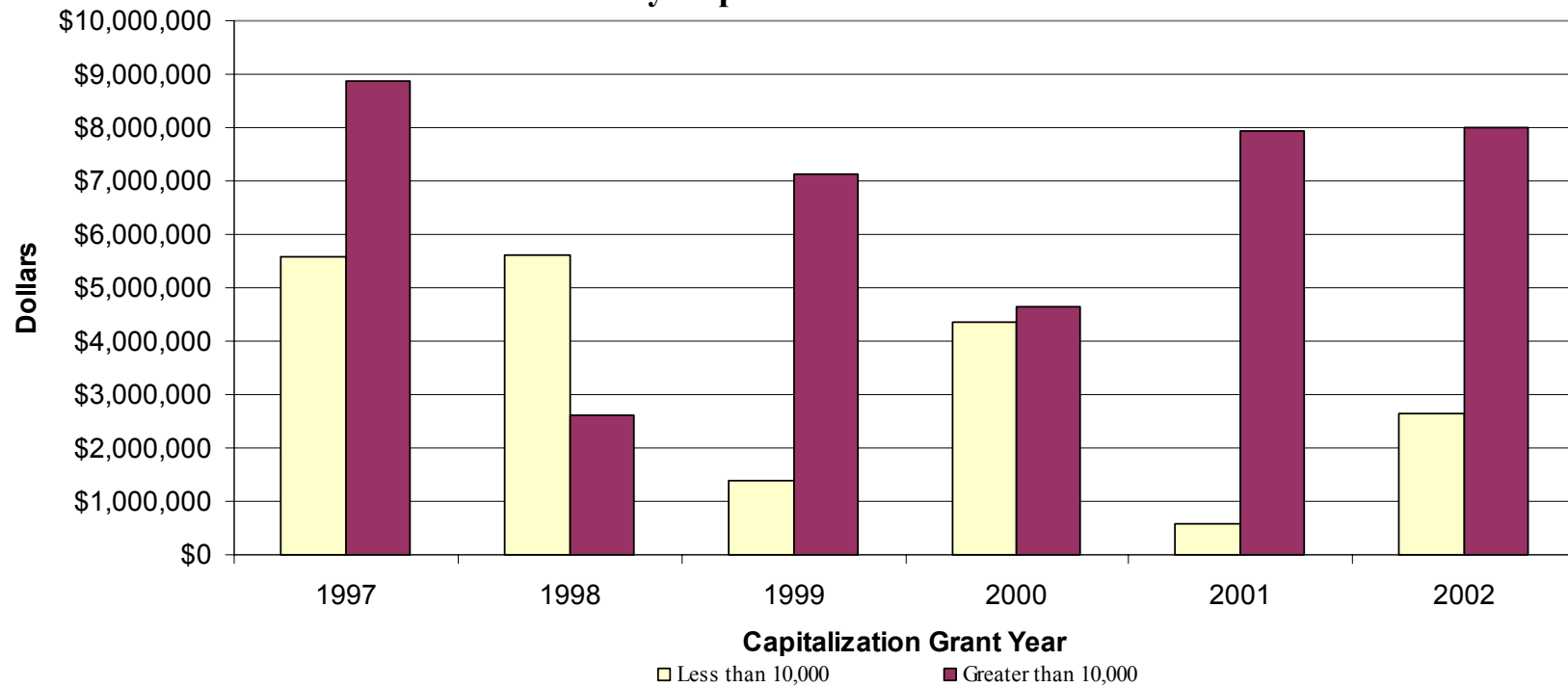
Underwriter	Dougherty & Company LLC Minneapolis, Minnesota
Trustee	First National Bank Sioux Falls, South Dakota
Bond Counsel	Alzheimer & Gray Chicago, Illinois
Insurer	Ambac Assurance Corporation New York, New York

Moody's Investors Service issued an opinion on October 1, 2001, that it had rated the insured bond issue as Aaa. Moody's had upgraded the underlying program's rating to Aa1 in August 2001.

**FIGURE 1**  
**DW SRF Loans by Service Population**  
**For Grant Years 1997-2002**  
**(\$63.9 Million)**



**FIGURE 2**  
**DW SRF Loans by Service Population**  
**by Capitalization Grant**



## **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 2002 Drinking Water disbursements. Table 2 recaps the cumulative Drinking Water SRF set-aside status.

**TABLE 2: Drinking Water SRF Set-Aside Status**

<b>Set-Aside</b>	<b>Allotment 1997-2001</b>	<b>Allotment 2002</b>	<b>Transfer Out</b>	<b>Obligated 9/30/02</b>	<b>Balance</b>
Administration	\$1,707,600	\$322,100		\$1,189,966	\$839,734
Small System Tech Assistance	300,000	161,050		306,340	154,710
State Program Mgmt	20,000	0	15,700	4,300	0
Local Assistance/ Other	1,305,880	0	1,255,880	1,000	49,000
<b>TOTAL</b>	<b>\$3,333,480</b>	<b>\$483,150</b>	<b>\$1,271,580</b>	<b>\$1,501,606</b>	<b>\$1,043,444</b>

### ■ **Administration**

Four percent of the 2002 capitalization grant (\$322,100) was allocated to administer the Drinking Water SRF program. Specific activities funded from this set-aside include the following:

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

During FFY 2002, \$260,793 was disbursed for administrative expenses and \$72,303 was paid for Cost-of-Issuance for the Series 2001 Bonds.

### ■ **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. This initial funding was combined with subsequent set asides in 1998 and 1999 to provide a total of \$250,000 for the stated objectives. These funds have been used to establish contracts with each of five 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 with a \$50,000 Small System Technical Assistance Set-Aside allocation. This program was established to encourage proactive planning by small communities. Grants

are available to communities of 1,000 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 \$4,000.

The FFY 2002 Drinking Water SRF Intended Use Plan set aside an additional \$161,050 for these activities with \$75,000 allocated for the Small Community Planning Grant Program and \$86,050 made available for additional technical assistance services. The six existing technical assistance contracts were extended for one year, and funding was added to several of the contracts. Additionally, a seventh technical assistance contract was awarded to a newly formed regional planning district. Through FFY 2002, 56 capacity assessments were completed, and more than 4,000 hours of technical assistance were provided to small public water systems under the Small System Technical Assistance Set-Aside.

Table 3 provides a list of the 21 small community public water systems that have received awards through the Small Community Planning Grant Program.

**Table 3**  
**Small System Technical Assistance**

<b>Sponsor</b>	<b>Amount Obligated</b>	<b>Date Obligated</b>	<b>Project Description</b>
Arlington	\$4,000	10/30/01	System Improvements
Baltic	\$4,000	08/28/01	Distribution Replacement
Bison	\$2,000	01/07/02	Rural Water Connection
Chancellor	\$3,400	02/04/02	Treatment & Distribution Imprv.
Claire City	\$2,880	12/10/01	Distribution System
Davis	\$4,000	07/09/01	Line Rehab/Rural Water Service
Hermosa	\$4,000	06/03/02	Treatment Improvements
Humboldt	\$4,000	08/17/01	Distribution System
Lake Norden	\$4,000	10/25/01	Distribution System
Lake Preston	\$1,200	06/21/02	Distribution Expansion
Letcher	\$4,000	05/24/02	Distribution Upgrade
Mesa View Water Users	\$1,760	08/23/02	System Improvements
Quinn	\$3,200	11/19/01	System Evaluation
Valley Springs	\$4,000	08/30/01	System Evaluation
Valley View Water Co.	\$2,800	08/19/02	Distribution Improvements
Vivian San. Dist.	\$3,200	06/28/01	Rehab/Rural Water Connection
Wessington	\$4,000	08/24/01	Distribution Replacement
Whitewood	\$4,000	09/05/02	Distribution
Willow Lake	\$3,200	07/15/02	Distribution Improvements
Winfred Water Dist	\$3,200	03/18/02	Distribution Improvements
Worthing	\$4,000	10/30/01	System Evaluation
<b>TOTAL</b>	<b>\$70,840</b>		

- **Operator Certification**

Operator certification training activities were allotted \$20,000 in 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 (SDARWS). The dollar-for-dollar match required under this set-aside was provided by SDARWS. Through FFY 2000, disbursements under this contract totaled \$4,300. During FFY 2001, no funding was disbursed for supplemental operator certification training, 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 – Source Water Assessment Program**

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. As of the end of FFY 2002, \$1,000 of this fund had been obligated and expended to complete a small community rate study. An outside contractor was used to provide communities with information on the current rate structure and future rate scenarios. DENR staff continues to work with the regional planning districts and other interested parties to identify potential Capacity Development Program participants.



## GOALS AND OBJECTIVES

The following goals were developed for the FFY 2002 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, 2002, South Dakota has made binding commitments equal to \$59,413,365 of its total capitalization awards and associated state matching funds.

### LONG-TERM GOALS

**GOAL: To fully capitalize the fund.**

The state has received and fully obligated the 1997 through 2001 capitalization grants and the associated state matching funds. As of September 30, 2002, the status of the FFY 2002 capitalization grant and state matching funds is as follows:

**TABLE 4**  
**Status of Capitalization Grants and State Matching Funds**

<b>Grant Year</b>	<b>Total Available</b>	<b>Total Obligated</b>	<b>Remaining to Obligate</b>
2002	\$16,992,810	\$10,091,738	\$6,011,072

**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 50 loans to 43 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 \$461,050 to be used to provide technical assistance to public water systems serving 10,000 people or less. Additionally, \$50,000 has been set aside to develop a capacity development program and \$4,300 to supplement the existing operator certification program.

## DETAILS OF ACTIVITIES

### FUND FINANCIAL STATUS

**Binding Commitments:** In order to provide financial assistance for drinking water projects, the state entered into 21 binding commitments totaling \$33,008,430. Exhibit I details the Drinking Water SRF binding commitments made during FFY 2002.

**Sources of Funds:** During FFY 2002, the state was awarded a federal capitalization grant totaling \$7,569,350. State match totaling \$1,610,500 was provided. In addition, the 2002 Clean Water Capitalization grant in the amount of \$6,510,800 was transferred to the Drinking Water Program, along with state match of \$1,302,160. Exhibit III and Figure 3 show the annual allocation and source of Drinking Water SRF funds.

**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 \$1,473,574.21. Fund expenses included administration expenditures, interest payable on bonds, and the amortization of each bond's issuance costs. These expenses totaled \$930,696.40. Additionally, \$29,146.08 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 2002.

**Findings of the 2001 Audit:** The Drinking Water SRF program was audited by the South Dakota Department of Legislative Audit for state fiscal year 2001 (July 1, 2000, through June 30, 2001). The audit did not contain any written findings or recommendations.

In July 2002, EPA Region VIII conducted a site review of the South Dakota Drinking Water SRF program. The final report has not been issued.

### ASSISTANCE ACTIVITY

Exhibits I through VII illustrate the assistance activity of the Drinking Water SRF in FFY 2002.

- Exhibit I Recipients that received Drinking Water SRF loans during FFY 2002
- Exhibit II The assistance amount provided to each project by needs category.
- Exhibit III The total Drinking Water SRF dollars available, broken down by fiscal year, capitalization amounts, and state match amounts.

- 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 2002. The estimated schedule was agreed upon by the state and EPA in the 2001 Capitalization Grant Agreement.
- Exhibit VII The environmental review and land purchase information for the loans made in FFY 2002.

### **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. The 21 loan recipients all submitted project certification forms (EPA 4700-4) to DENR, which in turn submitted 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.

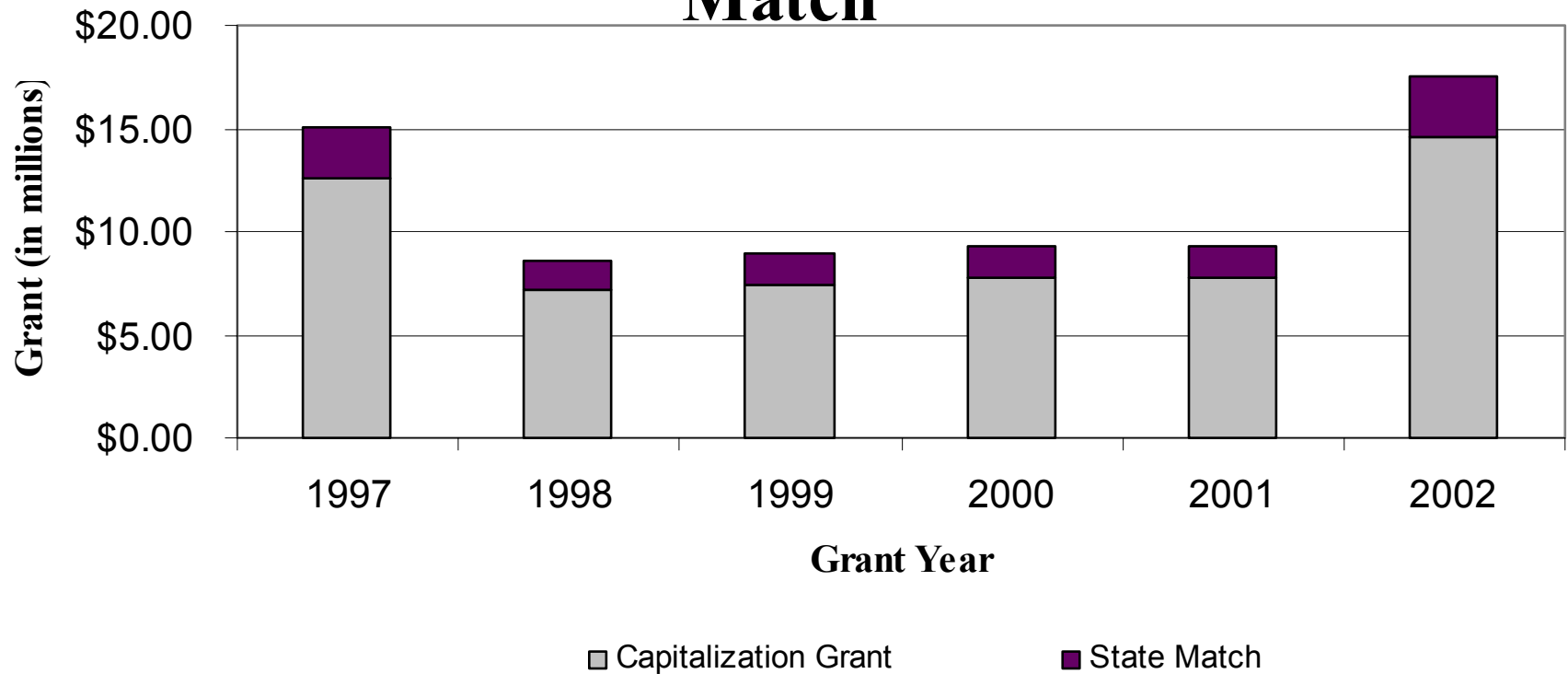
The state and EPA have agreed on "fair share" goals of 1 percent MBE and 3 percent WBE. The actual MBE/WBE participation achieved during FFY 2002 was 0.24 percent MBE and 7.68 percent WBE.

## **PROGRAM CHANGES**

### **2003 Intended Use Plan**

The Annual Report contains the 2003 Intended Use Plan as approved by the Board of Water and Natural Resources on November 14, 2002, and is shown on page 45.

**FIGURE 3**  
**DW SRF Capitalization Grants and State Match**



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**SOUTH DAKOTA**  
**DRINKING WATER**  
**STATE REVOLVING FUND**  
**LOAN PROGRAM HISTORY**

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## **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 GRANT AND STATE MATCHING FUNDS**

Since 1997 South Dakota's Drinking Water SRF Program has received federal capitalization grants totaling \$56,769,350. 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 \$11,450,660 in state matching funds. In FFY 2002, because of the demand on the drinking water program, the FFY 2002 Clean Water SRF Capitalization Grant and state match was transferred to the Drinking Water SRF program. The grant amounted to \$6,510,800, with a corresponding state match of \$1,302,160. 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 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 will provide the required state match for 2001 and two future years' capitalization grants.

### **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.

### **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 and Series 2001 Drinking Water State Revolving Fund Program Bonds.

### **UNDERWRITER**

Dougherty and Company was selected as underwriter for the Series 2001 bonds. 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.

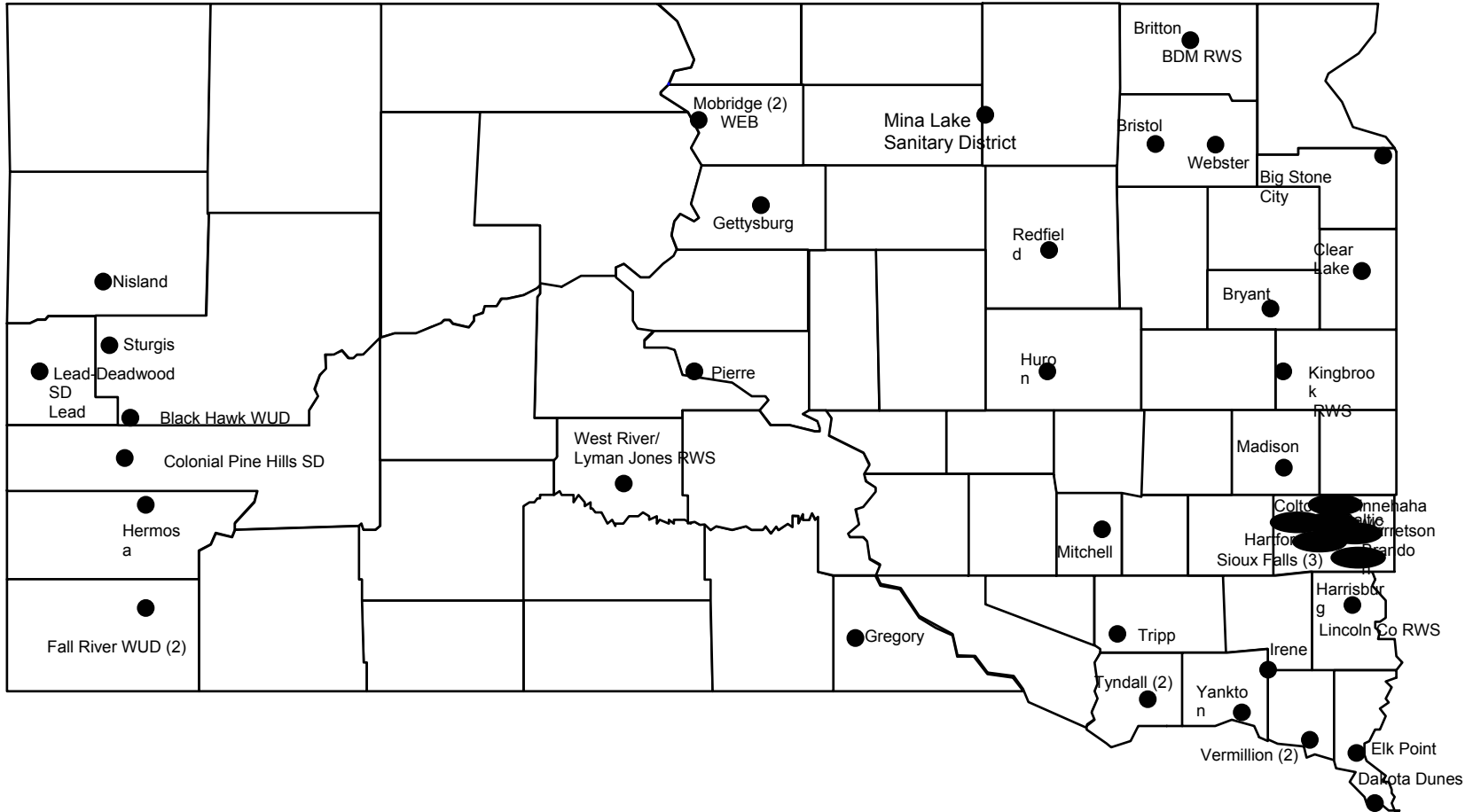


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**DRINKING WATER**  
**STATE REVOLVING FUND**  
**LOAN PORTFOLIO**

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# Figure 4 Drinking Water State Revolving Fund Loans

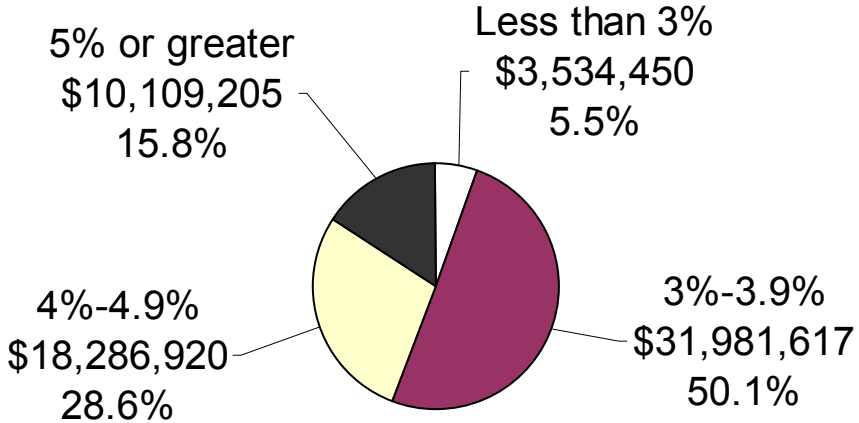


**TABLE 5**  
**State of South Dakota**  
**Drinking Water State Revolving Fund Loan Program**

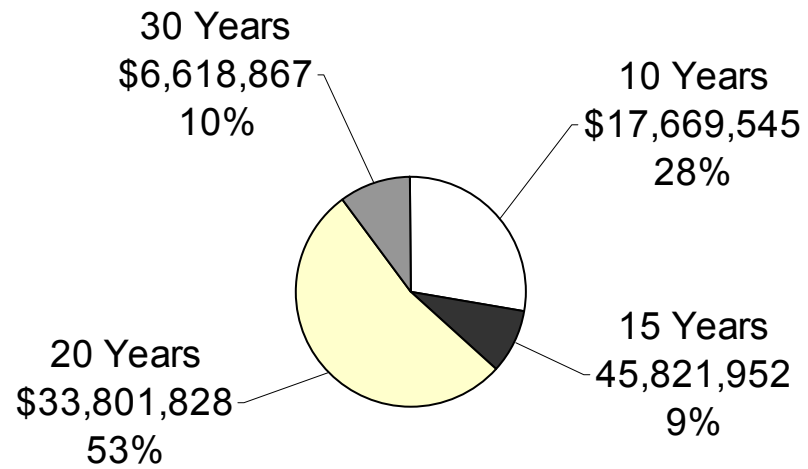
RECIPIENT	BINDING COMMITMENT DATE	RATE, TERM	BINDING COMMITMENT AMOUNT	ACTUAL LOAN AMOUNT
Baltic (DW-01)	06/27/2002	3.50%, 20 yr	\$250,000.00	\$250,000.00
BDM RWS (DW-01)	04/12/2002	3.50%, 20 yr	\$536,000.00	\$536,000.00
Big Stone City (DW-01)	07/22/1998	5.25%, 20 yr	\$600,000.00	\$570,000.00
Black Hawk WUD (DW-01)	03/26/1998	5.25%, 20 yr	\$500,000.00	\$500,000.00
Brandon (DW-01)	11/13/1998	4.75%, 15 yr	\$1,950,000.00	\$1,877,375.00
Bristol (DW-01)	04/25/2001	4.50%, 20 yr	\$139,000.00	\$0.00
Britton (DW-01)	04/25/2001	4.50%, 20 yr	\$320,000.00	\$320,000.00
Bryant (DW-01)	01/13/2000	3.00%, 30 yr	\$142,000.00	\$142,000.00
Clear Lake (DW-01)	12/10/1998	3.00%, 30 yr	\$565,000.00	\$540,637.00
Colonial Pine Hills San. Dist. (DW-01)	01/31/2002	3.50%, 20 yr	\$659,000.00	\$659,000.00
Colton (DW-01)	06/27/2002	3.50%, 30 yr	\$681,720.00	\$681,720.00
Dakota Dunes CID (DW-01)	06/27/2002	3.50%, 20 yr	\$908,000.00	\$908,000.00
Elk Point (DW-01)	01/31/2002	3.50%, 20 yr	\$220,000.00	\$220,000.00
Fall River WUD (DW-01)	12/09/1999	3.00%, 30 yr	\$759,000.00	\$759,000.00
Fall River WUD (DW-02)	11/09/2001	2.50%, 30 yr	\$400,000.00	\$400,000.00
Garretson (DW-01)	06/27/2002	3.50%, 30 yr	\$1,261,060.00	\$1,261,060.00
Gettysburg (DW-01)	06/14/2001	4.50%, 20 yr	\$565,000.00	\$565,000.00
Gregory (DW-01)	04/12/2002	2.50%, 30 yr	\$380,000.00	\$380,000.00
Harrisburg (DW-01)	10/12/2000	5.00%, 20 yr	\$525,000.00	\$525,000.00
Hartford (DW-01)	04/13/2000	5.00%, 20 yr	\$185,000.00	\$185,000.00
Hermosa (DW-01)	12/10/1998	5.00%, 20 yr	\$300,000.00	\$300,000.00
Huron (DW-01)	06/27/2002	3.50%, 20 yr	\$4,000,000.00	\$4,000,000.00
Irene (DW-01)	06/22/2000	5.00%, 20 yr	\$145,000.00	\$127,126.00
Kingbrook RWS (DW-01)	04/13/2000	0.00%, 30 yr	\$475,000.00	\$475,000.00
Lead (DW-01)	07/27/2000	4.50%, 10 yr	\$192,800.00	\$192,800.00
Lead-Deadwood San. Dist. (DW-01)	06/24/1998	5.25%, 20 yr	\$2,700,000.00	\$2,683,957.00
Lincoln County RWS (DW-01)	01/31/2002	3.50%, 20 yr	\$1,200,000.00	\$1,200,000.00
Madison (DW-01)	05/14/1998	5.00%, 15 yr	\$2,372,000.00	\$2,372,000.00
Mina Lake San. Dist. (DW-01)	11/13/1998	5.00%, 20 yr	\$255,200.00	\$255,200.00
Minnehaha CWC (DW-01)	06/27/2002	3.50%, 20 yr	\$6,500,000.00	\$6,500,000.00
Mitchell (DW-01)	10/12/2000	4.00%, 20 yr	\$6,000,000.00	\$6,000,000.00
Mobridge (DW-01)	03/26/1998	5.25%, 20 yr	\$965,000.00	\$965,000.00
Mobridge (DW-02)	07/22/1998	5.25%, 20 yr	\$355,000.00	\$352,207.00
Nisland (DW-01)	12/13/2001	0.00%, 30 yr	\$350,000.00	\$350,000.00
Pierre (DW-01)	01/31/2002	3.50%, 15 yr	\$1,094,200.00	\$1,094,200.00
Redfield (DW-01)	04/25/2001	4.50%, 20 yr	\$85,000.00	\$85,000.00

RECIPIENT	BINDING COMMITMENT DATE	RATE, TERM	BINDING COMMITMENT AMOUNT	ACTUAL LOAN AMOUNT
Sioux Falls (DW-01)	07/22/1998	4.50%, 10 yr	\$7,022,000.00	\$6,496,745.00
Sioux Falls (DW-02)	01/11/2001	4.50%, 10 yr	\$2,750,000.00	\$2,750,000.00
Sioux Falls (DW-03)	04/12/2002	3.50%, 10 yr	\$7,930,000.00	\$7,930,000.00
Sturgis (DW-01)	01/08/1998	5.00%, 15 yr	\$700,000.00	\$478,377.00
Tripp (DW-01)	07/26/2001	2.50%, 30 yr	\$291,000.00	\$291,000.00
Tyndall (DW-01)	07/27/2000	2.50%, 10 yr	\$300,000.00	\$300,000.00
Tyndall (DW-02)	11/09/2001	2.50%, 30 yr	\$861,000.00	\$861,000.00
Vermillion (DW-01)	05/13/1999	5.00%, 20 yr	\$942,000.00	\$795,338.00
Vermillion (DW-02)	06/27/2002	3.50%, 20 yr	\$1,510,000.00	\$1,510,000.00
WEB WDA (DW-01)	03/26/1998	5.25%, 20 yr	\$1,110,000.00	\$0.00
WEB WDA (DW-02)	10/12/2001	2.50%, 30 yr	\$137,450.00	\$137,450.00
Webster (DW-01)	04/12/2002	3.50%, 20 yr	\$330,000.00	\$330,000.00
West River/Lyman Jones RWS (DW-01)	10/12/2001	2.50%, 30 yr	\$340,000.00	\$340,000.00
Yankton (DW-01)	11/09/2001	3.50%, 20 yr	\$3,460,000.00	\$3,460,000.00
TOTAL 50 Loans, 43 Entities			\$66,218,430.00	\$63,912,192.00

**FIGURE 5**  
**DW SRF Interest Rates by Percent**  
**of Loan Portfolio (\$63.9 Million)**



**FIGURE 6**  
**DW SRF Loan Terms**  
**by Percent of Loan Portfolio**



## PROJECT DESCRIPTIONS

**Loans approved during Federal Fiscal Year 2002  
are designated with 2002 directly beside the recipient's name  
and italic lettering within the paragraph.**

**BALTIC (2002)** – *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 (2002)** – *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 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.

**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. This project consists of constructing a new water treatment plant and upgrading the current distribution system.

**BRISTOL** – The town of Bristol received a loan in the amount of \$139,000 at 4.5 percent interest for 20 years. The project involves construction of a new elevated storage tank as well as replacement of an underground storage tank. This will allow 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.

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

**BRYANT** – 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 percent 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 percent 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.

**COLONIAL PINE HILLS SANITARY DISTRICT (2002)** – *Colonial Pine Hills proposes to improve its water distribution system with a \$659,000 loan at 3.5 percent for 20 years.*

**COLTON (2002)** – *The city of Colton will connect to the Minnehaha CWC with a loan in the amount of \$681,720 at 3.5 percent for 30 years. The loan will be used for an elevated storage tank, water lines, wells, and new water treatment plant*

**DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT (2002)** – *Dakota Dunes will connect its water supply with the city of Sioux City, Iowa, with its \$908,000 loan at 3.5 percent for 20 years. This project includes 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.*

**ELK POINT (2002)** – *Elk Point received a \$220,000 loan for watermain replacement in conjunction with its Pearl Street Utility Improvement project at 3.5 percent for 20 years.*

**FALL RIVER WATER USERS DISTRICT (2002)** – *The Fall River Water Users District received a \$759,000 loan at 3 percent interest for 30 years. This loan will help 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 (2002)** – *The city of Garretson will connect to the Minnehaha CWC with its \$1,261,060 loan at 3.5 percent for 30 years. The loan will be 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 (2002)** – *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.*

**HARRISBURG** – *The city of Harrisburg will abandon its existing wells and water treatment plant, construct a connection to the Lincoln County RWS, construct an elevated water storage tank, and loop 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. This project will replace water distribution lines throughout the city.*

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

**HURON (2002)** – *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. The project is to replace water main along SD Highway 46.

**KINGBROOK RWS** – The Kingbrook Rural Water System received a loan in the amount of \$475,000. This loan was at 0 percent 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** – Lead received a \$192,800 loan at 4.5 percent 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 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.

**LINCOLN COUNTY RURAL WATER SYSTEM (2002)** – *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.

**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 is for the construction of a 150,000-gallon water tower.

**MINNEHAHA COMMUNITY WATER CORPORATION (2002)** – *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 will be 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** – 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.

**NISLAND (2002)** – *Nisland received a \$350,000 loan at 0.00 percent interest for 30 years to fund the reconstruction of its water distribution system.*

**PIERRE (2002)** – *The city of Pierre will use a \$1,094,200 loan at 3.5 percent for 15 years to fund a wellfield expansion. The loan funded construction of new wells, well houses, and water distribution lines.*

**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. The loan will finance the replacement of water lines located under US Hwy 212 and 281. The project involves construction of approximately 4,900 feet of pipe, services lines, and appurtenances and will replace brittle asbestos cement or cast iron pipes that are fifty to eighty years old.

**SIOUX FALLS (2002)** – 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. 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. The city's second loan will allow the city to continue with drinking water facility improvements, including treatment plant upgrades, central pressure zone improvements, and installation of a water main from the East Pumping Station to I-229. This loan is for \$2,750,000 at 4.5 percent interest for 10 years. *Sioux Falls' 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.*

**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 Department of Transportation 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 involves approximately 8,100 feet of pipe, service connections, valves, fire hydrants and appurtenances to replace 70 year old cast iron water mains.

**TYNDALL (2002)** – Tyndall received a loan for \$300,000 at 2.5 percent 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. *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 (2002)** – Vermillion received a loan for \$942,000 at 5 percent interest for 20 years. This loan is being used to construct lime sludge disposal lagoons. *Vermillion's second loan, \$1,510,000 at 3.5 percent interest for 20 years, will fund water treatment plant improvements.*

**WEB (2002)** – WEB Water Development Association, Inc. received a loan for \$1,110,000 at 5 percent 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. *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.*

**WEBSTER (2002)** – *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 (2002)** – *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.*

**YANKTON (2002)** – *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.*

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**EXHIBITS I-VII**  
**DRINKING WATER SRF**  
**STATUS REPORTS**

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**EXHIBIT I  
PROJECTS RECEIVING SRF ASSISTANCE  
FEDERAL FISCAL YEAR 2002**

Recipient	Assistance Amount by Population		Binding Commitment	Rate/Term
	10,000 & Below	10,001 & Above	Date	
Baltic (DW-01)	\$250,000		27-Jun-02	3.5%/20 yrs
BDM RWS (DW-01)	\$536,000		12-Apr-02	3.5%/20 yrs
Colonial Pine Hills San Dist (DW-01)	\$659,000		31-Jan-02	3.5%/20 yrs
Colton (DW-01)	\$681,720		27-Jun-02	3.5%/30 yrs
Dakota Dunes CID (DW-01)	\$908,000		27-Jun-02	3.5%/20 yrs
Elk Point (DW-01)	\$220,000		31-Jan-02	3.5%/20 yrs
Fall River WUD (DW-02)	\$400,000		9-Nov-01	2.5%/30 yrs
Garretson (DW-01)	\$1,261,060		27-Jun-02	3.5%/30 yrs
Gregory (DW-01)	\$380,000		12-Apr-02	2.5%/30 yrs
Huron (DW-01)		\$4,000,000	27-Jun-02	3.5%/20 yrs
Lincoln County RWS (DW-01)	\$1,200,000		31-Jan-02	3.5%/20 yrs
Minnehaha CWC (DW-01)		\$6,500,000	27-Jun-02	3.5%/20 yrs
Nisland (DW-01)	\$350,000		13-Dec-01	0%/30 yrs
Pierre (DW-01)		\$1,094,200	31-Jan-02	3.5%/15 yrs
Sioux Falls (DW-03)		\$7,930,000	12-Apr-02	3.5%/10 yrs
Tyndall (DW-02)	\$861,000		9-Nov-01	2.5%/30 yrs
Vermillion (DW-02)	\$1,510,000		27-Jun-02	3.5%/20 yrs
WEB WDA (DW-02)		\$137,450	12-Oct-01	2.5%/30 yrs
Webster (DW-01)	\$330,000		12-Apr-02	3.5%/20 yrs
West River/Lyman Jones RWS (DW-01)	\$340,000		12-Oct-01	2.5%/30 yrs
Yankton (DW-01)		\$3,460,000	9-Nov-01	3.5%/20 yrs
<b>TOTAL</b>	<b>\$9,886,780</b>	<b>\$23,121,650</b>		

**EXHIBIT II**  
**SRF NEEDS CATEGORIES**  
**FEDERAL FISCAL YEAR 2002**

Recipient	I--Trans/Dist	II--Treatment	III--Storage	IV--Source
Baltic (DW-01)	\$250,000			
BDM RWS (DW-01)	\$536,000			
Colonial Pine Hills San Dist (DW-01)	\$131,000			\$528,000
Colton (DW-01)	\$192,972	\$323,806	\$147,245	\$17,697
Dakota Dunes CID (DW-01)	\$908,000			
Elk Point (DW-01)	\$220,000			
Fall River WUD (DW-02)	\$400,000			
Garretson (DW-01)	\$344,708	\$868,866		\$47,486
Gregory (DW-01)			\$380,000	
Huron (DW-01)	\$1,900,000	\$2,100,000		
Lincoln County RWS (DW-01)			\$1,200,000	
Minnehaha CWC (DW-01)	\$1,213,560	\$4,248,507	\$805,743	\$232,190
Nisland (DW-01)	\$350,000			
Pierre (DW-01)				\$1,094,200
Sioux Falls (DW-03)	\$2,736,000	\$5,194,000		
Tyndall (DW-02)	\$861,000			
Vermillion (DW-02)		\$1,510,000		
WEB WDA (DW-02)	\$137,450			
Webster (DW-01)	\$330,000			
West River/Lyman Jones RWS (DW-01)	\$340,000			
Yankton (DW-01)	\$2,600,000	\$860,000		
<b>TOTAL</b>	<b>\$13,450,690</b>	<b>\$15,105,179</b>	<b>\$2,532,988</b>	<b>\$1,919,573</b>

**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
2001	\$7,789,100	\$1,557,820	\$9,346,920
2002	\$14,563,300	\$2,912,660	\$17,475,960
<b>TOTAL</b>	<b>\$57,253,300</b>	<b>\$11,450,660</b>	<b>\$68,703,960</b>

**EXHIBIT IV**  
**OBLIGATIONS FOR FEDERAL FISCAL YEARS 1997-2002**  
**CAPITALIZATION GRANTS AND PRINCIPAL REPAYMENTS**

**1. PROJECTS UTILIZING 1997 SRF FUNDS**

RECIPIENT	BINDING COMMITMENT DATE	BINDING COMMITMENT AMOUNT	ACTUAL AMOUNT	BALANCE
1997 Capitalization Grant and State Match				\$15,070,560
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) <sup>(P)</sup>	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) *	11/13/98	\$1,950,000	\$45,622	\$0

\* Balance is from 1998 funds

**2. PROJECTS UTILIZING 1998 SRF FUNDS**

RECIPIENT	BINDING COMMITMENT DATE	BINDING COMMITMENT AMOUNT	ACTUAL AMOUNT	BALANCE
1998 Capitalization Grant and State Match				\$8,545,560
Set-Asides		\$309,852	\$309,852	\$8,235,708
Brandon (DW-01) *	11/13/98		\$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) ***	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) <sup>(P)</sup>	04/13/00	\$475,000	\$475,000	\$3,205,607
Hartford (DW-01)	04/13/00	\$185,000	\$185,000	\$3,020,607
Irene (DW-01)	06/22/00	\$145,000	\$127,126	\$2,893,481
Lead (DW-01)	07/27/00	\$192,800	\$192,800	\$2,700,681
Tyndall (DW-01)	07/27/00	\$300,000	\$300,000	\$2,400,681
Harrisburg (DW-01)	10/12/00	\$525,000	\$525,000	\$1,875,681
Mitchell (DW-01) **	10/12/00	\$6,000,000	\$1,875,681	\$0

\* Balance is from 1997 funds

\*\* Balance is from 1999 funds

\*\*\* Balance is from Repayments

<sup>(P)</sup> Private system that received federal funds only

### 3. PROJECTS UTILIZING 1999 SRF FUNDS

RECIPIENT	BINDING COMMITMENT DATE	BINDING COMMITMENT AMOUNT	ACTUAL AMOUNT	BALANCE
1999 Capitalization Grant and State Match				\$8,956,560
Set-Asides		\$423,552	\$423,552	\$8,533,008
Mitchell (DW-01) *	10/12/00		\$4,124,319	\$4,408,689
Sioux Falls (DW-02)	01/11/01	\$2,750,000	\$2,750,000	\$1,658,689
Bristol (DW-01)	04/25/01	\$139,000	\$0	\$1,658,689
Britton (DW-01)	04/25/01	\$320,000	\$320,000	\$1,338,689
Redfield (DW-01)	04/25/01	\$85,000	\$85,000	\$1,253,689
Gettysburg (DW-01)	06/14/01	\$565,000	\$565,000	\$688,689
Tripp (DW-01)	07/26/01	\$291,000	\$291,000	\$397,689
WEB (DW-02)	10/12/01	\$137,450	\$137,450	\$260,239
West River/Lyman-Jones RWS (DW-01) **(P)	10/12/01	\$340,000	\$260,239	\$0

\* Balance is from 1998 funds

\*\* Balance is from 2000 funds

### 4. PROJECTS UTILIZING 2000 SRF FUNDS

RECIPIENT	BINDING COMMITMENT DATE	BINDING COMMITMENT AMOUNT	ACTUAL AMOUNT	BALANCE
2000 Capitalization Grant and State Match				\$9,308,400
Set-Asides		\$310,280	\$310,280	\$8,998,120
West River (DW-01) *(P)	06/14/01		\$79,761	\$8,918,359
Fall River WUD (DW-02)	11/09/01	\$400,000	\$400,000	\$8,518,359
Tyndall (DW-02)	11/09/01	\$861,000	\$861,000	\$7,657,359
Yankton (DW-01)	11/09/01	\$3,460,000	\$3,460,000	\$4,197,359
Nisland (DW-01)	12/13/01	\$350,000	\$350,000	\$3,847,359
Colonial Pine Hills SD (DW-01)	01/31/02	\$659,000	\$659,000	\$3,188,359
Elk Point (DW-01)	01/31/02	\$220,000	\$220,000	\$2,968,359
Lincoln County RWS (DW-01) <sup>(P)</sup>	01/31/02	\$1,200,000	\$1,200,000	\$1,768,359
Pierre (DW-01)	01/31/02	\$1,094,200	\$1,094,200	\$674,159
BDM RWS (DW-01) <sup>(P)</sup>	04/12/02	\$536,000	\$536,000	\$138,159
Gregory (DW-01) **	04/12/02	\$380,000	\$138,159	\$0

\* Balance is from 1999 funds

\*\* Balance is from 2001 funds



## 5. PROJECTS UTILIZING 2001 SRF FUNDS

RECIPIENT	BINDING COMMITMENT DATE	BINDING COMMITMENT AMOUNT	ACTUAL AMOUNT	BALANCE
2001 Capitalization Grant and State Match				\$9,346,920
Set-Asides		\$411,564	\$411,564	\$8,935,356
Gregory (DW-01) *	04/12/02		\$241,841	\$8,693,515
Sioux Falls (DW-03)	04/12/02	\$7,930,000	\$7,930,000	\$763,515
Webster (DW-01)	04/12/02	\$330,000	\$330,000	\$433,515
Baltic (DW-01)	06/27/02	\$250,000	\$250,000	\$183,515
Colton (DW-01) **	06/27/02	\$681,720	\$183,515	\$0

\* Balance is from 2000 funds

\*\* Balance is from 2002 funds

## 6. PROJECTS UTILIZING 2002 SRF FUNDS

RECIPIENT	BINDING COMMITMENT DATE	BINDING COMMITMENT AMOUNT	ACTUAL AMOUNT	BALANCE
2002 Capitalization Grant and State Match				\$17,475,960
Set-Asides		\$483,150	\$483,150	\$16,992,810
Colton (DW-01) *	06/27/02		\$498,205	\$16,494,605
Dakota Dunes (DW-01) **	06/27/02	\$908,000	\$478,000	\$16,016,605
Garretson (DW-01)	06/27/02	\$1,261,060	\$1,261,060	\$14,755,545
Huron (DW-01) **	06/27/02	\$4,000,000	\$734,473	\$14,021,072
Minnehaha CWC (DW-01) <sup>(P)</sup>	06/27/02	\$6,500,000	\$6,500,000	\$7,521,072
Vermillion (DW-02)	06/27/02	\$1,510,000	\$1,510,000	\$6,011,072

\* Balance is from 2001 funds

\*\* Balance is from Repayments

**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.**

## 7. PROJECTS UTILIZING REPAYMENT FUNDS

RECIPIENT	BINDING COMMITMENT DATE	BINDING COMMITMENT AMOUNT	ACTUAL AMOUNT	BALANCE
Total Repayments as of 9/30/2002				\$3,020,775
Excess Interest Payments as of 9/30/2002			\$1,071,048	\$4,091,823
Vermillion (DW-01) *	05/13/99		\$68,827	\$4,022,996
Dakota Dunes (DW-01) **	06/27/02		\$430,000	\$3,592,996
Huron (DW-01) **	06/27/02		\$3,265,527	\$327,469

\* Balance is from 1998 funds

\*\* Balance is from 2002 funds

**EXHIBIT V**  
**Drinking Water SRF Disbursements**  
**October 1, 2001 to September 30, 2002**

**LOAN DISBURSEMENTS**

Disburse Number	Date	Payee	Other	State	Federal	Total Payment
02-01	10/11/01	Gettysburg (DW-01)	\$0.00	\$0.00	\$60,973.00	\$60,973.00
02-02	10/19/01	Tripp (DW-01)	\$0.00	\$0.00	\$113,840.00	\$113,840.00
02-03	10/25/01	Bryant (DW-01)	\$0.00	\$0.00	\$6,505.00	\$6,505.00
02-04	11/01/01	Fall River WUD (DW-01)	\$0.00	\$0.00	\$81,975.00	\$81,975.00
02-05	11/01/01	Kingbrook RWS (DW-01)	\$0.00	\$0.00	\$58,474.00	\$58,474.00
02-06	11/08/01	Harrisburg (DW-01)	\$0.00	\$0.00	\$60,433.00	\$60,433.00
02-07	11/15/01	Gettysburg (DW-01)	\$0.00	\$0.00	\$117,851.00	\$117,851.00
02-08	11/15/01	Tripp (DW-01)	\$0.00	\$0.00	\$50,197.00	\$50,197.00
02-09	11/21/01	Sioux Falls (DW-01)	\$0.00	\$0.00	\$127,717.00	\$127,717.00
02-10	11/21/01	Sioux Falls (DW-02)	\$0.00	\$0.00	\$89,723.00	\$89,723.00
02-10	11/21/01	Sioux Falls (DW-02)	\$0.00	\$0.00	\$1,045,282.00	\$1,045,282.00
02-11	12/03/01	Bryant (DW-01)	\$0.00	\$0.00	\$68,320.00	\$68,320.00
02-12	12/03/01	Fall River WUD (DW-01)	\$0.00	\$0.00	\$24,853.00	\$24,853.00
02-13	12/19/01	Gettysburg (DW-01)	\$0.00	\$0.00	\$74,298.00	\$74,298.00
02-14	12/19/01	Harrisburg (DW-01)	\$0.00	\$0.00	\$60,353.00	\$60,353.00
02-15	01/10/02	Fall River WUD (DW-01)	\$0.00	\$0.00	\$134,364.00	\$134,364.00
02-16	01/17/02	Gettysburg (DW-01)	\$0.00	\$0.00	\$21,046.00	\$21,046.00
02-17	01/25/02	Bryant (DW-01)	\$0.00	\$0.00	\$1,150.00	\$1,150.00
02-18	02/14/02	Fall River WUD (DW-01)	\$0.00	\$0.00	\$64,428.00	\$64,428.00
02-19	02/22/02	Bryant (DW-01)	\$0.00	\$7,169.00	\$28,676.00	\$35,845.00
02-20	02/22/02	Harrisburg (DW-01)	\$0.00	\$11,074.00	\$44,294.00	\$55,368.00
02-23	02/28/02	Fall River WUD (DW-01)	\$0.00	\$0.00	\$22,617.00	\$22,617.00
02-24	02/28/02	Fall River WUD (DW-02)	\$0.00	\$0.00	\$70,754.00	\$70,754.00
02-21	03/14/02	Harrisburg (DW-01)	\$0.00	\$4,000.00	\$16,000.00	\$20,000.00
02-22	03/21/02	Redfield (DW-01)	\$0.00	\$85,000.00	\$0.00	\$85,000.00
02-25	04/19/02	Sioux Falls (DW-02)	\$0.00	\$0.00	\$600,950.00	\$600,950.00
02-26	05/02/02	Fall River WUD (DW-02)	\$0.00	\$0.00	\$30,603.00	\$30,603.00
02-28	05/16/02	Nisland (DW-01)	\$0.00	\$12,427.00	\$0.00	\$12,427.00
02-27	05/17/02	Gettysburg (DW-01)	\$0.00	\$0.00	\$83,625.00	\$83,625.00
02-29	06/05/02	Fall River WUD (DW-02)	\$0.00	\$0.00	\$21,143.00	\$21,143.00
02-30	06/12/02	Colonial Pine Hills (DW-01)	\$0.00	\$50,126.00	\$0.00	\$50,126.00
02-31	06/19/02	Gettysburg (DW-01)	\$0.00	\$0.00	\$5,153.00	\$5,153.00
02-32	07/02/02	Colonial Pine Hills (DW-01)	\$0.00	\$19,912.00	\$0.00	\$19,912.00
02-33	07/10/02	Elk Point (DW-01)	\$0.00	\$1,566.00	\$0.00	\$1,566.00
02-34	07/10/02	Harrisburg (DW-01)	\$0.00	\$5,000.00	\$0.00	\$5,000.00
02-35	07/17/02	Nisland (DW-01)	\$0.00	\$0.00	\$22,540.00	\$22,540.00
02-36	08/08/02	Gregory (DW-01)	\$0.00	\$0.00	\$157,473.00	\$157,473.00
02-37	08/15/02	Colonial Pine Hills (DW-01)	\$0.00	\$0.00	\$20,128.00	\$20,128.00
02-38	08/22/02	Pierre (DW-01)	\$0.00	\$0.00	\$262,763.00	\$262,763.00
02-39	08/22/02	Elk Point (DW-01)	\$0.00	\$0.00	\$67,202.00	\$67,202.00
02-39	08/22/02	Elk Point (DW-01)	\$0.00	\$5,707.00	\$13,747.00	\$19,454.00
02-40	09/11/02	Colonial Pine Hills (DW-01)	\$0.00	\$1,252.00	\$5,948.00	\$7,200.00
02-41	09/13/02	Yankton (DW-01)	\$0.00	\$166,374.00	\$790,897.00	\$957,271.00
02-42	09/20/02	Elk Point (DW-01)	\$0.00	\$14,317.00	\$68,057.00	\$82,374.00
02-43	09/26/02	Dakota Dunes (DW-01)	\$44,337.00	\$0.00	\$0.00	\$0.00
02-44	09/26/02	Fall River WUD (DW-02)	\$0.00	\$24,064.00	\$114,394.00	\$138,458.00
<b>Total Loan Disbursements</b>			<b>\$44,337.00</b>	<b>\$407,988.00</b>	<b>\$4,708,746.00</b>	<b>\$5,116,734.00</b>

**ADMINISTRATION DISBURSEMENTS**

Disburse Number	Date	Payee	Other	State	Federal	Total Payment
02A-01	10/9/2001	Ambac Assurance*	\$24,824.83	\$0.00	\$0.00	\$24,824.83
02A-02	10/9/2001	Alzheimer & Gray*	\$25,500.00	\$0.00	\$0.00	\$25,500.00
02A-03	10/18/2001	FNB*	\$2,500.00	\$0.00	\$0.00	\$2,500.00
02A-04	10/18/2001	Alzheimer & Gray	\$0.00	\$0.00	\$16,000.00	\$16,000.00
02A-05	10/19/2001	SD - Admin	\$0.00	\$0.00	\$15,800.00	\$15,800.00
02A-05	10/19/2001	SD - Tech Assist	\$0.00	\$0.00	\$8,000.00	\$8,000.00
02A-06	11/27/2001	SD - Admin	\$0.00	\$0.00	\$21,000.00	\$21,000.00
02A-06	11/27/2001	SD - Tech Assist	\$0.00	\$0.00	\$4,000.00	\$4,000.00
02A-07	12/12/2001	FNB	\$0.00	\$0.00	\$5,350.00	\$5,350.00
02A-08	12/20/2001	SD - Admin	\$0.00	\$0.00	\$19,400.00	\$19,400.00
02A-08	12/20/2001	SD - Tech Assist	\$0.00	\$0.00	\$5,600.00	\$5,600.00
02A-09	1/25/2002	SD - Admin	\$0.00	\$0.00	\$1,673.00	\$1,673.00
02A-09	1/25/2002	SD - Admin	\$0.00	\$0.00	\$14,927.00	\$14,927.00
02A-09	1/25/2002	SD - Tech Assist	\$0.00	\$0.00	\$13,100.00	\$13,100.00
02A-10	2/22/2002	SD - Admin	\$0.00	\$0.00	\$27,100.00	\$27,100.00
02A-10	2/22/2002	SD - Tech Assist	\$0.00	\$0.00	\$100.00	\$100.00
02A-11	3/14/2002	Fiduciary Communications	\$0.00	\$0.00	\$218.00	\$218.00
02A-12	3/21/2002	SD - Admin	\$0.00	\$0.00	\$13,900.00	\$13,900.00
02A-13	4/19/2002	SD - Admin	\$0.00	\$0.00	\$15,500.00	\$15,500.00
02A-13	4/19/2002	SD - Tech Assist	\$0.00	\$0.00	\$500.00	\$500.00
02A-14	5/31/2002	SD - Admin	\$0.00	\$0.00	\$16,400.00	\$16,400.00
02A-14	5/31/2002	SD - Tech Assist	\$0.00	\$0.00	\$33,300.00	\$33,300.00
02A-15	6/19/2002	FNB	\$0.00	\$0.00	\$6,725.00	\$6,725.00
02A-16	6/19/2002	SD - Admin	\$0.00	\$0.00	\$20,400.00	\$20,400.00
02A-16	6/19/2002	SD - Tech Assist	\$0.00	\$0.00	\$13,200.00	\$13,200.00
02A-17	8/11/2002	SD - Admin	\$0.00	\$0.00	\$26,700.00	\$26,700.00
02A-17	8/11/2002	SD - Tech Assist	\$0.00	\$0.00	\$7,300.00	\$7,300.00
02A-18	8/28/2002	Dougherty & Co.*	\$19,478.32	\$0.00	\$0.00	\$19,478.32
02A-19	8/30/2002	SD - Admin	\$0.00	\$0.00	\$25,400.00	\$25,400.00
02A-19	8/30/2002	SD - Tech Assist	\$0.00	\$0.00	\$9,400.00	\$9,400.00
02A-19	8/30/2002	SD - Local Assist	\$0.00	\$0.00	\$1,000.00	\$1,000.00
02A-20	9/24/2002	SD - Admin	\$0.00	\$0.00	\$14,300.00	\$14,300.00
02A-20	9/24/2002	SD - Tech Assist	\$0.00	\$0.00	\$9,800.00	\$9,800.00
<b>Total Admin Disbursements</b>			<b>\$72,303.15</b>	<b>\$0.00</b>	<b>\$366,093.00</b>	<b>\$438,396.15</b>
<b>TOTAL DISBURSEMENTS</b>			<b>\$116,640.15</b>	<b>\$407,988.00</b>	<b>\$5,074,839.00</b>	<b>\$5,555,130.15</b>

\*Cost of Issuance Funds

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 technical assistance set-asides. 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**  
**Projected vs. Actual Draws**  
**Federal Fiscal Year 2002**

QUARTER	PROJECTED DRAWS	ACTUAL LOAN DRAWS	ACTUAL SET-ASIDE DRAWS	DIFFERENCE
1ST	\$2,500,000	\$2,040,794	\$95,150	(\$364,056)
2ND	\$2,500,000	\$403,329	\$71,018	(\$2,025,653)
3RD	\$1,090,000	\$741,474	\$106,025	(\$242,501)
4TH	\$4,090,000	\$1,523,149	\$93,900	(\$2,472,951)
TOTAL	\$10,180,000	\$4,708,746	\$366,093	(\$5,105,161)

**Letter of Credit Draws  
FFY 2002**

Draw #	Date	Loan	Admin	Tech Asst	Local Asst	Total
0415	10/9/2001	\$60,973				\$60,973
0416	10/16/2001	\$113,840	\$39,800			\$153,640
0417	10/23/2001	\$6,505				\$6,505
0418	10/31/2001	\$140,449				\$140,449
0419	11/6/2001	\$60,433				\$60,433
0420	11/13/2001	\$168,048				\$168,048
0421	11/19/2001	\$1,262,722				\$1,262,722
0422	11/20/2001		\$21,000	\$4,000		\$25,000
0423	11/29/2001	\$93,173				\$93,173
0424	12/11/2001	\$134,651	\$5,350			\$140,001
0425	12/18/2001		\$19,400	\$5,600		\$25,000
0427	1/8/2002	\$134,364				\$134,364
0428	1/15/2002	\$21,046				\$21,046
0429	1/23/2002	\$1,150	\$16,600	\$13,100		\$30,850
0430	2/12/2002	\$64,428				\$64,428
0431	2/20/2002	\$72,970	\$27,100	\$100		\$100,170
0432	3/12/2002	\$16,000	\$218			\$16,218
0433	3/19/2002		\$13,900			\$13,900
0434	3/26/2002	\$93,371				\$93,371
0435	4/16/2002	\$600,950	\$15,500	\$500		\$616,950
0436	4/30/2002	\$30,603				\$30,603
0437	5/14/2002	\$83,625				\$83,625
0438	5/30/2002		\$33,300	\$16,400		\$49,700
0438	6/4/2002	\$21,143				\$21,143
0441	6/18/2002	\$5,153	\$27,125	\$13,200		\$45,478
0443	7/16/2002	\$22,540				\$22,540
0444	8/7/2002	\$157,473	\$26,700	\$7,300		\$191,473
0445	8/14/2002	\$20,128				\$20,128
0446	8/21/2002	\$343,712				\$343,712
0447	8/29/2002		\$25,400	\$9,400	\$1,000	\$35,800
0448	9/10/2002	\$796,845				\$796,845
0449	9/18/2002	\$68,057				\$68,057
0450	9/23/2002		\$14,300	\$9,800		\$24,100
0451	9/25/2002	\$114,394				\$114,394
<b>TOTAL</b>		<b>\$4,708,746</b>	<b>\$285,693</b>	<b>\$79,400</b>	<b>\$1,000</b>	<b>\$5,074,839</b>

**EXHIBIT VII**  
**Environmental Review and**  
**Land Purchase Information**

Loan Recipient	Environmental Assessment Class	Environmental Assessment Publication Date	Land Purchase w/ SRF?
Baltic (DW-01)	Cat Ex	06/26/02	N
BDM RWS (DW-01)	FNSI	04/10/02	N
Colonial Pine Hills San Dist (DW-01)	FNSI	01/30/02	N
Colton (DW-01)	FNSI	05/22/02	N
Dakota Dunes CID (DW-01)	Cat Ex	03/08/02	N
Elk Point (DW-01)	Cat Ex	01/17/02	N
Fall River WUD (DW-02)	FNSI	01/26/02	N
Garretson (DW-01)	FNSI	05/16/02	N
Gregory (DW-01)	Cat Ex	04/10/02	N
Huron (DW-01)	FNSI	04/27/02	N
Lincoln County RWS (DW-01)	FNSI	12/07/01	N
Minnehaha CWC (DW-01)	FNSI	06/19/02	N
Nisland (DW-01)	Cat Ex	12/06/01	N
Pierre (DW-01)	FNSI	12/03/01	N
Sioux Falls (DW-03)	FNSI	03/22/02	N
Tyndall (DW-02)	FNSI	11/07/01	N
Vermillion (DW-02)	FNSI	06/21/02	N
WEB WDA (DW-02)	Cat Ex	09/12/01	N
Webster (DW-01)	Cat Ex	03/11/02	N
West River/Lyman Jones RWS (DW-01)	Cat Ex	09/27/01	N
Yankton (DW-01)	FNSI	11/09/01	N

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

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**EXHIBIT VIII**  
**LOAN PARTICIPANTS**  
**September 30, 2002**  
**(Unaudited)**

<b>Borrower Name</b>	<b>Loan Amount</b>	<b>Other Advances</b>	<b>State Advances</b>	<b>Federal Advances</b>	<b>Total Advances</b>	<b>Repayment Amounts</b>	<b>Loan Balances</b>
Baltic (DW-01)	\$250,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
BDM RWS (DW-01)	\$536,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Big Stone City (DW-01)	\$570,000	\$0	\$0	\$570,000	\$570,000	\$50,592.42	\$519,407.58
Black Hawk WUD (DW-01)	\$500,000	\$0	\$109,624	\$390,376	\$500,000	\$40,013.43	\$459,986.57
Brandon (DW-01)	\$1,877,375	\$0	\$0	\$1,877,375	\$1,877,375	\$228,265.11	\$1,649,109.89
Bristol (DW-01)	\$139,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Britton (DW-01)	\$320,000	\$0	\$0	\$303,576	\$303,576	\$0.00	\$303,576.00
Bryant (DW-01)	\$142,000	\$0	\$7,169	\$129,831	\$137,000	\$1,872.50	\$135,127.50
Clear Lake (DW-01)	\$540,637	\$0	\$0	\$540,637	\$540,637	\$23,797.06	\$516,839.94
Colonial Pine Hills (DW-01)	\$659,000	\$0	\$71,290	\$26,076	\$97,366	\$0.00	\$97,366.00
Colton (DW-01)	\$681,720	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Dakota Dunes (DW-01)	\$908,000	\$44,337	\$0	\$0	\$44,337	\$0.00	\$44,337.00
Elk Point (DW-01)	\$220,000	\$0	\$21,590	\$149,006	\$170,596	\$0.00	\$170,596.00
Fall River WUD (DW-01)	\$759,000	\$0	\$0	\$759,000	\$759,000	\$11,818.74	\$747,181.26
Fall River WUD (DW-02)	\$400,000	\$0	\$24,064	\$236,894	\$260,958	\$0.00	\$260,958.00
Garretson (DW-01)	\$1,261,060	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Gettysburg (DW-01)	\$565,000	\$0	\$0	\$565,000	\$565,000	\$0.00	\$565,000.00
Gregory (DW-01)	\$380,000	\$0	\$0	\$157,473	\$157,473	\$0.00	\$157,473.00
Harrisburg (DW-01)	\$525,000	\$0	\$20,074	\$504,926	\$525,000	\$12,219.17	\$512,780.83
Hartford (DW-01)	\$185,000	\$0	\$0	\$185,000	\$185,000	\$4,128.51	\$180,871.49
Hermosa (DW-01)	\$300,000	\$0	\$0	\$300,000	\$300,000	\$23,142.26	\$276,857.74
Huron (DW-01)	\$4,000,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Irene (DW-01)	\$127,126	\$0	\$0	\$127,126	\$127,126	\$8,100.21	\$119,025.79
Kingbrook RWS (DW-01)	\$475,000	\$0	\$0	\$418,543	\$418,543	\$6,975.72	\$411,567.28
Lead (DW-01)	\$192,800	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Lead-Deadwood SD (DW-01)	\$2,683,957	\$0	\$1,812	\$2,682,145	\$2,683,957	\$358,989.60	\$2,324,967.40
Lincoln County RWS (DW-01)	\$1,200,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00



<b>Borrower Name</b>	<b>Loan Amount</b>	<b>Other Advances</b>	<b>State Advances</b>	<b>Federal Advances</b>	<b>Total Advances</b>	<b>Repayment Amounts</b>	<b>Loan Balances</b>
Madison (DW-01)	\$2,372,000	\$0	\$0	\$2,372,000	\$2,372,000	\$438,821.30	\$1,933,178.70
Mina Lake SD (DW-01)	\$255,200	\$0	\$110,253	\$144,947	\$255,200	\$13,626.34	\$241,573.66
Minnehaha CWC (DW-01)	\$6,500,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Mitchell (DW-01)	\$6,000,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Mobridge (DW-01)	\$965,000	\$0	\$0	\$965,000	\$965,000	\$137,742.12	\$827,257.88
Mobridge (DW-02)	\$352,207	\$0	\$0	\$352,207	\$352,207	\$41,626.03	\$310,580.97
Nisland (DW-01)	\$350,000	\$0	\$12,427	\$22,540	\$34,967	\$0.00	\$34,967.00
Pierre (DW-01)	\$1,094,200	\$0	\$0	\$262,763	\$262,763	\$0.00	\$262,763.00
Redfield (DW-01)	\$85,000	\$0	\$85,000	\$0	\$85,000	\$1,328.88	\$83,671.12
Sioux Falls (DW-01)	\$6,496,745	\$0	\$3,879,001	\$2,617,744	\$6,496,745	\$1,063,748.83	\$5,432,996.17
Sioux Falls (DW-02)	\$2,750,000	\$0	\$0	\$2,313,067	\$2,313,067	\$0.00	\$2,313,067.00
Sioux Falls (DW-03)	\$7,930,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Sturgis (DW-01)	\$478,377	\$0	\$0	\$478,377	\$478,377	\$478,377.00	\$0.00
Tripp (DW-01)	\$291,000	\$0	\$0	\$164,037	\$164,037	\$0.00	\$164,037.00
Tyndall (DW-01)	\$300,000	\$0	\$0	\$300,000	\$300,000	\$26,748.71	\$273,251.29
Tyndall (DW-02)	\$861,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Vermillion (DW-01)	\$795,338	\$68,827	\$0	\$726,511	\$795,338	\$48,840.70	\$746,497.30
Vermillion (DW-02)	\$1,510,000	\$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)	\$137,450	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Webster (DW-01)	\$330,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
WR/LJ RWS (DW-01)	\$340,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Yankton (DW-01)	\$3,460,000	\$0	\$166,374	\$790,897	\$957,271	\$0.00	\$957,271.00
	\$64,051,192	\$113,164	\$4,508,678	\$21,433,074	\$26,054,916	\$3,020,774.64	\$23,034,141.36

**EXHIBIT IX**  
**Projected Cash Flow Worksheet**  
**For 10/1/2002 through 9/30/2003**  
**(Unaudited)**

<b>Borrower</b>	<b>Principal</b>	<b>Interest</b>	<b>Admin Surcharge</b>	<b>Total</b>
Big Stone City (DW-01)	\$19,062	\$21,776	\$5,121	\$45,960
Black Hawk WUD (DW-01)	\$16,516	\$17,871	\$5,957	\$40,344
Brandon (DW-01)	\$99,123	\$60,463	\$16,121	\$175,708
Britton (DW-01)	\$9,600	\$10,503	\$2,997	\$23,100
Bryant (DW-01)	\$2,193	\$3,024	\$0	\$5,217
Clear Lake (DW-01)	\$8,950	\$11,562	\$0	\$20,512
Colonial Pine Hills (DW-01)	\$2,672	\$3,024	\$1,210	\$6,906
Elk Point (DW-01)	\$5,224	\$6,632	\$2,652	\$14,508
Fall River (DW-01)	\$16,227	\$22,234	\$0	\$38,461
Fall River (DW-02)	\$2,942	\$7,820	\$0	\$10,762
Gettysburg (DW-01)	\$13,324	\$31,467	\$8,979	\$53,770
Harrisburg (DW-01)	\$12,149	\$15,263	\$3,816	\$31,228
Hartford (DW-01)	\$4,285	\$5,384	\$1,346	\$11,015
Hermosa (DW-01)	\$10,177	\$10,923	\$2,731	\$23,831
Irene (DW-01)	\$3,192	\$3,539	\$885	\$7,616
Kingbrook RWS (DW-01)	\$10,464	\$0	\$0	\$10,464
Lead (DW-01)	\$0	\$0	\$0	\$0
Lead-Deadwood San Dist (DW-01)	\$95,483	\$90,151	\$30,050	\$215,684
Madison (DW-01)	\$131,500	\$70,664	\$23,555	\$225,719
Mina Lake San Dist (DW-01)	\$8,335	\$9,539	\$2,385	\$20,259
Mitchell (DW-01)	\$0	\$0	\$0	\$0
Mobridge (DW-01)	\$50,916	\$31,830	\$10,610	\$93,356
Mobridge (DW-02)	\$18,088	\$11,965	\$3,988	\$34,042
Pierre (DW-01)	\$16,712	\$6,424	\$2,569	\$25,705
Redfield (DW-01)	\$2,050	\$2,185	\$616	\$4,851
Sioux Falls (DW-01)	\$577,630	\$183,166	\$51,662	\$812,458
Sioux Falls (DW-02)	\$187,565	\$166,933	\$47,084	\$401,582
Sturgis (DW-01)	\$0	\$0	\$0	\$0
Tripp (DW-01)	\$1,849	\$3,946	\$0	\$5,795
Tyndall (DW-01)	\$20,504	\$4,996	\$0	\$25,499
Vermillion (DW-01)	\$26,302	\$29,469	\$7,367	\$63,139
WEB (DW-02)	\$0	\$0	\$0	\$0
West River/Lyman Jones (DW-01)	\$0	\$0	\$0	\$0

Total FFY03    \$1,373,033    \$842,753    \$231,701    \$2,447,488

**EXHIBIT X**  
**DENR DRINKING WATER STATE REVOLVING FUND**  
**BALANCE SHEET**  
**9/30/2002**

	SETASIDES					Admin Surcharge	Loans	TOTAL
	State Admin	Technical Assistance	Operator Training	Local Assistance	Total Set-Asides			
<b>ASSETS:</b>								
Cash	(\$16,562.42)	(\$9,925.05)			(\$26,487.47)	634,854.70	\$5,206,688.62	\$5,815,055.85
Investments					\$0.00		\$7,583,636.10	\$7,583,636.10
Loans Receivable					\$0.00		\$23,034,141.36	\$23,034,141.36
Federal LOC Commitment less Cash Draws	\$770,374.00	\$215,550.00	\$0.00	\$49,000.00	\$1,034,924.00		\$33,275,176.00	\$34,310,100.00
Accrued Interest Receivable	\$0.03				\$0.03	\$855.93	\$342,805.79	\$343,661.75
Due from Other Governments					\$0.00	\$74,313.10		\$74,313.10
Deferred Charges	\$235,966.84				\$235,966.84		\$165,032.81	\$400,999.65
<b>TOTAL ASSETS</b>	<b>\$989,778.45</b>	<b>\$205,624.95</b>	<b>\$0.00</b>	<b>\$49,000.00</b>	<b>\$1,244,403.40</b>	<b>\$710,023.73</b>	<b>\$69,607,480.68</b>	<b>\$71,561,907.81</b>
<b>LIABILITIES AND FUND EQUITY:</b>								
Liabilities:								
Accounts Payable	\$31,637.00	\$23,187.50			\$54,824.50	\$0.00	\$0.00	\$54,824.50
Due To Other Governments							\$618.31	\$618.31
Bonds Payable					\$0.00		\$11,075,000.00	\$11,075,000.00
Wages Payable	\$5,777.03				\$5,777.03			\$5,777.03
Accrued Employee Benefits	\$1,307.36				\$1,307.36			\$1,307.36
Accrued Interest Payable					\$0.00		\$87,632.08	\$87,632.08
<b>Total Liabilities</b>	<b>\$38,721.39</b>	<b>\$23,187.50</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$61,908.89</b>	<b>\$0.00</b>	<b>\$11,163,250.39</b>	<b>\$11,225,159.28</b>
Fund Equity:								
Contributions from EPA	\$2,029,700.00	\$461,050.00	\$4,300.00	\$50,000.00	\$2,545,050.00		\$54,708,250.00	\$57,253,300.00
Retained Earnings	(\$1,078,642.94)	(\$278,612.55)	(\$4,300.00)	(\$1,000.00)	(\$1,362,555.49)	\$710,023.73	\$2,311,720.29	\$1,659,188.53
Contributed Capital					\$0.00		\$1,424,260.00	\$1,424,260.00
<b>Total Fund Equity</b>	<b>\$951,057.06</b>	<b>\$182,437.45</b>	<b>\$0.00</b>	<b>\$49,000.00</b>	<b>\$1,182,494.51</b>	<b>\$710,023.73</b>	<b>\$58,444,230.29</b>	<b>\$60,336,748.53</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$989,778.45</b>	<b>\$205,624.95</b>	<b>\$0.00</b>	<b>\$49,000.00</b>	<b>\$1,244,403.40</b>	<b>\$710,023.73</b>	<b>\$69,607,480.68</b>	<b>\$71,561,907.81</b>

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 September 30, 2002**

	SETASIDES					Admin Surcharge	Loans	TOTAL
	State Admin	Technical Assistance	Operator Training	Local Assistance	Total Set-Asides			
<b>Operating Revenues:</b>								
Interest Income					\$0.00		\$758,249.27	\$758,249.27
Investment Income	\$0.51				\$0.51	\$10,078.50	\$496,020.62	\$506,099.63
Other Income					\$0.00	\$209,225.31		\$209,225.31
<b>Total Operating Revenue</b>	<b>\$0.51</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.51</b>	<b>\$219,303.81</b>	<b>\$1,254,269.89</b>	<b>\$1,473,574.21</b>
<b>Operating Expenses:</b>								
Administrative Expenses	\$242,967.05	\$129,314.12	\$0.00	\$1,000.00	\$373,281.17	\$0.00	\$0.00	\$373,281.17
Interest Expense					\$0.00		\$533,667.50	\$533,667.50
Bond Issuance Expense	\$9,981.24				\$9,981.24		\$6,908.89	\$16,890.13
Bond Discount Expense	\$5,080.55				\$5,080.55		\$1,777.05	\$6,857.60
Total Operating Expenses	\$258,028.84	\$129,314.12	\$0.00	\$1,000.00	\$388,342.96	\$0.00	\$542,353.44	\$930,696.40
Operating Income (Loss)	(\$258,028.33)	(\$129,314.12)	\$0.00	(\$1,000.00)	(\$388,342.45)	\$219,303.81	\$711,916.45	\$542,877.81
Operating Transfers:								
Operating Transfer Out	(\$29,146.08)				(\$29,146.08)			(\$29,146.08)
<b>Net Income (Loss)</b>	<b>(\$287,174.41)</b>	<b>(\$129,314.12)</b>	<b>\$0.00</b>	<b>(\$1,000.00)</b>	<b>(\$417,488.53)</b>	<b>\$219,303.81</b>	<b>\$711,916.45</b>	<b>\$513,731.73</b>
<b>Fund Equity, Beginning</b>	<b>(\$791,468.52)</b>	<b>(\$149,298.43)</b>	<b>(\$4,300.00)</b>	<b>\$0.00</b>	<b>(\$945,066.95)</b>	<b>\$490,719.92</b>	<b>\$1,599,803.83</b>	<b>\$1,145,456.80</b>
<b>RETAINED EARNINGS, ENDING</b>	<b>(\$1,078,642.93)</b>	<b>(\$278,612.55)</b>	<b>(\$4,300.00)</b>	<b>(\$1,000.00)</b>	<b>(\$1,362,555.48)</b>	<b>\$710,023.73</b>	<b>\$2,311,720.28</b>	<b>\$1,659,188.53</b>

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

**EXHIBIT XII**  
**DENR DRINKING WATER STATE REVOLVING FUND**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended September 30, 2002**

	SETASIDES					Admin Surcharge	Loans	TOTAL
	State Admin	Technical Assistance	Operator Training	Local Assistance	Total Set-Asides			
<b>Cash flows form operating activities:</b>								
Net Income	(\$258,028.33)	(\$129,314.12)	\$0.00	(\$1,000.00)	(\$388,342.45)	\$219,303.81	\$711,916.45	\$542,877.81
Adjustments to reconcile net income to net cash provided (used) by operating activities:								
Investment Income	(\$0.47)	\$0.00	\$0.00	\$0.00	(\$0.47)	(\$9,856.22)	(\$518,306.48)	(\$528,163.17)
Interest Expense							\$533,667.50	\$533,667.50
Amortization of bond issuance cost	\$9,981.24				\$9,981.24		\$6,908.89	\$16,890.13
Amortization of bond discount	\$5,080.55				\$5,080.55		\$1,777.05	\$6,857.60
Assets: (Increase)/Decrease								
Loans Receivable					\$0.00		(\$3,592,818.53)	(\$3,592,818.53)
Accrued Interest Receivable on Loans					\$0.00		(\$74,888.67)	(\$74,888.67)
Federal LOC Commitment less Cash Draws	(\$61,307.00)	(\$56,750.00)	\$15,700.00	\$1,256,880.00	\$1,154,523.00		(\$10,642,984.00)	(\$9,488,461.00)
Deferred Bond Issuance Costs								
Due from Other Governments					\$0.00	(\$20,882.55)		(\$20,882.55)
Liabilities: Increase/(Decrease)								
Accounts Payable	\$9,987.00	\$23,187.50			\$33,174.50			\$33,174.50
Bond Issuance								
Accrued Interest payable					\$0.00		\$618.31	\$618.31
Cost of Issuance Payable								\$0.00
Accrued Employee Benefits	\$215.65				\$215.65			\$215.65
Wages Payable	\$337.77				\$337.77			\$337.77
Net cash provided by operations	(\$293,733.59)	(\$162,876.62)	\$15,700.00	\$1,255,880.00	\$814,969.79	\$188,565.04	(\$13,574,109.48)	(\$12,570,574.65)
<b>Cash flows from noncapital financing activities:</b>								
Operating Transfers Out	(\$29,146.08)				(\$29,146.08)			(\$29,146.08)
Unamortized Bond Issuance Costs							(\$138,177.65)	(\$138,177.65)
Unamortized Bond Discount Costs							(\$35,541.10)	(\$35,541.10)
Bonds Payable					\$0.00		(\$225,000.00)	(\$225,000.00)
Bond Issue							\$5,270,000.00	\$5,270,000.00
Interest Payment on Bonds and Notes							(\$493,970.42)	(\$493,970.42)
Contributions from EPA	\$322,100.00	\$161,050.00	(\$15,700.00)	(\$1,255,880.00)	(\$788,430.00)		\$15,351,730.00	\$14,563,300.00
Net cash provided by noncapital financing activities	\$292,953.92	\$161,050.00	(\$15,700.00)	(\$1,255,880.00)	(\$817,576.08)	\$0.00	\$19,729,040.83	\$18,911,464.75
<b>Cash Flows from Investing Activities:</b>								
Interest on Investments	\$0.51				\$0.51	\$10,078.50	\$496,020.62	\$506,099.63
Purchase of Investment Securities							(\$2,481,741.84)	(\$2,481,741.84)
Proceeds from Sale of Investment Securities					\$0.00		\$1,006,947.00	\$1,006,947.00
Increase in Investments	\$0.51	\$0.00	\$0.00	\$0.00	\$0.51	\$10,078.50	(\$978,774.22)	(\$968,695.21)
Net Decrease in cash and cash equivalents	(\$779.16)	(\$1,826.62)	\$0.00	\$0.00	(\$2,605.78)	\$198,643.54	\$5,176,157.13	\$5,372,194.89
Cash and cash equivalents at beginning of year	(\$15,783.25)	(\$8,098.43)	\$0.00	\$0.00	(\$23,881.68)	\$436,211.16	\$30,531.48	\$442,860.96
<b>Cash and cash equivalents at year end</b>	<b>(\$16,562.41)</b>	<b>(\$9,925.05)</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$26,487.46)</b>	<b>\$634,854.70</b>	<b>\$5,206,688.61</b>	<b>\$5,815,055.85</b>

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

**DRINKING WATER STATE REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2002**

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 Biennial 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. 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 in 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. This program 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 EPA. The federal capitalization grants are matched by state funds at a ratio of 5:1.
3. The Drinking Water State Revolving Fund is accounted for as an enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises.
4. The Drinking Water State Revolving Fund follows the accrual basis of accounting. Revenue is recognized in the accounting period in which it is earned, and expenses are recognized when they are incurred. The DWSRF follows all Governmental Accounting Standards Board (GASB) pronouncements and interpretations.
5. Cash and Cash Equivalents consists of a Goldman Sachs Financial Square Treasury Obligation Fund rated "AAAm" by Standard and Poor, which paid on average approximately 1.83 percent for the year ending September 30, 2002.
6. Investments consist of an Investment Agreement at 5.56 percent with CDC Funding Corporation due August 1, 2008 totaling \$7,069,136.
7. Reserve Accounts consist primarily of an Investment Agreement at 5.56 percent with CDC Funding Corporation due August 1, 2008 totaling \$514,500.

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

	<u>Bonds Outstanding</u>	<u>February 1, 2002</u>	<u>August 1, 2002</u>
Series 1998 Bonds			
Principal	5,805,000		230,000
Interest		139,080	139,080
Series 2001 Bonds			
Principal	5,270,000		170,000
Interest		123,816	123,816
<b>TOTAL</b>	<b><u>11,075,000</u></b>	<b><u>262,896</u></b>	<b><u>662,896</u></b>

9. The contribution from EPA is the full amount authorized for the periods ending as follows:

<u>September 30</u>	
1997	12,558,800
1998	7,121,300
1999	7,463,800
2000	7,757,000
2001	7,789,100
2002	14,563,300
<b>TOTAL</b>	<b><u>57,253,300</u></b>

On the federal fiscal year end statements, contributions from EPA are recognized as assets once the grants are awarded. On the June 30th state year end statements EPA funds are not recognized as assets until the funds are drawn.

10. The annual administrative expenses of the Drinking Water SRF program are as follows:

	<u>Year Ending</u> <u>09/30/2002</u>	<u>Cumulative</u> <u>Total</u>
State of South Dakota	335,001	1,216,466
First National Bank	12,062	39,750
Alzheimer & Gray	26,000	90,000
Other	218	5,868
<b>TOTAL</b>	<b><u>373,281</u></b>	<b><u>1,352,084</u></b>

11. A bond issue of \$5,270,000 was completed on 10/1/2001. After the Cost of Issuance of \$138,177.65 and the Discount of \$35,541.10 were subtracted and \$1,375.74 of interest was added back in, the cash received on the bonds equaled \$5,097,656.99.

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**ADDENDUM I**  
**FEDERAL FISCAL YEAR 2003**  
**INTENDED USE PLAN**

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**SOUTH DAKOTA  
DRINKING WATER STATE REVOLVING FUND  
FISCAL YEAR 2003 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 2003 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 14, 2002, to review the 2003 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;
- Amount of 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.

## **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.

## **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 and to keep pace with inflation. In September 2002 the BWNR set the interest rates for fiscal year 2003 at 3.50 percent for a term of up to 20 years. The term of each loan is at the discretion of the project sponsor, provided that the proposed repayment source produces sufficient coverage. The board also established a rate of 2.5 percent for loans intended for interim financing with a maximum term of three years. Loan rates for disadvantaged communities are set at 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.

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 and for loans made for interim financing.

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, systems meeting this population threshold have been obligated \$24.7 million (38.7 percent) of the \$63.9 million of loans. With \$10.2 million identified for systems serving fewer than 10,000 persons on Attachment II – List of Projects to be Funded in Fiscal Year 2003, the state expects to meet the 15% 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. This transfer authority was extended for one federal fiscal year with language in the VA, HUD, and Independent Agencies Appropriation Bill for fiscal year 2002. It is anticipated that this transfer authority will be extended again for one federal fiscal year with similar language in the VA, HUD, and Independent Agencies Bill for fiscal year 2003. 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 \$7,812,960 from the Clean Water SRF program in fiscal year 2002 which equaled the entire fiscal year 2002 Clean Water SRF capitalization grant and state match.

If the transfer authority is extended, the entire 2003 Clean Water SRF capitalization grant and state match will be transferred to the Drinking Water SRF program. Based on current estimates this will amount to \$7,812,960. This transfer will utilize the capacity of \$1.3 million from the FY99 grant, all of the FY00 and FY01 grants, and \$1.2 million of the FY02 grant. With these transfers, \$15,625,920 of the \$19,402,350 available to transfer will have been reassigned to the Drinking Water SRF program. Table 1 (page 7) itemizes the amount of funds available to transfer.

These transfers will not impact any set-aside activities. The long-term impact to the Drinking Water SRF program will be to create additional principal and interest payments into the fund.

## **FINANCIAL STATUS**

Based on the most current information, the Drinking Water SRF loan program will receive a capitalization grant of approximately \$8,052,500 for federal fiscal year 2003. The required state match of \$1,610,500 will be secured through bonds. The bonding authority for this program is established in SDCL 46A-1-60.1.

As of November 30, 2002, fifty loans totaling \$63,912,192 have been made.

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	\$322,100
Small System Technical Assistance	\$100,000
Total for Set-Asides	\$422,100

The program has received six previous capitalization grants totaling \$50,742,500 and has provided the required state match of \$10,148,500. Of this amount, \$2,545,050 was allocated to set-aside activities as follows: \$2,029,700 for administration, \$456,050 for small system technical assistance, \$4,300 for state program management – operator certification, and \$50,000 for capacity development.

In fiscal year 2002, demand on the program was substantially higher than was anticipated. Similar demand on the program is expected in fiscal year 2003. To meet the high demand, all sources of funds - the capitalization grant, state match, repayments, excess interest, and transfers from the Clean Water SRF - will be made available for loans.

To accommodate the increased loan demand, the entire fiscal year 2002 Clean Water SRF capitalization grant and state match of \$7,812,960 was transferred to the Drinking Water SRF program. The entire fiscal year 2003 Clean Water SRF capitalization grant and state match will be transferred provided the transfer authority is extended.

With the 2003 capitalization grant, excess interest earnings, and repayments, the South Dakota Drinking Water SRF program will have dedicated \$87.3 million for loans to qualifying public

water systems. Of this amount, \$6.3 million is available for loan at the beginning of fiscal year 2003. Upon receipt of the fiscal year 2003 capitalization grant and transfer of funds from the Clean Water SRF program, approximately \$17.0 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 \$41.4 million in potential loans.

Additional state match, i.e. more than that required to match capitalization grants, has not been provided to leverage additional funds. This option may be explored in fiscal year 2003 should the program continue to experience demand at the current pace.

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 has met 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 capitalization grant or an estimated \$322,100 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 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. In fiscal year 2003, \$100,000 will be allocated to provide technical assistance to public water systems serving 10,000 or fewer.**

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

To promote proactive planning within small communities, the Small Community Planning Grant program was initiated in fiscal year 2001. Grants are available for community water systems serving a population of 1,000 or fewer. The systems are reimbursed 80 percent of the cost of an engineering study, with the maximum grant amount for any project being \$4,000. To date, \$125,000 has been allocated to this program.

In fiscal year 1997, the board contracted with the South Dakota Rural Water Association and the Planning Districts to help communities evaluate the technical, managerial, and financial capability of its water utilities. These contracts have been renewed annually. Since then, \$386,050 in set-aside funds has been allocated to this activity, and \$23,550 remains unobligated. This will provide continuation of the activities initiated by the previous contract awards through fiscal year 2003.

To assure available funds to support the existing small system technical assistance endeavors, \$100,000 will be allocated to this set-aside.

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.

In fiscal year 1997, \$20,000 was set aside for supplemental operator training. Proposals were requested from interested organizations. The South Dakota Rural Water Association entered into a contract to assist operators that were having difficulty becoming certified. Of that amount, \$4,300 was spent on this activity. The remaining \$15,700 was returned to the loan fund in fiscal year 2002.

No funds will be set-aside for these activities in federal fiscal year 2003.

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.

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 were set aside for this activity. The funds were to be obligated within four fiscal years. No funds were expended, and the entire amount was returned to the loan fund in fiscal year 2002. The activities proceeded using other funding sources.

In fiscal year 2001, \$50,000 was allocated to develop a Capacity Development Program.

The program is intended to assist water systems that lack technical, managerial and/or financial capacity. 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. To date, \$1,000 has been expended for this activity. The remaining funds will be banked for use in fiscal year 2003. The department will evaluate the demand for assistance from this program to determine future allocations to the program.

No funds will be set-aside in fiscal year 2003 for local assistance and states programs.

## **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. 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 1 - 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	Banked Transfer Utilized
1997	\$12,558,800	\$4,144,404	\$4,144,404	-0-	\$4,144,404
1998	\$7,121,300	\$2,350,029	\$6,494,433	-0-	\$2,350,029
1999	\$7,463,800	\$2,463,054	\$8,957,487	-0-	\$1,318,527 <b>1,144,527</b>
2000	\$7,757,000	\$2,559,810	\$11,517,297	-0-	<b>\$2,559,810</b>
2001	\$7,789,100	\$2,570,403	\$14,087,700	-0-	<b>\$2,570,403</b>
2002	\$8,052,500	\$2,657,325	\$16,745,025	\$7,812,960	<b>\$1,538,220</b>
2003 (est.)	\$8,052,500	\$2,657,325	\$19,402,350	<b>\$7,812,960</b>	-0-



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 2003.**

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
132	Tripp County WUD (Extension to Town of Wood)	C462434-02	<i>Problem:</i> the distribution system in the town of Wood is aging and in need of replacement. <i>Project:</i> the Tripp County Water user district, which supplies bulk water service to Wood, is proposing to replace the town's distribution system and assume the system.	\$148,000	0%, 30 yrs.	73	Yes
131	Hermosa Water Users Association	C462449-01	<i>Problem:</i> radionuclides above the allowable maximum contaminant level have been detected within the system. <i>Project:</i> develop a Madison Aquifer well and construct a well house, disinfection system, controls, and transmission line.	\$250,000	3.5%, 20 yrs	150	
120	BDM Rural Water System	C462444-02	<i>Problem:</i> lack of reliable water sources for rural users in Roberts County. <i>Project:</i> expand the treatment and service capabilities of the BDM Rural Water System to provide service.	\$1,400,000	2.5%, 30 yrs.	1,328	Yes
120	Tripp County WUD (Gregory County Expansion)	C462434-01	<i>Problem:</i> the communities of Gregory, Burke, Herrick, and St. Charles and nearby rural residences have water quality or quantity problems. <i>Project:</i> the installation of 88 miles of pipeline to provide Gregory, Burke, Herrick, St. Charles, and 65 rural residences with water from the Tripp County Water Users District.	\$3,500,000	2.5%, 30 yrs.	2,442	Yes

<b>Priority Points</b>	<b>Community/ Public Water System</b>	<b>Project Number</b>	<b>Project Description</b>	<b>Est. Loan Amount</b>	<b>Expected Loan Rate &amp; Term</b>	<b>Pop. Served</b>	<b>Dis-advan-taged</b>
93	Fall River WUD	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 and Custer Counties.	\$650,000	2.5%, 30 yrs.	275	Yes
84	Hill City	C46231-01	<i>Problem:</i> the existing water mains are old, undersized, and are in need of replacement. <i>Project:</i> replace approximately 2,750 feet of water main and install approximately 2,175 of lines to provide looping and to serve new users.	\$300,000	2.5%, 30 yrs.	780	Yes
64	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.	\$10,800,000	3.5%, 20 yrs.	24,658	
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.	\$2,000,000	3.5%, 20 yrs.	8,500	

<b>Priority Points</b>	<b>Community/ Public Water System</b>	<b>Project Number</b>	<b>Project Description</b>	<b>Est. Loan Amount</b>	<b>Expected Loan Rate &amp; Term</b>	<b>Pop. Served</b>	<b>Dis-advan-taged</b>
45	Martin	C462203-01	<i>Problem:</i> areas within the city are experiencing low pressure problems due to undersized lines, dead-end lines, and inadequately sized and located storage facilities, and the system lacks adequate well capacity should one fail. <i>Project:</i> drill and develop a new well and appurtenances, erect a new elevated storage reservoir, and construct approximately 3,600 of lines to replace undersized lines and provide looping.	\$980,000	3.5%, 20 yrs.	1,106	Would qualify with a rate increase
44	Clay RWS (South Union County Expansion)	C462437-01	<i>Problem:</i> rural residents in South Union County lack a reliable source of water. <i>Project:</i> install approximately 95 miles of line to serve the area.	\$1,400,000	3.5%, 20 yrs	670	
33	Green Valley Sanitary District	C462251-01	<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	3.5%, 20 yrs	800	
31	South Lincoln RWS	C462441-01	<i>Problem:</i> growth in demand has resulted in a need for added capacity on the system. <i>Project:</i> modifications of piping near Canton, construct a new feeder main to the Chancellor tower, enclose a standby generator, add a new well near Worthing, and loop small diameter lines in the system. The projects will improve efficiency and flow to growth areas.	\$2,000,000	3.5%, 20 yrs.	4,428	
29	Valley Springs	C462239-01	<i>Problem:</i> the system is experiencing significant water loss and the deteriorating cement asbestos water main is the suspected cause. <i>Project:</i> replace approximately 19,000 feet of existing water lines with PVC.	\$1,300,000	3.5%, 20 yrs.	800	

<b>Priority Points</b>	<b>Community/ Public Water System</b>	<b>Project Number</b>	<b>Project Description</b>	<b>Est. Loan Amount</b>	<b>Expected Loan Rate &amp; Term</b>	<b>Pop. Served</b>	<b>Dis-advan-taged</b>
29	Worthing	C462047-01	<i>Problem:</i> the city's water supply system is deficient in firm water capacity (capacity available if the largest supply facility is not operational). <i>Project:</i> development of an alternative source of water, installation of approximately 15,500 feet of new water lines, and construction of a 250,000-gallon elevated storage tank.	\$1,000,000	3.5%, 20 yrs.	585	
22	Sioux Falls	C462232-04	<i>Problem:</i> growth within the city necessitates improvements to the system to meet water demand. <i>Project:</i> pumping station improvements and additional storage to improve water pressures in areas where pressure is low and upgrades to the water treatment plant.	\$5,279,000	3.5%, 10 yrs.	127,900	
21	Canton	C462039-01	<i>Problem:</i> the distribution system within the city is over 50 years old, has dead-end water mains, and has areas of reduced pressure. <i>Project:</i> replace portions of the distribution system in conjunction with a DOT highway project, and loop lines to improve service.	\$420,000	3.5%, 20 yrs.	3,110	
21	Clay RWS (Distribution Improvements)	C462437-02	<i>Problem:</i> growth of the system has resulted in pressure problems. <i>Project:</i> construction of an interconnection to the city of Vermillion, a lime softening facility, and 15 miles of line..	\$600,000	3.5%, 20 yrs	4,597	
20	Hartford	C462104-02	<i>Problem:</i> water lines in areas are undersized and in poor condition. <i>Project:</i> replace 11 blocks of lines.	\$800,957	3.5%, 20 yrs.	1,844	
20	Rapid City	C462014-01	<i>Problem:</i> service areas on the outskirts of Rapid City experience low pressure problems and loss of water service due to an unreliable booster station and inadequate storage facilities. <i>Project:</i> construct a 2.5 million-gallon water storage reservoir to serve the affected areas.	\$2,400,000	3.5%, 20 yrs.	2,244	

<b>Priority Points</b>	<b>Community/ Public Water System</b>	<b>Project Number</b>	<b>Project Description</b>	<b>Est. Loan Amount</b>	<b>Expected Loan Rate &amp; Term</b>	<b>Pop. Served</b>	<b>Dis-advan-taged</b>
19	Centerville	C462215-01	<i>Problem:</i> the existing water mains were constructed in the early 1900's and are in need of replacement. <i>Project:</i> replace most of the 4-inch cast iron mains with 6-inch PVC mains.	\$1,070,000	3.5%, 30 yrs.	910	Yes
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.	\$800,000	3.5%, 30 yrs.	1,741	Yes
10	Groton	C462051-01	<i>Problem:</i> water lines within the city are 50-years old or older and are in need of frequent repair. <i>Project:</i> replace approximately 4,200 feet of water line.	\$440,000	3.5%, 30 yrs.	1,356	Yes
9	Arlington	C462213-01	<i>Problem:</i> the city's aging water lines are experiencing unacceptable levels of water loss. <i>Project:</i> replace approximately 1,270 feet of water line and install 1,800 feet of new lines.	\$1,475,000	3.5%, 30 yrs.	992	Yes
9	Big Stone City	C462224-02	<i>Problem:</i> a portion of the distribution system consists of 50-year old cast iron water lines and breaks are common. <i>Project:</i> replace approximately 5,000 feet of various sized waterlines.	\$240,000	3.5%, 20 yrs.	605	
9	Lake Preston	C462011-01	<i>Problem:</i> the water main under Park Avenue is old and in need of replacement. <i>Project:</i> Replace approximately 2,200 feet of water main.	\$170,000	3.5%, 20 yrs.	737	
9	Scotland	C462069-01	<i>Problem:</i> cast iron water mains beneath Main Street are old and deteriorating. <i>Project:</i> replace approximately 1,830 feet of water main as part of a Main Street reconstruction project.	\$500,000	2.5%, 30 yrs.	891	Yes

<b>Priority Points</b>	<b>Community/ Public Water System</b>	<b>Project Number</b>	<b>Project Description</b>	<b>Est. Loan Amount</b>	<b>Expected Loan Rate &amp; Term</b>	<b>Pop. Served</b>	<b>Dis-advan- tagged</b>
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	3.5%, 20 yrs.	4,324	
6	Lead	C62007-02	<i>Problem:</i> the city intends to provide water service to areas considered for annexation. <i>Project</i> construct approximately 4,700 feet of water main.	\$525,000	3.5%, 20 yrs.	3,632	
5	Salem	C462057-01	<i>Problem:</i> the city wishes to replace utilities in conjunction with a highway reconstruction project. <i>Project:</i> replace approximately 3,000 feet of water lines	\$130,000	3.5%, 30 yrs.	1,289	Yes

**ATTACHMENT II - LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2003**

<b>Priority Points</b>	<b>Community/ Public Water System</b>	<b>Project Number</b>	<b>Loan Amount</b>	<b>Funding Date</b>	<b>Expected Funding Source</b>	<b>Dis-advantaged?</b>
LOANS EXPECTED						
121	Tripp County WUD	C462434-01	\$3,500,000	November 2002	2002	Yes
132	Tripp County WUD	C462434-02	\$148,000	November 2002	2002	Yes
31	South Lincoln RWS	C462441-01	\$2,000,000	January 2003	2002	
22	Sioux Falls	C462232-04	\$5,279,000	January 2003	2002/2003	
21	<b>Canton</b>	C462039-01	\$420,000	January 2003	2003	
20	Hartford	C462104-02	\$800,957	January 2003	2003	
10	Custer	C462021-01	\$800,000	January 2003	2003	Yes
20	Rapid City	C462014-01	\$2,400,000	April 2003	2003	
8	Irene	C462255-02	\$280,000	April 2003	2003/Transfers	
5	Salem	C462057-01	\$130,000	April 2003	Transfers	Yes
64	Aberdeen	C462072-01	\$10,800,000	June 2003	Repayments/ Transfers/2004	
9	Lake Preston	C462011-01	\$170,000	June 2003	Repayments	Yes
7	Rapid Valley Sanitary District	C462013-01	\$2,000,000	September 2003	Repayments	

**ATTACHMENT III  
PROGRAM FUNDING STATUS**

**Fiscal Years 1997 - 2002**

Capitalization Grants	\$50,742,500	
State Match	\$10,148,500	
Set-Asides	(\$2,545,050)	
Transfer of Fiscal Year 2002 Clean Water Capitalization Grant and State Match	\$7,812,960	
Available to Loan		\$66,158,910

**Fiscal Year 2003**

Capitalization Grants	\$8,052,500	
State Match	\$1,610,500	
Set-Asides	(\$422,100)	
Transfer of Fiscal Year 2003 Clean Water Capitalization Grant and State Match	\$7,812,960	
Available to Loan		\$17,053,860
Excess Interest as of September 30, 2002		\$1,071,048
Principal Repayments as of September 30, 2002		<u>\$3,020,775</u>
Total Funds Dedicated to Loan		\$87,304,593
Loans made through September 30, 2002		<u>(\$63,912,192)</u>
Funds Available for Loans		<u><u>\$23,392,401</u></u>
Amount of Estimated Loans Identified on Attachment I of Fiscal Year 2003 Intended Use Plan		<u><u>\$37,469,000</u></u>