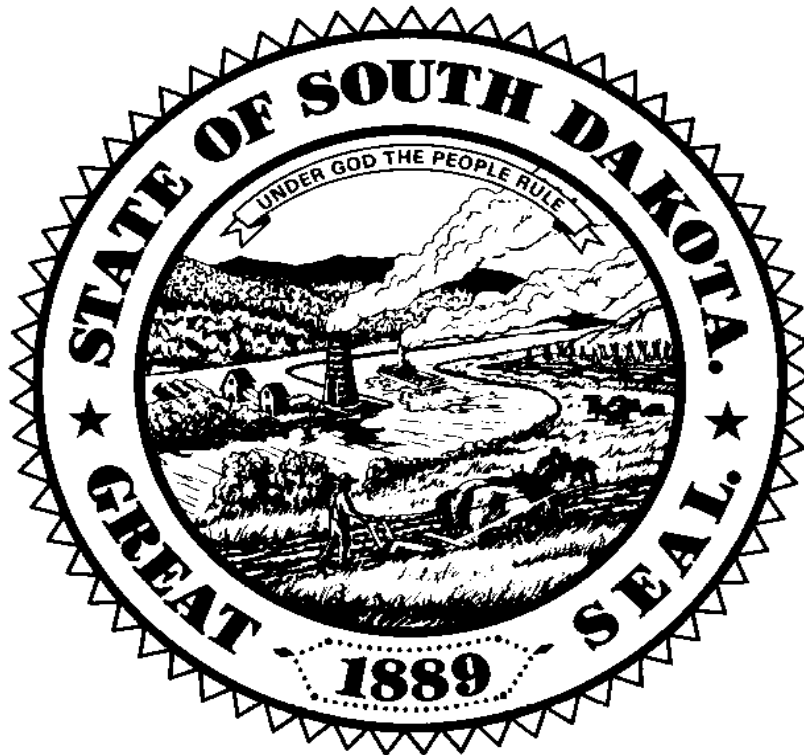


**THE SOUTH DAKOTA CONSERVANCY DISTRICT  
DRINKING WATER STATE REVOLVING FUND  
ANNUAL REPORT**

**FEDERAL FISCAL YEAR 2003  
October 1, 2002 - September 30, 2003**



**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

DON BOLLWEG, VICE-CHAIRMAN  
Harrold  
Member since 1994

DALE KENNEDY, SECRETARY  
Beresford  
Member since 1985

BRADLEY JOHNSON  
Watertown  
Member since 2003

GENE JONES, JR  
Sioux Falls  
Member since 2002

JOHN LOUCKS  
Rapid City  
Member since 1989

DON ROUNDS  
Pierre  
Member since 2003

STEVE LOWRIE  
Watertown  
Member 1985-2003

JERRY KLEINSASSER  
Frankfort  
Member 1996-2003

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## **MISSION**

**The mission of the South Dakota Clean Water State Revolving Fund loan program is to capitalize the fund to the fullest; maintain, restore and enhance the chemical, physical and biological integrity of the state's waters for the benefit of the overall environment; 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**

**2003**

**ANNUAL REPORT**

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## INTRODUCTION

The State of South Dakota herewith submits its Annual Report for Federal Fiscal Year (FFY) 2003 (October 1, 2002 through September 30, 2003). 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 2003 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 2003 activities. The next section addresses the *Goals and Objectives* the State of South Dakota identified in its 2003 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 2003, 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 2004. 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 \$8,004,100 for FFY 2003. These funds were matched by \$1,600,820 in state issued revenue bonds. In addition, the FFY 2003 Clean Water SRF Capitalization Grant, consisting of \$6,467,800 federal funds and \$1,293,560 administrative surcharge (match) funds, was transferred to the drinking water program. This brought the total FFY 2003 grant funds and state match available to the Drinking Water SRF program to \$17,366,280.

### Drinking Water SRF Loans

The Conservancy District approved 16 loans with 15 communities totaling \$26,296,778. A breakdown of the loans made during FFY 2003 is detailed in Table 1 and Exhibit I. On a cumulative basis, the Board of Water and Natural Resources has obligated a total of 66 loans, one of which was rescinded in FFY 1999 and one in FFY 2003. 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 2003**

Recipient	Project Description	Assistance Amount	Rate/Term
Aberdeen (DW-01)	Water Treatment Plant Improvements	\$8,460,000	3.5%/20
Big Stone City (DW-02)	Water Improvements	240,000	3.5%/20
Canton (DW-01)	Water System Improvements	500,000	3.5%/20
Custer (DW-01)	Mt. Rushmore Road Water Improvements	800,000	3.5%/20
Dell Rapids (DW-01)	Water System Improvements	621,000	3.5%/20
Groton (DW-01)	Main Street Utility Replacement	440,000	3.5%/20
Hartford (DW-02)	Drinking Water Distribution Improvements	800,957	3.5%/20
Martin (DW-01)	Water Improvements	920,000	2.5%/30
Pierre (DW-02)	Water Distribution System Improvements	1,832,900	3.5%/15
Salem (DW-01)	Water Distribution Improvements	126,921	3.5%/10
Scotland (DW-01)	Main Street Reconstruction Project	340,000	2.5%/30
Sioux Falls (DW-04)	Drinking Water Facilities Improvements	5,279,000	3.5%/10
South Lincoln RWS (DW-01)	Water System Improvements	2,000,000	3.5%/20
Tripp County WUD (DW-01)	Gregory County System Expansion	3,500,000	2.5%/30
Tripp County WUD (DW-02)	Assume System of the Town of Wood	148,000	0.0%/30
Worthing (DW-01)	Water System Improvements	288,000	3.5%/20
<b>TOTAL</b>		<b>\$26,296,778</b>	

Disbursements from the program during FFY 2003 totaled \$17,945,927. This total includes loan disbursements of \$17,545,905 to the various recipients with the balance going to set-asides. See Exhibit V for a breakdown of all disbursements during FFY 2003.

Since the program was initiated in 1998, 66 loans have been awarded. The projects associated with 34 loans are fully constructed or essentially complete and in operation. The following four projects initiated operations this past year:

BDM RWS (DW-01)  
Colonial Pine Hills  
San Dist (DW-01)

Nisland (DW-01)  
Pierre (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 2003, \$10,724,878 (40.8 percent) of the binding commitments were made to systems serving less than 10,000. Since the Drinking Water SRF program was initiated, \$35,351,885 (40.8 percent) has been awarded to systems serving a population of 10,000 people or less. See Figure 1. Figure 2 shows the binding commitments awarded to small systems in FFY 1997 through 2003. This reflects the planning aspect of the binding commitments only and is not indicative of the capitalization grant from 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 September 2002 and determined that the current average rate on the Bond Buyers Index was 5.16 percent, which was a decrease of 0.9 percent from the previous year. A review of Rural Development rates showed that its current rates were 4.500 percent poverty rate, 4.750 percent intermediate rate, and 5.125 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 2003 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 2.5 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.

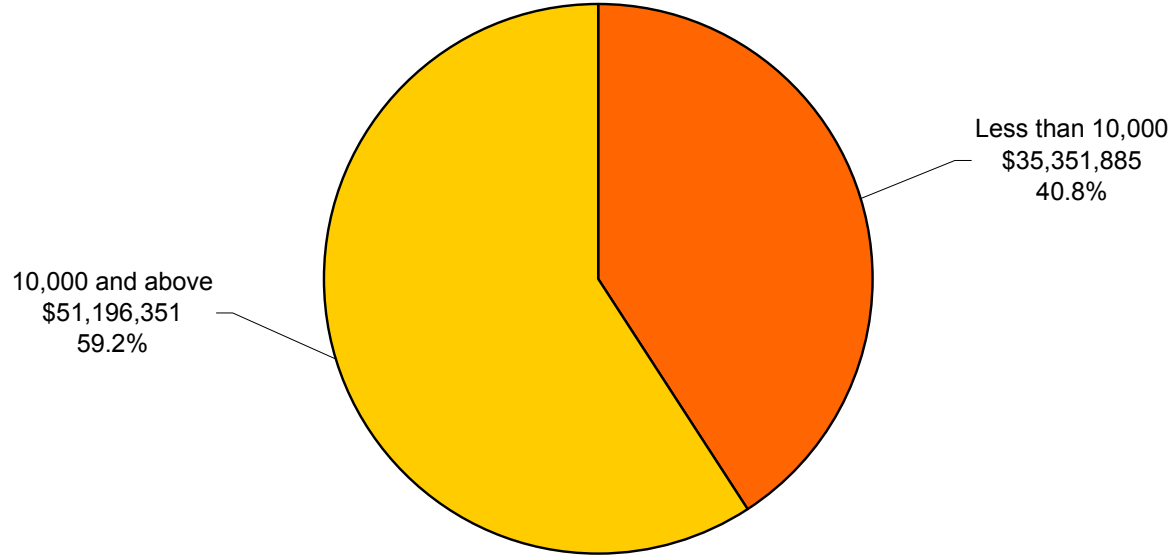
### Repayments

Thirty loans are currently in repayment, and two loans have been repaid in full. Repayments equaled \$4,603,258 in FFY 2003 and consisted of \$3,586,552 in principal, \$803,550 in interest, and \$213,156 in administrative surcharge fees.

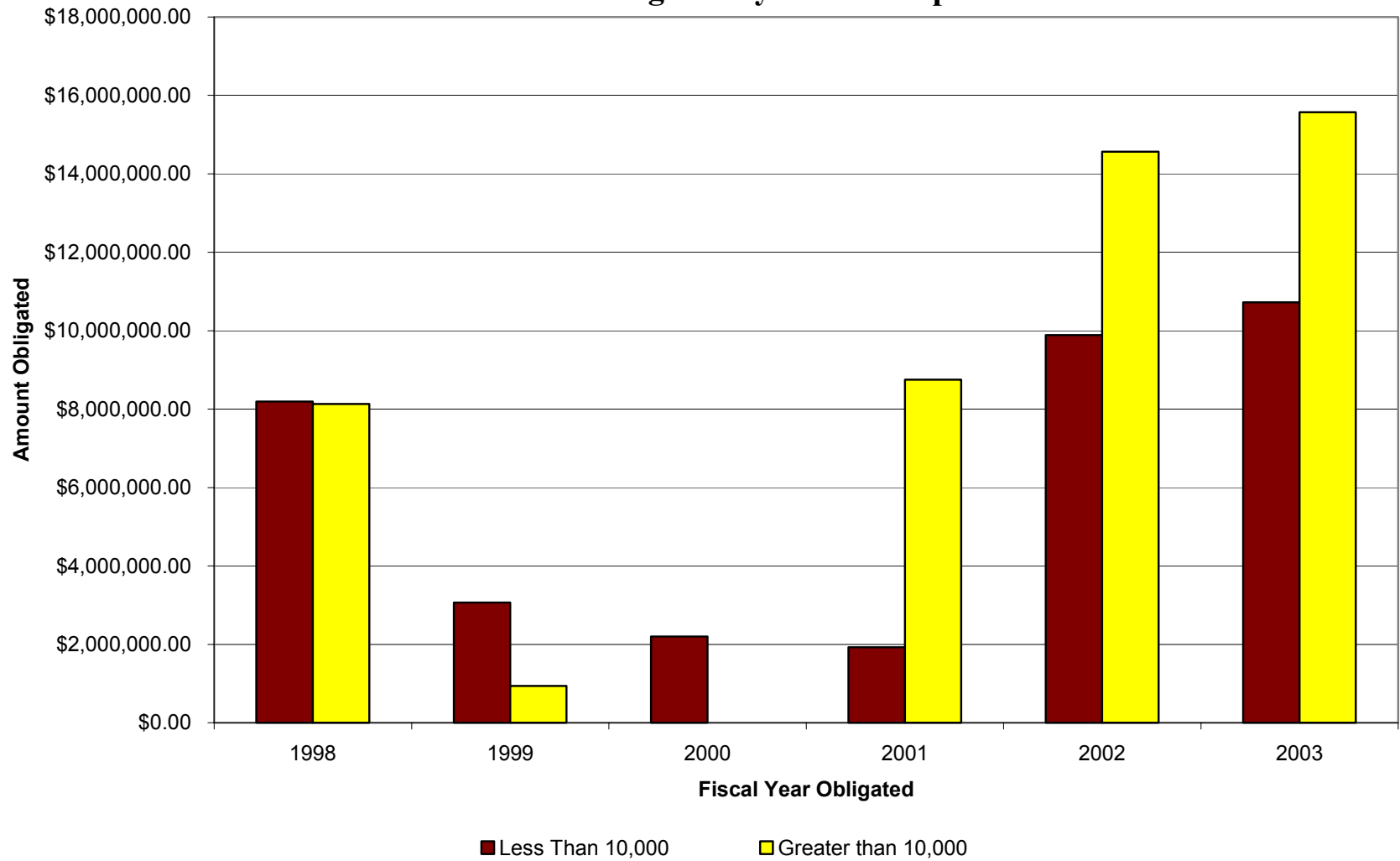
### Financial Advisor

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

**FIGURE 1**  
**DW SRF Loans by Service Population**  
**For Grant Years 1997-2003**  
**(\$86.5 Million)**



**FIGURE 2**  
**DW SRF Loans Obligated by Service Population**



**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 2003 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 1997-2002</b>	<b>Allotment 2003</b>	<b>Transfer Out</b>	<b>Obligated 9/30/03</b>	<b>Balance</b>
Administration	\$2,029,700	\$320,164		\$1,542,248	\$807,616
Small System Tech Assistance	461,050	100,000		437,286	123,764
State Program Mgmt	20,000	0	15,700	4,300	0
Local Assistance/ Other	1,305,880	0	1,255,880	27,000	23,000
<b>TOTAL</b>	<b>\$3,816,630</b>	<b>\$420,164</b>	<b>\$1,271,580</b>	<b>\$2,010,834</b>	<b>\$954,380</b>

▪ **Administration**

Four percent of the 2003 capitalization grant (\$320,164) 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 2003, \$282,922 was disbursed for administrative expenses.

▪ **Small System Technical Assistance**

In 1997, the Drinking Water SRF Program began obligating funds under the Small System Technical Assistance Set-Aside to provide technical assistance to public water systems serving 10,000 people or less. The objectives of this funding were to bring non-complying systems into compliance, to improve operations of water systems, and to facilitate completion of small systems' capacity assessments and ultimate access to the Drinking Water SRF Program. This initial funding was combined with subsequent set asides in 1998, 1999, and 2002 to provide a total of \$336,050 for these activities. These funds have been used to establish contracts with each of the regional planning districts within South Dakota and the South Dakota Association of Rural Water Systems.

In FFY 2001, the Small Community Planning Grant Program was initiated 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. An additional \$75,000 was allocated to this effort in 2002. Table 3 provides a list of the 39 small community public water systems that have received awards through the Small Community Planning Grant Program.

The FFY 2003 Drinking Water SRF Intended Use Plan set aside an additional \$100,000 for the Small Community Planning Grant Program and technical assistance services activities. At the close of the program year none of the FFY 2003 funds had been placed under agreement, and the funds will be banked for use in future years. The contracts with the regional planning districts for the preparation of capacity assessments expired at the end of FFY 2003. The six regional planning district contracts were responsible for the completion of 68 capacity assessments since 1998. The funds remaining in these contracts will be retained under the small system technical assistance set-aside.

The South Dakota Association of Rural Water Systems continues to provide on-site assistance such as leak detection, consumer confidence reports, water audits, board training, treatment plant operations, operator certification, and rate analysis. Through FFY 2003, the Association has provided more than 5,200 hours of on-site small system technical assistance.

**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
Belvidere	\$3,200	03/27/03	Water Distribution System Improvements
Bison	\$2,000	01/07/02	Rural Water Connection
Buffalo	\$3,600	10/21/02	Water System Improvements
Centerville	\$4,000	10/28/02	Water System Improvements
Chancellor	\$3,400	02/04/02	Treatment & Distribution Imprv.
Claire City	\$2,880	12/10/01	Distribution System
Crooks	\$4,000	04/23/03	Water System Improvements
Davis	\$4,000	07/09/01	Line Rehab/Rural Water Service
Edelweiss Mt Improvement Assn	\$4,000	10/10/02	Water Distribution System Improvements
Hecla	\$4,000	07/07/03	Water System Improvements
Hermosa	\$4,000	06/03/02	Treatment Improvements
Hill City	\$2,226	10/17/02	Drinking Water Distribution System Improvements
Humboldt	\$4,000	08/17/01	Distribution System
Java	\$1,200	10/28/02	Water Main Improvement
Keystone	\$4,000	12/23/02	Water Distribution System Improvements
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
Mountain Plains 2 Homeowners Assn	\$4,000	11/25/02	Water System Improvements
Ponderosa Park Development Assn	\$2,560	10/02/02	Water Distribution System Improvements
Provo Township	\$3,320	11/21/02	Water Distribution and Storage Improvements
Quinn	\$3,200	11/19/01	System Evaluation
Stickney	\$1,840	02/17/03	Water Storage & Distribution Improvements
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
Waubay	\$4,000	05/22/03	Water Distribution System Improvements
Wessington	\$4,000	08/24/01	Distribution Replacement
Whitewold	\$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
Wolsey	\$4,000	03/24/03	Water System Improvements
Worthing	\$4,000	10/30/01	System Evaluation
<b>TOTAL</b>	<b>\$120,786</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**

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

In FFY 2001, \$50,000 was allocated to develop a Capacity Development Program Set-aside. Prior to FFY 2003, \$1,000 had been obligated and expended to complete a rate study for a small community. In FFY 2003, \$26,000 was allocated to the six South Dakota planning districts to be trained in RateMaker software and to then complete water rate analyses in twelve communities interested in using the software. Of the \$26,000 allocated, \$1,005.61 was

expended in FFY 2003. DENR staff continues to work with the regional planning districts and other interested parties to identify beneficial uses of Capacity Development Program Set-aside funds.

## GOALS AND OBJECTIVES

The following goals were developed for the FFY 2003 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, 2003, South Dakota has made binding commitments equal to \$86,548,236 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 2002 capitalization grants and the associated state matching funds. As of September 30, 2003, the status of the FFY 2003 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>
2003	\$16,946,116	\$14,856,866	\$2,089,250

**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 66 loans to 54 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 \$561,050 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 16 binding commitments totaling \$24,496,778. Exhibit I details the Drinking Water SRF binding commitments made during FFY 2003.

**Sources of Funds:** During FFY 2003, the state was awarded a federal capitalization grant totaling \$7,583,936. State match totaling \$1,600,820 was provided. In addition, the 2003 Clean Water Capitalization grant in the amount of \$6,647,800 was transferred to the Drinking Water Program, along with state match of \$1,293,560. 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 \$1,635,146.45. Fund expenses included administration expenditures, interest payable on bonds, and the amortization of each bond's issuance costs. These expenses totaled \$904,391.28. Additionally, \$27,461.49 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 2003.

**Findings of the Annual Audit and EPA Oversight Review:** The Drinking Water SRF program was audited by the South Dakota Department of Legislative Audit for state fiscal year 2002 (July 1, 2001, through June 30, 2002). The audit did not contain any written findings or recommendations.

Region VIII conducted its annual review of the South Dakota Clean Water SRF program. A draft report was received in August 2003, and the following observations were made:

**1. Timely Expenditure of Funds (40 CFR §§ 35.3135(d) and 35.3550(l))**

“The percentage of funds disbursed to DWSRF assistance was at 41% by the end of 2002. Considering the State funded \$38 million in DWSRF projects in FY02 alone..., this low construction spending percentage can be expected. ...[T]his percentage will probably remain below 50% until sometime in FY04. From previous visits to DENR's offices in Pierre, it is apparent that SRF staff manage projects well, and this low performance for this indicator is a result of high project demand rather than the capability of the state to manage drinking water projects.”

**2. Intended Use Plan (40 CFR §§ 35.3150 and 35.3555)**

“Due to significant amount of projects funded in FY02, it had to be expected that the priority rankings would be across the board. Nonetheless, the highest ranked

and second highest ranked projects were funded. One follow-up from our review last year was the inclusion of administrative surcharges into the Annual Report and Intended Use Plan. The FY03 Intended Use Plan prepared by the State identified the surcharge and the rate, and the amount of surcharges available for future use.”

**3. Small Systems (40 CFR § 35.3525(a)(5))**

“The State is easily making 15% of the loan fund available to small systems.”

**4. Set-Aside Management (40 CFR § 35.3535)**

“Through September 30, 2002, the State has expended 74% of administrative payments and 70% of small system payments. While EPA would prefer a higher percentage of payment expenditures, this is still a decent accomplishment of set-aside management.”

**5. MBE/WBE Commitment and Reporting (40 CFR §§ 35.3145(e) and 35.3575(d))**

“Actual MBE/WBE participation on DWSRF projects were below goals for FY97 [through] FY01 grants, with the FY02 WBE goal exceeded. Despite these results, documentation from previous reviews, including information in project files, specifications, and construction contract(s) show that this requirement is implemented correctly by DENR.”

**6. Perpetuity (40 CFR §§ 35.3100(a) and 35.3500(a))**

“Evidence of the State’s continuing efforts to assure the Revolving Fund’s longevity can be found in a review of its management and underwriting practices, analysis of its financial statements, and a review of evaluations provided by credit rating agencies.”

### 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 2003
- 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 2003. The estimated schedule was agreed upon by the state and EPA in the 2002 Capitalization Grant Agreement.
- Exhibit VII The environmental review and land purchase information for the loans made in FFY 2003.

### Provisions of the Operating Agreement/Conditions of the Grant

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

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

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

The following condition is described in detail below.

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

The state and EPA have agreed on "fair share" goals of 1 percent MBE and 3 percent WBE. The actual MBE/WBE participation achieved during FFY 2003 was 0.5 percent MBE and 1.8 percent WBE.

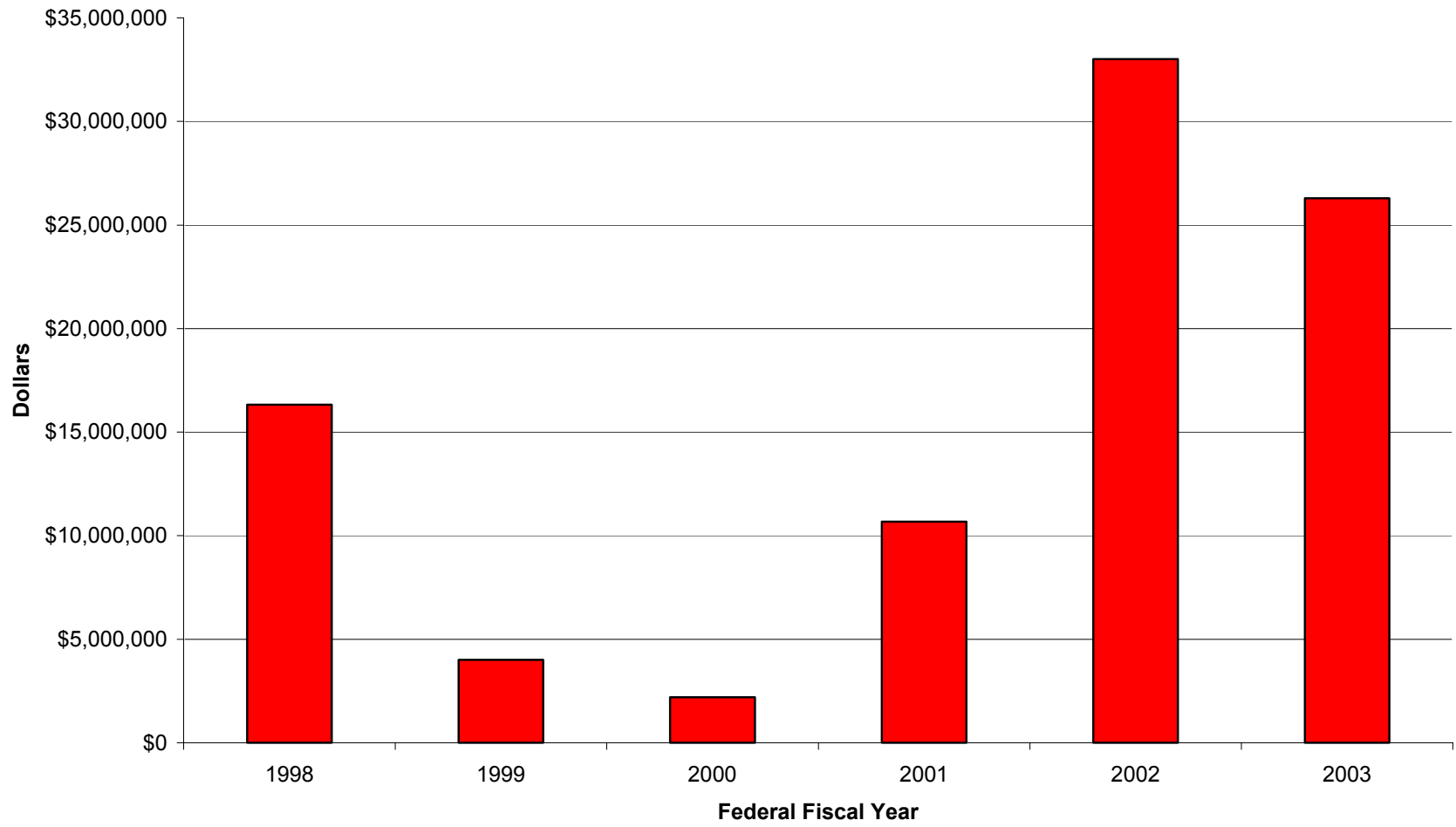
## **PROGRAM CHANGES**

### **2004 Intended Use Plan**

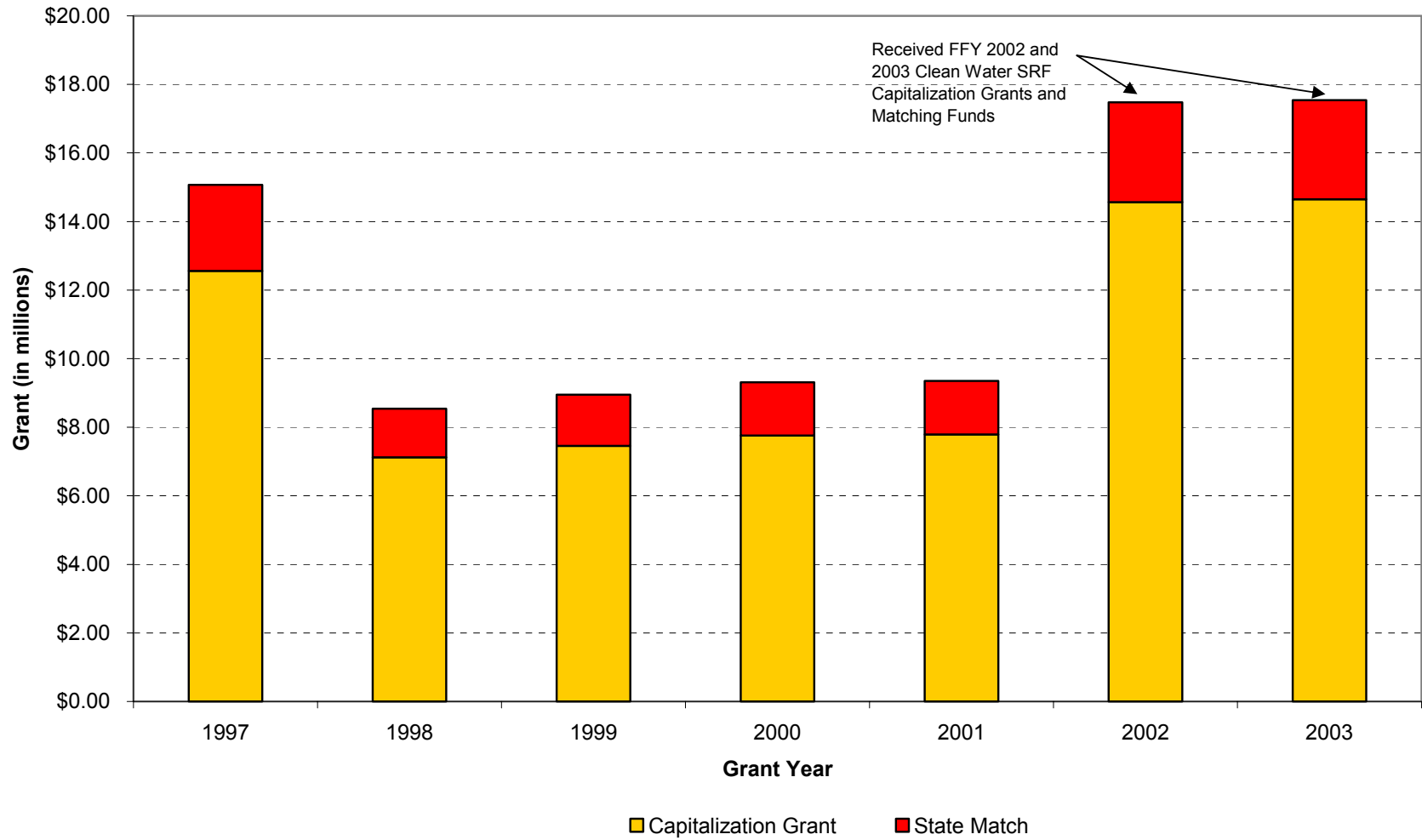
The Annual Report contains the 2004 Intended Use Plan as approved by the Board of Water and Natural Resources on November 14, 2003, and is shown on page 55.



**FIGURE 3**  
**Binding Commitments by Year**



**FIGURE 4**  
**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 \$71,905,200. 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 \$14,345,040 in state matching funds. In federal fiscal years 2002 and 2003, because of the demand on the drinking water program, the Clean Water SRF Capitalization Grants and state match were transferred to the Drinking Water SRF program. These grants amounted to \$13,158,600, with a corresponding state match of \$2,595,720. The table below shows the transfers by federal fiscal year. Exhibit III shows the amount of federal capitalization grants and state match by year.

**TABLE 5**  
**Transfers from Clean Water SRF to Drinking Water SRF Program**

Grant Year	Capitalization Grant	State Match	Total
2002	\$6,510,800	\$1,302,160	\$7,812,960
2003	\$6,467,800	\$1,293,560	\$7,761,360
<b>TOTAL</b>	<b>\$12,978,600</b>	<b>\$2,595,720</b>	<b>\$15,574,320</b>

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

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

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

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

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

### **UNDERWRITER**

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

### **FINANCIAL ADVISOR**

In September 2003, Public Financial Management (PFM) was retained to perform financial analyses of the SRF programs. PFM will design a comprehensive program cash flow model that will assess financial impacts of transfers between the Clean Water and Drinking Water programs, maintenance of SRF funds in perpetuity, short- and long-term effects of refunding some or all of the District's outstanding debt; financial impacts of leveraging the

Drinking Water SRF program, and financial impacts of various methods by which required state matching funds may be provided. Formal requests for proposals were used to select PFM as the District's financial advisor.

### **EPA REGION VIII**

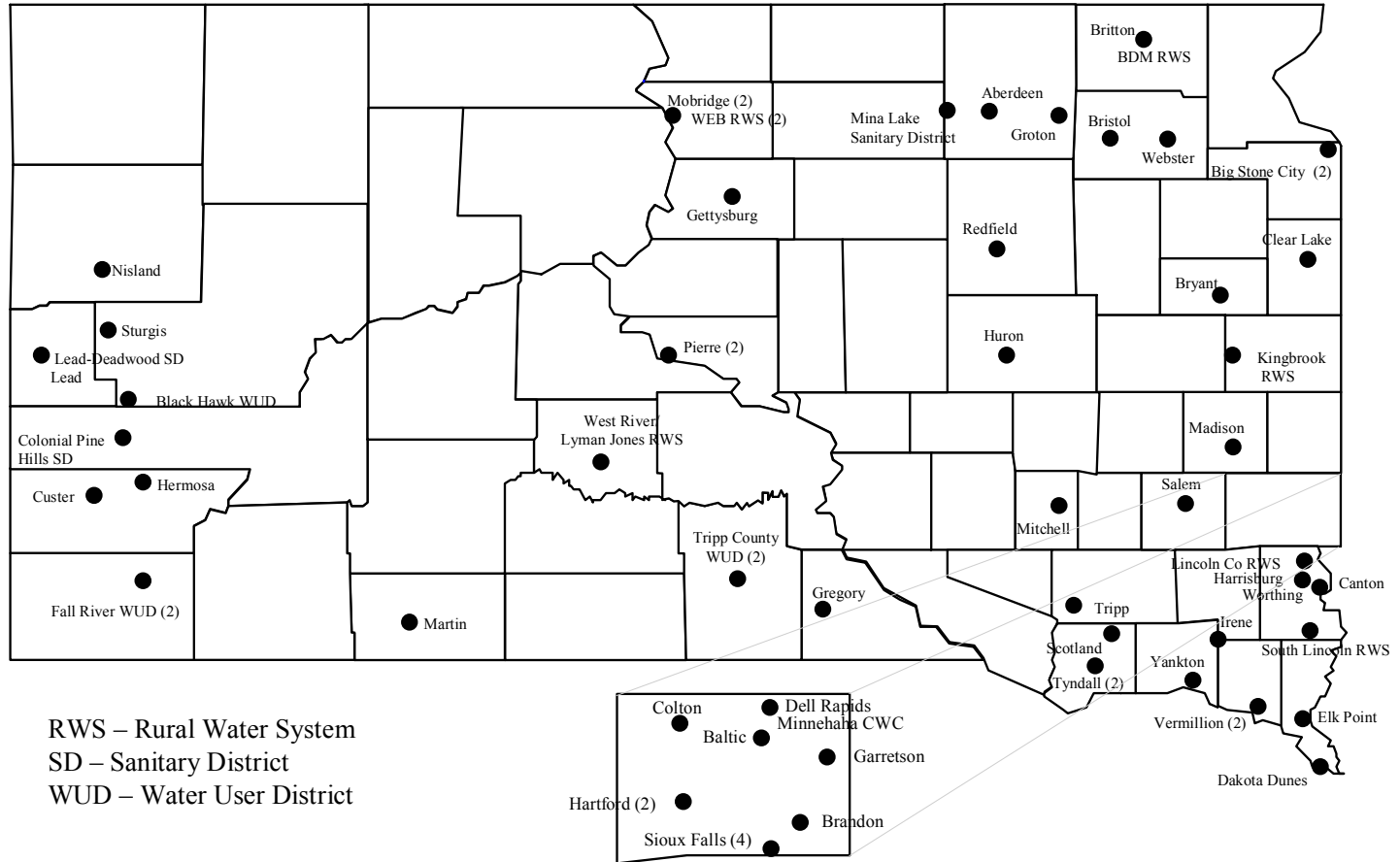
Region VIII of the Environmental Protection Agency oversees the Drinking Water State Revolving Fund Loan Program. EPA assists the state in securing capitalization grants and guides the conservancy district in its administration of the program.

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

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**FIGURE 5**  
**Drinking Water State Revolving Fund Loans**





**TABLE 6**  
**State of South Dakota**  
**Drinking Water State Revolving Fund Loan Program**

RECIPIENT	BINDING COMMITMENT DATE	RATE, TERM	BINDING COMMITMENT AMOUNT	ACTUAL LOAN AMOUNT
Aberdeen (DW-01)	03/28/2003	3.50%, 20 yr	\$8,460,000.00	\$8,460,000.00
Baltic (DW-01)	06/27/2002	3.50%, 20 yr	\$2,500,000.00	\$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
Big Stone City (DW-02)	06/26/2003	3.50%, 20 yr	\$240,000.00	\$240,000.00
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
Canton (DW-01)	01/10/2003	3.50%, 20 yr	\$500,000.00	\$500,000.00
Clear Lake (DW-01)	12/10/1998	3.00%, 30 yr	\$565,000.00	\$540,637.00
Colonial Pine Hills Sanitary District (DW-01)	01/31/2002	3.50%, 20 yr	\$659,000.00	\$636,108.00
Colton (DW-01)	06/27/2002	3.50%, 30 yr	\$681,720.00	\$681,720.00
Custer (DW-01)	01/10/2003	3.50%, 20 yr	\$800,000.00	\$800,000.00
Dakota Dunes CID (DW-01)	06/27/2002	3.50%, 20 yr	\$908,000.00	\$908,000.00
Dell Rapids (DW-01)	03/28/2003	3.50%, 20 yr	\$621,000.00	\$621,000.00
Elk Point (DW-01)	01/31/2002	3.50%, 20 yr	\$220,000.00	\$220,000.00
Fall River Water Users District (DW- 01)	12/09/1999	3.00%, 30 yr	\$759,000.00	\$759,000.00
Fall River Water Users District (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	\$347,580.00
Groton (DW-01)	03/28/2003	3.50%, 20 yr	\$440,000.00	\$440,000.00
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
Hartford (DW-02)	01/10/2003	3.50%, 20 yr	\$800,957.00	\$800,957.00
Hermosa (DW-01)	12/10/1998	5.00%, 20 yr	\$300,000.00	\$300,000.00

RECIPIENT	BINDING COMMITMENT DATE	RATE, TERM	BINDING COMMITMENT AMOUNT	ACTUAL LOAN AMOUNT
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	\$474,204.00
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 Rural Water (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
Martin (DW-01)	09/25/2003	2.50%, 30 yr	\$920,000.00	\$920,000.00
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	\$3,000,000.00
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
Pierre (DW-02)	09/25/2003	3.50%, 15 yr	\$1,832,900.00	\$1,832,900.00
Redfield (DW-01)	04/25/2001	4.50%, 20 yr	\$85,000.00	\$85,000.00
Salem (DW-01)	03/28/2003	3.50%, 10 yr	\$126,921.00	\$126,921.00
Scotland (DW-01)	03/28/2003	2.50%, 30 yr	\$340,000.00	\$340,000.00
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	\$2,348,168.00
Sioux Falls (DW-03)	04/12/2002	3.50%, 10 yr	\$7,930,000.00	\$7,930,000.00
Sioux Falls (DW-04)	01/10/2003	3.50%, 10 yr	\$5,279,000.00	\$5,279,000.00
South Lincoln RWS (DW-01)	01/10/2003	3.50%, 20 yr	\$2,000,000.00	\$2,000,000.00
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	\$225,656.00
Tripp County WUD (DW-01)	11/14/2002	2.50%, 30 yr	\$3,500,000.00	\$3,500,000.00
Tripp County WUD (DW-02)	11/14/2002	0.00%, 30 yr	\$148,000.00	\$148,000.00
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

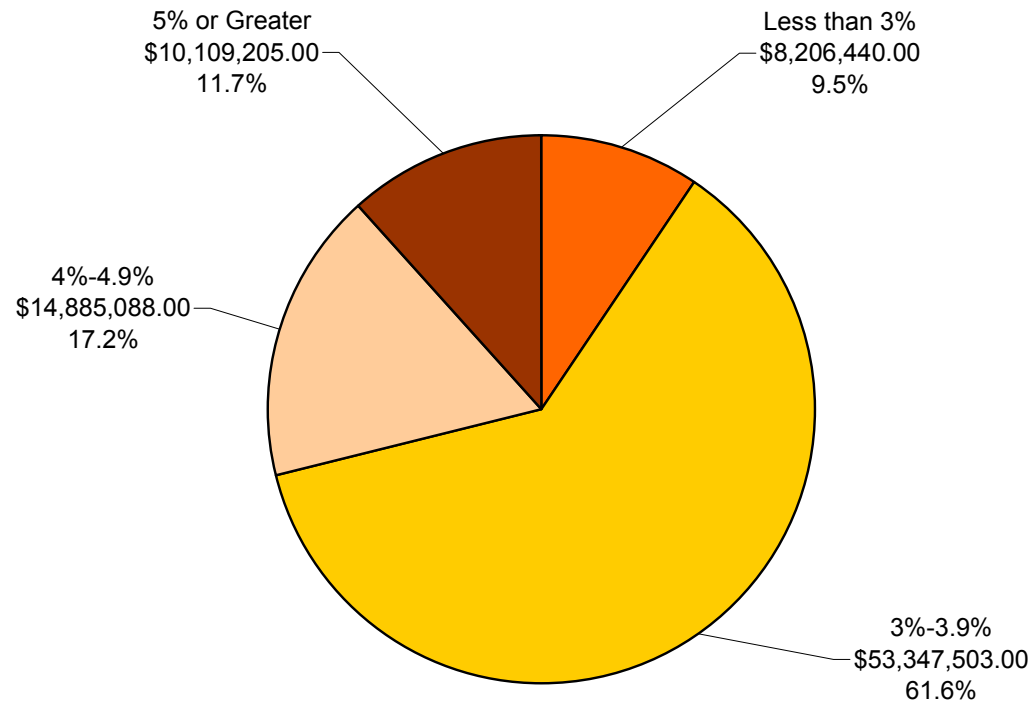
RECIPIENT	BINDING COMMITMENT DATE	RATE, TERM	BINDING COMMITMENT AMOUNT	ACTUAL LOAN AMOUNT
WEB WDA (DW-01) **	03/26/1998	5.25%, 20 yr	\$1,110,000.00	\$0.00
WEB WDA (DW-02) **	10/11/2001	2.50%, 30 yr	\$137,450.00	\$0.00
Webster (DW-01)	04/12/2002	3.50%, 20 yr	\$330,000.00	\$330,000.00
West River/Lyman Jones RWS (DW-01)	10/12/2001	2.50%, 30 yr	\$340,000.00	\$340,000.00
Worthing (DW-01)	06/26/2003	3.50%, 20 yr	\$288,000.00	\$288,000.00
Yankton (DW-01)	11/09/2001	3.50%, 20 yr	\$3,460,000.00	\$3,460,000.00
TOTAL 66 Loans, 54 Entities			\$94,765,208.00	\$86,548,236.00

\* Loans Paid in Full

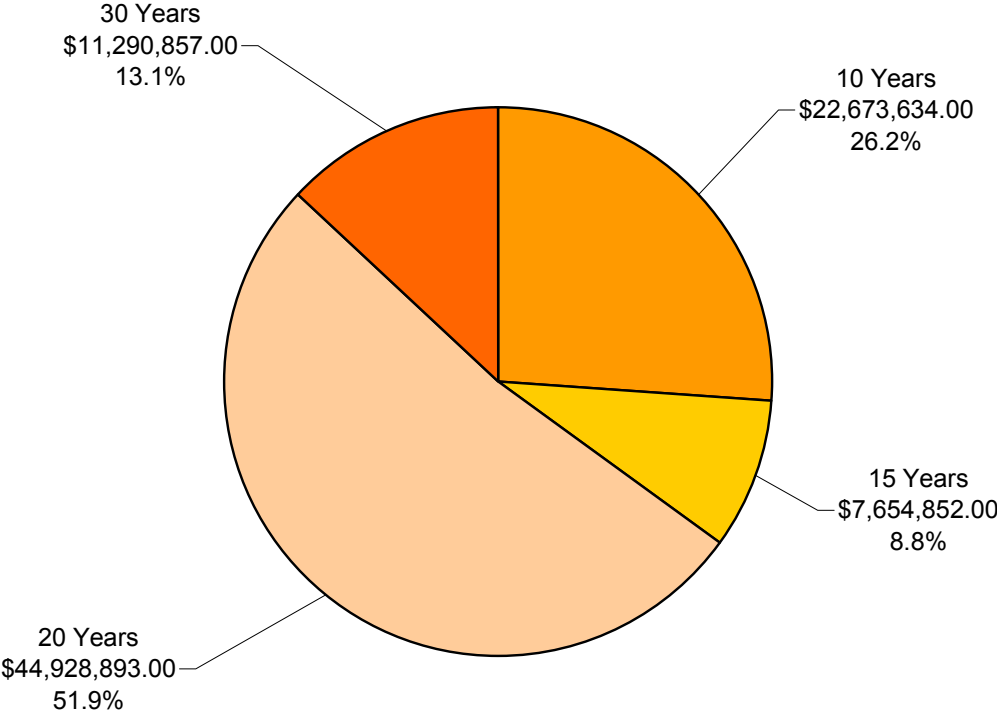
\*\* Rescinded by BWRN

\*\*\* Deobligated in toto

**FIGURE 6**  
**DW SRF Interest Rates by Percent**  
**of Loan Portfolio (\$86.5 Million)**



**FIGURE 7**  
**DW SRF Loan Terms**  
**by Percent of Loan Portfolio**



## PROJECT DESCRIPTIONS

Loans approved during Federal Fiscal Year 2003  
are designated with 2003 directly beside the recipient's name  
and italic lettering within the paragraph.

**ABERDEEN (2003)** – *The city of Aberdeen has received an \$8,460,000 loan at 3.5 percent for 20 years. This loan is the first installment of the city's \$14,460,000 project to improve the water treatment plant.*

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

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

**BIG STONE CITY (2003)**– The city of Big Stone City utilized a \$600,000 loan to construct a 100,000-gallon elevated water storage tank. The project also included the installation of a water main to connect the tank to the existing distribution system, and the refinancing of debt incurred to connect to the Ortonville, Minnesota regional water treatment plant. The 20-year loan is at 5.25 percent. *The city received its second loan in the amount of \$240,000 at 3.5 percent for 20 years to fund improvements to the water distribution system.*

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

**BRANDON** – Brandon received a loan for \$1,950,000 at 4.75 percent for 15 years. 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.

**CANTON (2003)**—*Canton will utilize its first loan in the amount of \$500,000 at 3.5 percent for 20 years to fund utility improvements in conjunction with South Dakota DOT reconstruction of US 18.*

**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** – Colonial Pine Hills proposes to improve its water distribution system with a \$659,000 loan at 3.5 percent for 20 years.

**COLTON** – 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.

**CUSTER (2003)**—*Custer received an \$800,000 loan at 3.5 percent for 20 years to replace transmission and distribution water lines within the business district in conjunction with a South Dakota DOT project.*

**DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT** – Dakota Dunes 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.

**DELL RAPIDS (2003)**—*Dell Rapids will construct various distribution system improvements with its first \$621,000 loan at 3.5 percent for 20 years.*

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

**GROTON (2003)**—*Groton's first loan in the amount of \$440,000 at 3.5 percent for 20 years will fund the replacement of watermain in conjunction with its Main Street Utility Replacement.*

**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 (2003)** – Hartford received a \$185,000 loan at 5 percent interest for 20 years. This project will replace water distribution lines throughout the city. *With its second loan in the amount of \$800,957 at 3.5 percent for 20 years, Hartford will replace aging cast iron water mains.*

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

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



**MARTIN (2003)**—*Martin proposes to correct undersized water lines and water supply issues with a \$920,000 loan at 2.5 percent for 30 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** – 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** – Nisland received a \$350,000 loan at 0.00 percent interest for 30 years to fund the reconstruction of its water distribution system.

**PIERRE (2003)** – 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. *Pierre's second drinking water loan, \$1,832,900 at 3.5 percent for 15 years, will fund construction of a new storage tank to create a third pressure zone within the city.*

**REDFIELD** – The City of Redfield received a loan in the amount of \$85,000 at an interest rate of 4.5 percent for 20 years. 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.

**SALEM (2003)**—*Salem received a loan of \$126,921 at 3.5 percent for 10 years to fund water distribution improvements in the city.*

**SCOTLAND (2003)**—*Scotland will replace water mains in conjunction with reconstruction of Main Street with its \$340,000 loan at 2.5 percent for 30 years.*

**SIOUX FALLS (2003)** – 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. *The city's fourth drinking water loan, \$5,279,000 at 3.5 percent for 10 years, will fund the replacement of aging equipment and water main and the improvement of operational efficiency, maintenance space, and pressure zones.*

**SOUTH LINCOLN RWS (2003)**—*A \$2,000,000 loan at 3.5 percent for 20 years will fund South Lincoln RWS's pipeline, well and pumping improvements. In addition, new facilities will provide connection to the Lewis and Clark RWS to South Lincoln's system.*

**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.

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

**TYNDALL** – Tyndall received a loan for \$300,000 at 2.5 percent interest for 10 years. This loan 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** – 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** – 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. *This loan was also rescinded on June 27, 2003.*

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

**WEST RIVER/LYMAN JONES RURAL WATER SYSTEM** – WR/LJ received a loan in the amount of \$340,000 at 2.5 percent for 30 years to fund water main replacement in the town of Reliance.

**WORTHING (2003)**—*Worthing received its first loan in the amount of \$288,000 at 3.5 percent for 20 years for improvements to the city's water distribution system.*

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

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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 2003**

Recipient	Assistance Amount by Population		Binding Commitment Date	Rate/Term
	10,000 & Below	10,001 & Above		
Aberdeen (DW-01)		\$8,460,000	28-Mar-03	3.5%/20
Big Stone City (DW-02)	\$240,000		26-Jun-03	3.5%/20
Canton (DW-01)	\$500,000		10-Jan-03	3.5%/20
Custer (DW-01)	\$800,000		10-Jan-03	3.5%/20
Dell Rapids (DW-01)	\$621,000		28-Mar-03	3.5%/20
Groton (DW-01)	\$440,000		28-Mar-03	3.5%/20
Hartford (DW-02)	\$800,957		25-Sep-03	3.5%/20
Martin (DW-01)	\$920,000		25-Sep-03	2.5%/30
Pierre (DW-02)		\$1,832,900	28-Mar-03	3.5%/15
Salem (DW-01)	\$126,921		28-Mar-03	3.5%/10
Scotland (DW-01)	\$340,000		28-Mar-03	2.5%/30
Sioux Falls (DW-04)		\$5,279,000	10-Jan-03	3.5%/10
South Lincoln RWS (DW-01)	\$2,000,000		10-Jan-03	3.5%/20
Tripp County WUD (DW-01)	\$3,500,000		14-Nov-02	2.5%/30
Tripp County WUD (DW-02)	\$148,000		14-Nov-02	0.0%/30
Worthing (DW-01)	\$288,000		26-Jun-03	3.5%/20
<b>TOTAL</b>	<b>\$10,724,878</b>	<b>\$15,571,900</b>		

**EXHIBIT II**  
**SRF NEEDS CATEGORIES**  
**FEDERAL FISCAL YEAR 2003**

Recipient	I	II	III	Source
	Trans/Dist	Treatment	Storage	
Aberdeen (DW-01)		\$7,480,000		\$980,000
Big Stone City (DW-02)	\$240,000			
Canton (DW-01)	\$500,000			
Custer (DW-01)	\$800,000			
Dell Rapids (DW-01)	\$621,000			
Groton (DW-01)	\$440,000			
Hartford (DW-02)	\$800,957			
Martin (DW-01)	\$180,000		\$500,000	\$240,000
Pierre (DW-02)	\$1,417,572		\$415,328	
Salem (DW-01)	\$126,921			
Scotland (DW-01)	\$340,000			
Sioux Falls (DW-04)	\$484,000	\$4,705,000	\$90,000	
South Lincoln RWS (DW-01)	\$1,852,560			\$147,440
Tripp County WUD (DW-01)	\$3,500,000			
Tripp County WUD (DW-02)	\$148,000			
Worthing (DW-01)	\$288,000			
<b>TOTAL</b>	<b>\$11,739,010</b>	<b>\$12,185,000</b>	<b>\$1,005,328</b>	<b>\$1,367,440</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
2003	\$14,471,900	\$2,894,380	\$17,366,280
TOTAL	\$71,725,200	\$14,345,040	\$86,070,240

**EXHIBIT IV**  
**OBLIGATIONS FOR FEDERAL FISCAL YEARS 1997-2003**  
**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)	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)	04/13/00	\$475,000	\$474,204	\$3,206,403
Hartford (DW-01)	04/13/00	\$185,000	\$185,000	\$3,021,403
Irene (DW-01)	06/22/00	\$145,000	\$127,126	\$2,894,277
Lead (DW-01)	07/27/00	\$192,800	\$192,800	\$2,701,477
Tyndall (DW-01)	07/27/00	\$300,000	\$300,000	\$2,401,477
Harrisburg (DW-01)	10/12/00	\$525,000	\$525,000	\$1,876,477
Mitchell (DW-01) ***	10/12/00	\$6,000,000	\$1,876,477	\$0

\* Balance is from 1997 funds

\*\* Balance is from Repayments

\*\*\* Balance is from 1999 funds

### 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		\$1,123,523	\$7,409,485
Sioux Falls (DW-02)	01/11/01	\$2,750,000	\$2,348,168	\$5,061,317
Bristol (DW-01)	04/25/01	\$139,000	\$0	\$5,061,317
Britton (DW-01)	04/25/01	\$320,000	\$320,000	\$4,741,317
Redfield (DW-01)	04/25/01	\$85,000	\$85,000	\$4,656,317
Gettysburg (DW-01)	06/14/01	\$565,000	\$565,000	\$4,091,317
Tripp (DW-01)	07/26/01	\$291,000	\$225,656	\$3,865,661
WEB (DW-02)	10/12/01	\$137,450	\$0	\$3,865,661
West River (DW-01)	10/12/01	\$340,000	\$340,000	\$3,525,661
Fall River WUD (DW-02)	11/09/01	\$400,000	\$400,000	\$3,125,661
Tyndall (DW-02)	11/09/01	\$861,000	\$861,000	\$2,264,661
Yankton (DW-01) **	11/09/01	\$3,460,000	\$2,264,661	\$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
Yankton (DW-01) *	11/09/01		\$1,195,339	\$7,802,781
Nisland (DW-01)	12/13/01	\$350,000	\$350,000	\$7,452,781
Colonial Pine Hills SD (DW-01)	01/31/02	\$659,000	\$636,108	\$6,816,673
Elk Point (DW-01)	01/31/02	\$220,000	\$220,000	\$6,596,673
Lincoln County RWS (DW-01)	01/31/02	\$1,200,000	\$1,200,000	\$5,396,673
Pierre (DW-01)	01/31/02	\$1,094,200	\$1,094,200	\$4,302,473
BDM RWS (DW-01)	04/12/02	\$536,000	\$536,000	\$3,766,473
Gregory (DW-01)	04/12/02	\$380,000	\$347,580	\$3,418,893
Sioux Falls (DW-03) **	04/12/02	\$7,930,000	\$3,418,893	\$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
Sioux Falls (DW-03) *	04/12/02		\$4,511,107	\$4,424,249
Webster (DW-01)	04/12/02	\$330,000	\$330,000	\$4,094,249
Baltic (DW-01)	06/27/02	\$250,000	\$250,000	\$3,844,249
Colton (DW-01)	06/28/02	\$681,720	\$681,720	\$3,162,529
Dakota Dunes (DW-01) **	06/27/02	\$908,000	\$478,000	\$2,684,529
Garretson (DW-01)	06/27/02	\$1,261,060	\$1,261,060	\$1,423,469
Huron (DW-01) **	06/27/02	\$4,000,000	\$734,473	\$688,996
Minnehaha CWC (DW-01) ***	06/27/02	\$6,500,000	\$688,996	\$0

\* Balance is from 2000 funds  
 \*\* Balance is from Repayments  
 \*\*\* 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
Minnehaha CWC (DW-01) *	06/27/02		\$5,811,004	\$11,181,806
Vermillion (DW-02)	06/27/02	\$1,510,000	\$1,510,000	\$9,671,806
Tripp County WUD (DW-01)	11/14/02	\$3,500,000	\$3,500,000	\$6,171,806
Tripp County WUD (DW-02)	11/14/02	\$148,000	\$148,000	\$6,023,806
Canton (DW-01)	01/10/03	\$500,000	\$500,000	\$5,523,806
Custer (DW-01) **	01/10/03	\$800,000	\$668,258	\$4,855,548
Hartford (DW-02)	01/10/03	\$800,957	\$800,957	\$4,054,591
Sioux Falls (DW-04) ***	01/10/03	\$5,279,000	\$4,054,591	\$0

\* Balance is from 2001 funds  
 \*\* Balance is from Repayments  
 \*\*\* Balance is from 2003 funds

**7. PROJECTS UTILIZING 2003 SRF FUNDS**

RECIPIENT	BINDING COMMITMENT DATE	BINDING COMMITMENT AMOUNT	ACTUAL AMOUNT	BALANCE
2003 Capitalization Grant and State Match				\$17,366,280
Set-Asides		\$420,164	\$420,164	\$16,946,116
Sioux Falls (DW-04) *	01/10/03		\$1,224,409	\$15,721,707
South Lincoln RWS (DW-01)	01/10/03	\$2,000,000	\$2,000,000	\$13,721,707
Aberdeen (DW-01) **	03/28/03	\$8,460,000	\$6,823,636	\$6,898,071
Dell Rapids (DW-01)	03/28/03	\$621,000	\$621,000	\$6,277,071
Groton (DW-01)	03/28/03	\$440,000	\$440,000	\$5,837,071
Salem (DW-01)	03/28/03	\$126,921	\$126,921	\$5,710,150
Scotland (DW-01)	03/28/03	\$340,000	\$340,000	\$5,370,150
Big Stone City (DW-02)	06/26/03	\$240,000	\$240,000	\$5,130,150
Worthing (DW-01)	06/26/03	\$288,000	\$288,000	\$4,842,150
Martin (DW-01)	09/25/03	\$920,000	\$920,000	\$3,922,150
Pierre (DW-02)	09/25/03	\$1,832,900	\$1,832,900	\$2,089,250

\* Balance is from 2002 funds

\*\* Balance is from Repayments

**8. PROJECTS UTILIZING REPAYMENT FUNDS AND EXCESS INTEREST PAYMENTS**

RECIPIENT	BINDING COMMITMENT DATE	BINDING COMMITMENT AMOUNT	ACTUAL AMOUNT	BALANCE
Total Repayments as of 9/30/2002				\$6,289,957
Excess Interest Payments as of 9/30/2003			\$1,486,111	\$7,776,068
Vermillion (DW-01) *	05/13/99		\$68,827	\$7,707,241
Huron (DW-01) **	06/27/02		\$3,265,527	\$4,441,714
Dakota Dunes (DW-01) **	06/27/02		\$430,000	\$4,011,714
Custer (DW-01) ***	01/10/03		\$131,742	\$3,879,972
Aberdeen (DW-01) ****	03/28/03		\$1,636,364	\$2,243,608

\* Balance is from 1998 funds

\*\* Balance is from 2001 funds

\*\*\* Balance is from 2002 funds

\*\*\*\* Balance is from 2003 funds

**EXHIBIT V**  
**Drinking Water SRF Disbursements**  
**October 1, 2002 through September 30, 2003**

**LOAN DISBURSEMENTS**

Disburse Number	Date	Payee	Other	State	Federal	Total Payment
03-01	10/09/02	Colonial Pine Hills (DW-01)	\$0.00	\$754.00	\$3,583.00	\$4,337.00
03-02	10/09/02	Pierre (DW-01)	\$0.00	\$29,647.00	\$140,933.00	\$170,580.00
03-03	10/22/02	Nisland (DW-01)	\$0.00	\$420.00	\$2,000.00	\$2,420.00
03-04	10/24/02	Elk Point (DW-01)	\$0.00	\$4,904.00	\$23,300.00	\$28,204.00
03-05	10/31/02	Colton (DW-01)	\$0.00	\$10,542.00	\$50,120.00	\$60,662.00
03-06	10/31/02	Garretson (DW-01)	\$0.00	\$9,225.00	\$43,845.00	\$53,070.00
03-07	11/06/02	Colonial Pine Hills (DW-01)	\$0.00	\$11,620.00	\$55,245.00	\$66,865.00
03-08	11/19/02	West River/Lyman Jones	\$0.00	\$59,092.00	\$280,908.00	\$340,000.00
03-09	11/19/02	Elk Point (DW-01)	\$0.00	\$1,565.00	\$7,430.00	\$8,995.00
03-10	11/25/02	Sioux Falls (DW-02)	\$0.00	\$6,101.00	\$29,000.00	\$35,101.00
03-11	11/29/02	BDM Rural Water (DW-01)	\$0.00	\$0.00	\$442,671.00	\$442,671.00
03-12	12/04/02	Lead (DW-01)	\$0.00	\$110,440.00	\$82,360.00	\$192,800.00
03-13	12/04/02	Garretson (DW-01)	\$0.00	\$8,921.00	\$42,405.00	\$51,326.00
03-14	12/04/02	Colton (DW-01)	\$0.00	\$2,885.00	\$13,715.00	\$16,600.00
03-15	12/11/02	Colonial Pine Hills (DW-01)	\$0.00	\$16,004.00	\$76,070.00	\$92,074.00
03-16	12/11/02	Britton (DW-01)	\$0.00	\$2,854.00	\$13,570.00	\$16,424.00
03-17	12/20/02	Kingbrook RWS (DW-01)	\$0.00	\$0.00	\$44,155.00	\$44,155.00
03-18	12/20/02	Gregory (DW-01)	\$0.00	\$20,284.00	\$80,150.00	\$100,434.00
03-19	12/20/02	Pierre (DW-01)	\$0.00	\$34,768.00	\$137,400.00	\$172,168.00
03-20	12/20/02	Mitchell (DW-01)	\$0.00	\$221,543.00	\$1,053,158.00	\$1,274,701.00
03-21	12/26/02	Elk Point (DW-01)	\$0.00	\$2,122.00	\$10,083.00	\$12,205.00
03-22	01/02/03	BDM Rural Water (DW-01)	\$0.00	\$0.00	\$26,933.00	\$26,933.00
03-23	01/02/03	Tripp (DW-01)	\$0.00	\$15,391.00	\$46,228.00	\$61,619.00
03-24	01/10/03	Colonial Pine Hills (DW-01)	\$0.00	\$28,806.00	\$130,733.00	\$159,539.00
03-26	01/10/03	Garretson (DW-01)	\$0.00	\$13,248.00	\$60,124.00	\$73,372.00
03-25	01/13/03	Colton (DW-01)	\$0.00	\$11,375.00	\$51,625.00	\$63,000.00
03-27	01/13/03	Kingbrook RWS (DW-01)	\$0.00	\$0.00	\$11,506.00	\$11,506.00
03-28	01/16/03	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$111,566.00	\$111,566.00
03-29	01/30/03	Yankton (DW-01)	\$0.00	\$0.00	\$278,407.00	\$278,407.00
03-30	01/30/03	Nisland (DW-01)	\$0.00	\$83,873.00	\$8,745.00	\$92,618.00
03-31	01/30/03	Colonial Pine Hills (DW-01)	\$0.00	\$16,324.00	\$77,598.00	\$93,922.00
03-32	02/05/03	Colton (DW-01)	\$0.00	\$23,067.00	\$0.00	\$23,067.00
03-33	02/05/03	Garretson (DW-01)	\$0.00	\$15,211.00	\$0.00	\$15,211.00
03-34	02/05/03	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$378,349.00	\$378,349.00
03-35	02/05/03	Colonial Pine Hills (DW-01)	\$0.00	\$5,629.00	\$0.00	\$5,629.00
03-36	02/18/03	BDM Rural Water (DW-01)	\$0.00	\$0.00	\$1,518.00	\$1,518.00
03-37	02/19/03	Nisland (DW-01)	\$0.00	\$24,568.00	\$0.00	\$24,568.00
03-38	03/05/03	Colonial Pine Hills (DW-01)	\$0.00	\$16,555.00	\$24,346.00	\$40,901.00
03-39	03/05/03	Gregory (DW-01)	\$0.00	\$8,559.00	\$40,687.00	\$49,246.00
03-40	03/05/03	Garretson (DW-01)	\$0.00	\$7,963.00	\$37,854.00	\$45,817.00
03-41	03/05/03	Colton (DW-01)	\$0.00	\$2,246.00	\$10,676.00	\$12,922.00
03-42	03/12/03	Bryant (DW-01)	\$0.00	\$869.00	\$4,131.00	\$5,000.00
03-43	03/12/03	Mitchell (DW-01)	\$0.00	\$2,936.00	\$13,955.00	\$16,891.00
03-44	03/12/03	Nisland (DW-01)	\$0.00	\$5,106.00	\$24,275.00	\$29,381.00
03-46	03/25/03	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$78,504.00	\$78,504.00
03-45	03/26/03	Nisland (DW-01)	\$0.00	\$7,988.00	\$0.00	\$7,988.00
03-47	04/02/03	Nisland (DW-01)	\$0.00	\$13,000.00	\$16,887.00	\$29,887.00

Disburse Number	Date	Payee	Other	State	Federal	Total Payment
03-48	04/16/03	Gregory (DW-01)	\$0.00	\$6,263.00	\$34,164.00	\$40,427.00
03-49	04/16/03	Nisland (DW-01)	\$0.00	\$5,454.00	\$25,920.00	\$31,374.00
03-50	04/23/03	Colonial Pine Hills (DW-01)	\$0.00	\$7,040.00	\$33,461.00	\$40,501.00
03-51	04/23/03	Pierre (DW-01)	\$0.00	\$30,120.00	\$143,179.00	\$173,299.00
03-52	04/30/03	Colton (DW-01)	\$0.00	\$4,786.00	\$22,748.00	\$27,534.00
03-52	04/30/03	Garretson (DW-01)	\$0.00	\$10,034.00	\$44,550.00	\$54,584.00
03-52	04/30/03	Garretson (DW-01)	\$0.00	\$9,614.00	\$0.00	\$9,614.00
03-53	04/30/03	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$288,171.00	\$288,171.00
03-55	05/01/03	Nisland (DW-01)	\$0.00	\$1,361.00	\$0.00	\$1,361.00
03-56	05/02/03	Custer (DW-01)	\$131,742.00	\$0.00	\$0.00	\$131,742.00
03-57	05/30/03	Mitchell (DW-01)	\$0.00	\$40,440.00	\$13,750.00	\$54,190.00
03-58	05/30/03	Custer (DW-01)	\$0.00	\$6,768.00	\$32,390.00	\$39,158.00
03-59	06/05/03	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$142,175.00	\$142,175.00
03-60	06/05/03	Colton (DW-01)	\$0.00	\$8,433.00	\$0.00	\$8,433.00
03-61	06/05/03	Garretson (DW-01)	\$0.00	\$21,563.00	\$750.00	\$22,313.00
03-62	06/05/03	Nisland (DW-01)	\$0.00	\$15,691.00	\$74,745.00	\$90,436.00
03-63	06/11/03	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$191,918.00	\$191,918.00
03-64	06/11/03	Colton (DW-01)	\$0.00	\$11,077.00	\$22,000.00	\$33,077.00
03-65	06/12/03	Colonial Pine Hills (DW-01)	\$0.00	\$11,704.00	\$23,270.00	\$34,974.00
03-66	06/12/03	Dell Rapids (DW-01)	\$0.00	\$46,365.00	\$92,200.00	\$138,565.00
03-67	06/18/03	Dell Rapids (DW-01)	\$0.00	\$20,591.00	\$98,075.00	\$118,666.00
03-68	06/18/03	Webster (DW-01)	\$0.00	\$1,228.00	\$5,840.00	\$7,068.00
03-69	06/25/03	Mitchell (DW-01)	\$0.00	\$4,715.00	\$22,470.00	\$27,185.00
03-70	06/25/03	Pierre (DW-01)	\$0.00	\$16,960.00	\$80,800.00	\$97,760.00
03-73	07/02/03	Garretson (DW-01)	\$0.00	\$25,366.00	\$26,910.00	\$52,276.00
03-74	07/02/03	Colton (DW-01)	\$0.00	\$9,588.00	\$10,170.00	\$19,758.00
03-74	07/02/03	Custer (DW-01)	\$0.00	\$44,807.00	\$47,535.00	\$92,342.00
03-71	07/03/03	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$295,348.00	\$295,348.00
03-76	07/16/03	Hartford (DW-02)	\$0.00	\$8,089.00	\$38,532.00	\$46,621.00
03-75	07/17/03	Dell Rapids (DW-01)	\$0.00	\$17,929.00	\$85,405.00	\$103,334.00
03-77	07/25/03	Lincoln County (DW-01)	\$0.00	\$0.00	\$188,835.00	\$188,835.00
03-78	07/25/03	Canton (DW-01)	\$0.00	\$73,870.00	\$163,050.00	\$236,920.00
03-79	07/25/03	Hartford (DW-02)	\$0.00	\$5,286.00	\$25,190.00	\$30,476.00
03-80	07/25/03	Webster (DW-01)	\$0.00	\$9,382.00	\$44,700.00	\$54,082.00
03-81	07/25/03	Scotland (DW-01)	\$0.00	\$4,880.00	\$23,244.00	\$28,124.00
03-82	07/30/03	Mitchell (DW-01)	\$0.00	\$3,804.00	\$18,117.00	\$21,921.00
03-83	07/31/03	Dell Rapids (DW-01)	\$0.00	\$5,818.00	\$27,714.00	\$33,532.00
03-84	08/06/03	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$115,590.00	\$115,590.00
03-85	08/06/03	Colton (DW-01)	\$0.00	\$5,904.00	\$14,018.00	\$19,922.00
03-86	08/06/03	Custer (DW-01)	\$0.00	\$28,603.00	\$67,915.00	\$96,518.00
03-87	08/06/03	Dell Rapids (DW-01)	\$0.00	\$13,880.00	\$32,956.00	\$46,836.00
03-88	08/06/03	Vermillion (DW-02)	\$0.00	\$22,725.00	\$108,254.00	\$130,979.00
03-89	08/13/03	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$159,371.00	\$159,371.00
03-90	08/13/03	Colton (DW-01)	\$0.00	\$10,665.00	\$0.00	\$10,665.00
03-91	08/13/03	Garretson (DW-01)	\$0.00	\$28,213.00	\$0.00	\$28,213.00
03-92	08/13/03	Webster (DW-01)	\$0.00	\$54,637.00	\$0.00	\$54,637.00
03-93	08/13/03	Sioux Falls (DW-03)	\$0.00	\$961,444.00	\$4,865,312.00	\$5,826,756.00
03-93	08/13/03	Sioux Falls (DW-03)	\$0.00	\$135,686.00	\$643,477.00	\$779,163.00
03-94	08/13/03	Scotland (DW-01)	\$0.00	\$9,143.00	\$0.00	\$9,143.00
03-95	08/20/03	Lincoln County (DW-01)	\$0.00	\$0.00	\$74,178.00	\$74,178.00
03-96	08/20/03	BDM Rural Water (DW-01)	\$0.00	\$0.00	\$7,518.00	\$7,518.00
03-97	08/20/03	Tripp County WUD (DW-02)	\$0.00	\$27,960.00	\$51,307.00	\$79,267.00
03-98	08/29/03	Baltic (DW-01)	\$0.00	\$21,847.00	\$103,922.00	\$125,769.00
03-99	08/29/03	Custer (DW-01)	\$0.00	\$23,126.00	\$110,010.00	\$133,136.00

Disburse Number	Date	Payee	Other	State	Federal	Total Payment
03-100	08/29/03	Dell Rapids (DW-01)	\$0.00	\$8,062.00	\$38,352.00	\$46,414.00
03-101	08/29/03	Hartford (DW-02)	\$0.00	\$10,420.00	\$49,563.00	\$59,983.00
03-102	08/29/03	Mitchell (DW-01)	\$0.00	\$4,584.00	\$21,806.00	\$26,390.00
03-103	08/29/03	Pierre (DW-01)	\$0.00	\$11,005.00	\$52,351.00	\$63,356.00
03-104	08/29/03	Canton (DW-01)	\$0.00	\$16,231.00	\$77,209.00	\$93,440.00
03-105	09/03/03	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$397,802.00	\$397,802.00
03-106	09/03/03	Colton (DW-01)	\$0.00	\$21,556.00	\$10,605.00	\$32,161.00
03-107	09/03/03	Garretson (DW-01)	\$0.00	\$40,608.00	\$19,978.00	\$60,586.00
03-108	09/03/03	Salem (DW-01)	\$0.00	\$31,110.00	\$15,302.00	\$46,412.00
03-109	09/10/03	Vermillion (DW-02)	\$0.00	\$4,147.00	\$19,725.00	\$23,872.00
03-110	09/17/03	Canton (DW-01)	\$0.00	\$22,598.00	\$107,500.00	\$130,098.00
03-111	09/17/03	Dell Rapids (DW-01)	\$0.00	\$11,244.00	\$53,490.00	\$64,734.00
03-112	09/17/03	Scotland (DW-01)	\$0.00	\$10,509.00	\$49,990.00	\$60,499.00
03-113	09/24/03	Lincoln County (DW-01)	\$0.00	\$0.00	\$241,215.00	\$241,215.00
03-114	09/24/03	Baltic (DW-01)	\$0.00	\$24,692.00	\$71,040.00	\$95,732.00
03-115	09/24/03	Mitchell (DW-01)	\$0.00	\$95,885.00	\$275,885.00	\$371,770.00
03-116	09/24/03	Salem (DW-01)	\$0.00	\$3,660.00	\$10,534.00	\$14,194.00
03-117	09/24/03	Webster (DW-01)	\$0.00	\$4,082.00	\$11,746.00	\$15,828.00
03-118	09/24/03	Hartford (DW-02)	\$0.00	\$12,596.00	\$59,915.00	\$72,511.00
Total Loan Disbursements			\$131,742.00	\$3,022,253.00	\$14,391,910.00	\$17,545,905.00

**SET-ASIDE DISBURSEMENTS**

Disburse Number	Date	Payee	Other	State	Federal	Total Payment
03A-01	10/11/02	SD - Admin	\$0.00	\$0.00	\$16,500.00	\$16,500.00
03A-01	10/11/02	SD - Tech Assist	\$0.00	\$0.00	\$4,500.00	\$4,500.00
03A-01	10/11/02	SD - Tech Assist	\$0.00	\$0.00	\$5,400.00	\$5,400.00
03A-02	10/22/02	Alzheimer & Gray	\$0.00	\$0.00	\$21,000.00	\$21,000.00
03A-03	11/25/02	SD - Admin	\$0.00	\$0.00	\$18,600.00	\$18,600.00
03A-03	11/25/02	SD - Tech Assist	\$0.00	\$0.00	\$4,900.00	\$4,900.00
03A-04	12/16/02	FNB	\$0.00	\$0.00	\$8,188.00	\$8,188.00
03A-05	12/20/02	SD - Admin	\$0.00	\$0.00	\$18,600.00	\$18,600.00
03A-05	12/20/02	SD - Tech Assist	\$0.00	\$0.00	\$11,000.00	\$11,000.00
03A-06	01/29/03	SD - Admin	\$0.00	\$0.00	\$26,200.00	\$26,200.00
03A-06	01/29/03	SD - Tech Assist	\$0.00	\$0.00	\$2,900.00	\$2,900.00
03A-07	02/28/03	SD - Admin	\$0.00	\$0.00	\$18,000.00	\$18,000.00
03A-07	02/28/03	SD - Tech Assist	\$0.00	\$0.00	\$7,000.00	\$7,000.00
03A-08	03/26/03	SD - Admin	\$0.00	\$0.00	\$9,622.00	\$9,622.00
03A-08	03/26/03	SD - Admin	\$0.00	\$0.00	\$16,900.00	\$16,900.00
03A-08	03/26/03	SD - Tech Assist	\$0.00	\$0.00	\$9,900.00	\$9,900.00
03A-09	04/15/03	SD - Admin	\$0.00	\$0.00	\$15,000.00	\$15,000.00
03A-09	04/15/03	SD - Tech Assist	\$0.00	\$0.00	\$8,900.00	\$8,900.00
03A-09	04/15/03	SD - Tech Assist	\$0.00	\$0.00	\$11,800.00	\$11,800.00
03A-10	05/21/03	SD - Admin	\$0.00	\$0.00	\$14,800.00	\$14,800.00
03A-10	05/21/03	SD - Tech Assist	\$0.00	\$0.00	\$13,700.00	\$13,700.00
03A-11	06/11/03	FNB	\$0.00	\$0.00	\$8,837.00	\$8,837.00
03A-12	06/25/03	SD - Admin	\$0.00	\$0.00	\$15,200.00	\$15,200.00
03A-12	06/25/03	SD - Tech Assist	\$0.00	\$0.00	\$10,100.00	\$10,100.00
03A-13	07/25/03	Fiduciary Communications Co.	\$0.00	\$0.00	\$775.00	\$775.00
03A-14	07/30/03	SD - Admin	\$0.00	\$0.00	\$24,900.00	\$24,900.00
03A-14	07/30/03	SD - Tech Assist	\$0.00	\$0.00	\$7,200.00	\$7,200.00
03A-15	08/29/03	SD - Admin	\$0.00	\$0.00	\$19,200.00	\$19,200.00
03A-15	08/29/03	SD - Tech Assist	\$0.00	\$0.00	\$500.00	\$500.00
03A-16	09/18/03	SD - Admin	\$0.00	\$0.00	\$30,600.00	\$30,600.00
03A-16	09/18/03	SD - Local Assist	\$0.00	\$0.00	\$1,000.00	\$1,000.00
03A-16	09/18/03	SD - Tech Assist	\$0.00	\$0.00	\$18,300.00	\$18,300.00
Total Set-Aside Disbursements			\$0.00	\$0.00	\$400,022.00	\$400,022.00
<b>Total DWSRF Disbursements</b>			\$131,742.00	\$3,022,253.00	\$14,791,932.00	\$17,945,927.00

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 planning grants. 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 2003**

QUARTER	PROJECTED DRAWS	ACTUAL LOAN DRAWS	ACTUAL SET-ASIDE DRAWS	DIFFERENCE
1ST	\$4,090,500	\$2,632,101	\$108,688	-\$1,349,711
2ND	\$4,578,483	\$1,417,760	\$90,522	-\$3,070,201
3RD	\$5,088,783	\$1,409,463	\$98,337	-\$3,580,983
4TH	\$5,770,234	\$8,932,586	\$102,475	\$3,264,827
TOTAL	\$19,528,000	\$14,391,910	\$400,022	-\$4,736,068

**Letter of Credit Draws**  
**Federal Fiscal Year 2003**

Draw #	Date	Loan	Admin	Tech Asst	Local Asst	Total
0452	10/08/2002	\$144,516				\$144,516
0453	10/10/2002		\$16,500	\$9,900		\$26,400
0454	10/21/2002	\$4,000	\$21,000			\$25,000
0455	10/23/2002	\$21,300				\$21,300
0456	10/30/2003	\$93,965				\$93,965
0457	11/05/2002	\$55,245				\$55,245
0458	11/15/2002	\$288,338				\$288,338
0459	11/22/2002	\$29,000	\$18,600	\$4,900		\$52,500
0460	11/27/2002	\$442,671				\$442,671
0461	12/03/2002	\$138,480				\$138,480
0462	12/10/2002	\$89,640				\$89,640
0463	12/13/2002		\$8,188			\$8,188
0464	12/19/2002	\$1,314,863	\$18,600	\$11,000		\$1,344,463
0465	12/24/2002	\$10,083				\$10,083
0466	12/31/2002	\$73,161				\$73,161
0467	01/10/2003	\$253,988				\$253,988
0468	01/15/2003	\$111,566				\$111,566
0469	01/28/2003		\$26,200	\$2,900		\$29,100
0470	01/29/2003	\$364,750				\$364,750

Draw #	Date	Loan	Admin	Tech Asst	Local Asst	Total
0471	02/04/2003	\$378,349				\$378,349
0472	02/14/2003	\$1,518				\$1,518
0473	02/28/2003		\$18,000	\$7,000		\$25,000
0474	03/04/2003	\$113,563				\$113,563
0475	03/11/2003	\$42,361				\$42,361
0476	03/24/2003	\$78,504				\$78,504
0477	03/25/2003		\$26,522	\$9,900		\$36,422
0478	04/01/2003	\$16,887				\$16,887
0479	04/15/2003	\$60,084	\$15,000	\$20,700		\$95,784
0480	04/22/2003	\$176,640				\$176,640
0481	04/30/2003	\$355,469				\$355,469
0482	05/20/2003		\$14,800	\$13,700		\$28,500
0483	05/29/2003	\$46,140				\$46,140
0484	06/04/2003	\$217,670				\$217,670
0485	06/10/2003	\$329,388	\$8,837			\$338,225
0486	06/17/2003	\$103,915				\$103,915
0487	06/24/2003	\$103,270	\$15,200	\$10,100		\$128,570
0488	07/01/2003	\$84,615				\$84,615
0489	07/02/2003	\$295,348				\$295,348
0490	07/16/2003	\$123,937				\$123,937
0491	07/24/2003	\$445,019	\$775			\$445,794
0492	07/29/2003	\$45,831	\$24,900	\$7,200		\$77,931
0493	08/05/2003	\$338,733				\$338,733
0494	08/12/2003	\$5,668,160				\$5,668,160
0495	08/19/2003	\$133,003				\$133,003
0496	08/28/2003	\$453,213	\$19,200	\$500		\$472,913
0497	09/02/2003	\$443,687				\$443,687
0498	09/09/2003	\$19,725				\$19,725
0499	09/16/2003	\$210,980				\$210,980
0500	09/17/2003		\$30,600	\$18,300	\$1,000	\$49,900
0501	09/23/2003	\$670,335				\$670,335
TOTAL		\$14,391,910	\$282,922	\$116,100	\$1,000	\$14,791,932



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

Loan Recipient	Environmental Assessment Class	Environmental Assessment Publication Date	Land Purchase w/ SRF?
Aberdeen (DW-01)	FNSI	03/25/03	No
Big Stone City (DW-02)	FNSI	05/14/03	No
Canton (DW-01)	FNSI	01/08/03	No
Custer (DW-01)	FNSI	01/08/03	No
Dell Rapids (DW-01)	FNSI	02/19/03	No
Groton (DW-01)	CatEx	03/26/03	No
Hartford (DW-02)	CatEx	12/12/02	No
Martin (DW-01)	FNSI	08/20/03	No
Pierre (DW-02)	FNSI	09/24/03	No
Salem (DW-01)	CatEx	03/13/03	No
Scotland (DW-01)	CatEx	03/06/03	No
Sioux Falls (DW-04)	FNSI	01/18/03	No
South Lincoln RWS (DW-01)	FNSI	01/08/03	No
Tripp County WUD (DW-01)	FNSI	09/25/02	No
Tripp County WUD (DW-02)	FNSI	11/13/02	No
Worthing (DW-01)	CatEx	06/26/03	No

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**EXHIBITS VIII -- XII**

**DRINKING WATER SRF**

**FINANCIAL STATEMENTS**  
**(Unaudited)**

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**EXHIBIT VIII**  
**LOAN PARTICIPANTS**  
**September 3, 2003**  
**(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 Amount</b>	<b>Loan Balance</b>
Aberdeen (DW-01)	\$8,460,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Baltic (DW-01)	\$250,000.00	\$0.00	\$46,539.00	\$174,962.00	\$221,501.00	\$0.00	\$221,501.00
BDM RWS (DW-01)	\$536,000.00	\$0.00	\$0.00	\$478,640.00	\$478,640.00	\$0.00	\$478,640.00
Big Stone City (DW-01)	\$570,000.00	\$0.00	\$0.00	\$570,000.00	\$570,000.00	\$74,577.29	\$495,422.71
Big Stone City (DW-02)	\$240,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Black Hawk WUD (DW-01)	\$500,000.00	\$0.00	\$109,624.00	\$390,376.00	\$500,000.00	\$60,794.71	\$439,205.29
Brandon (DW-01)	\$1,877,375.00	\$0.00	\$0.00	\$1,877,375.00	\$1,877,375.00	\$327,388.41	\$1,549,986.59
Bristol (DW-01)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Britton (DW-01)	\$320,000.00	\$0.00	\$2,854.00	\$317,146.00	\$320,000.00	\$12,638.36	\$307,361.64
Bryant (DW-01)	\$142,000.00	\$0.00	\$8,038.00	\$133,962.00	\$142,000.00	\$4,692.23	\$137,307.77
Canton (DW-01)	\$500,000.00	\$0.00	\$112,699.00	\$347,759.00	\$460,458.00	\$0.00	\$460,458.00
Clear Lake (DW-01)	\$540,637.00	\$0.00	\$0.00	\$540,637.00	\$540,637.00	\$35,774.97	\$504,862.03
Colonial Pine Hills (DW-01)	\$636,108.00	\$0.00	\$185,726.00	\$450,382.00	\$636,108.00	\$12,163.30	\$623,944.70
Colton (DW-01)	\$681,720.00	\$0.00	\$122,124.00	\$205,677.00	\$327,801.00	\$0.00	\$327,801.00
Custer (DW-01)	\$800,000.00	\$131,742.00	\$103,304.00	\$257,850.00	\$492,896.00	\$0.00	\$492,896.00
Dakota Dunes (DW-01)	\$908,000.00	\$44,337.00	\$0.00	\$0.00	\$44,337.00	\$0.00	\$44,337.00
Dell Rapids (DW-01)	\$621,000.00	\$0.00	\$123,889.00	\$428,192.00	\$552,081.00	\$0.00	\$552,081.00
Elk Point (DW-01)	\$220,000.00	\$0.00	\$30,181.00	\$189,819.00	\$220,000.00	\$3,837.56	\$216,162.44
Fall River WUD (DW-01)	\$759,000.00	\$0.00	\$0.00	\$759,000.00	\$759,000.00	\$32,178.36	\$726,821.64
Fall River WUD (DW-02)	\$400,000.00	\$0.00	\$24,064.00	\$236,894.00	\$260,958.00	\$2,942.44	\$258,015.56
Garretson (DW-01)	\$1,261,060.00	\$0.00	\$189,966.00	\$276,416.00	\$466,382.00	\$0.00	\$466,382.00

<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 Amount</b>	<b>Loan Balance</b>
Gettysburg (DW-01)	\$565,000.00	\$0.00	\$0.00	\$565,000.00	\$565,000.00	\$13,324.40	\$551,675.60
Gregory (DW-01)	\$347,580.00	\$0.00	\$35,106.00	\$312,474.00	\$347,580.00	\$3,774.30	\$343,805.70
Groton (DW-01)	\$440,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Harrisburg (DW-01)	\$525,000.00	\$0.00	\$20,074.00	\$504,926.00	\$525,000.00	\$28,519.43	\$496,480.57
Hartford (DW-01)	\$185,000.00	\$0.00	\$0.00	\$185,000.00	\$185,000.00	\$9,878.07	\$175,121.93
Hartford (DW-02)	\$800,957.00	\$0.00	\$36,391.00	\$173,200.00	\$209,591.00	\$0.00	\$209,591.00
Hermosa (DW-01)	\$300,000.00	\$0.00	\$0.00	\$300,000.00	\$300,000.00	\$33,319.46	\$266,680.54
Huron (DW-01)	\$4,000,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Irene (DW-01)	\$127,126.00	\$0.00	\$0.00	\$127,126.00	\$127,126.00	\$12,383.40	\$114,742.60
Kingbrook RWS (DW-01)	\$474,204.00	\$0.00	\$0.00	\$474,204.00	\$474,204.00	\$22,354.35	\$451,849.65
Lead (DW-01)	\$192,800.00	\$0.00	\$110,440.00	\$82,360.00	\$192,800.00	\$11,659.74	\$181,140.26
Lead-Deadwood SD (DW-01)	\$2,683,957.00	\$0.00	\$1,812.00	\$2,682,145.00	\$2,683,957.00	\$2,683,957.00	\$0.00
Lincoln County RWS (DW-01)	\$1,200,000.00	\$0.00	\$0.00	\$504,228.00	\$504,228.00	\$0.00	\$504,228.00
Madison (DW-01)	\$2,372,000.00	\$0.00	\$0.00	\$2,372,000.00	\$2,372,000.00	\$570,321.30	\$1,801,678.70
Martin (DW-01)	\$920,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Mina Lake SD (DW-01)	\$255,200.00	\$0.00	\$110,253.00	\$144,947.00	\$255,200.00	\$24,111.00	\$231,089.00
Minnehaha CWC (DW-01)	\$6,500,000.00	\$0.00	\$0.00	\$2,158,794.00	\$2,158,794.00	\$0.00	\$2,158,794.00
Mitchell (DW-01)	\$3,000,000.00	\$0.00	\$373,907.00	\$1,419,141.00	\$1,793,048.00	\$0.00	\$1,793,048.00
Mobridge (DW-01)	\$965,000.00	\$0.00	\$0.00	\$965,000.00	\$965,000.00	\$188,658.32	\$776,341.68
Mobridge (DW-02)	\$352,207.00	\$0.00	\$0.00	\$352,207.00	\$352,207.00	\$59,714.37	\$292,492.63
Nisland (DW-01)	\$350,000.00	\$0.00	\$169,888.00	\$175,112.00	\$345,000.00	\$0.00	\$345,000.00
Pierre (DW-01)	\$1,094,200.00	\$0.00	\$122,500.00	\$817,426.00	\$939,926.00	\$25,972.71	\$913,953.29
Pierre (DW-02)	\$1,832,900.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Redfield (DW-01)	\$85,000.00	\$0.00	\$85,000.00	\$0.00	\$85,000.00	\$4,077.51	\$80,922.49
Salem (DW-01)	\$126,921.00	\$0.00	\$34,770.00	\$25,836.00	\$60,606.00	\$0.00	\$60,606.00
Scotland (DW-01)	\$340,000.00	\$0.00	\$24,532.00	\$73,234.00	\$97,766.00	\$0.00	\$97,766.00

<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 Amount</b>	<b>Loan Balance</b>
Sioux Falls (DW-01)	\$6,496,745.00	\$0.00	\$3,879,001.00	\$2,617,744.00	\$6,496,745.00	\$1,641,378.60	\$4,855,366.40
Sioux Falls (DW-02)	\$2,348,168.00	\$0.00	\$6,101.00	\$2,342,067.00	\$2,348,168.00	\$94,140.95	\$2,254,027.05
Sioux Falls (DW-03)	\$7,930,000.00	\$0.00	\$1,097,130.00	\$5,508,789.00	\$6,605,919.00	\$0.00	\$6,605,919.00
Sioux Falls (DW-04)	\$5,279,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
South Lincoln RWS (DW-01)	\$2,000,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sturgis (DW-01)	\$478,377.00	\$0.00	\$0.00	\$478,377.00	\$478,377.00	\$478,377.00	\$0.00
Tripp (DW-01)	\$225,656.00	\$0.00	\$15,391.00	\$210,265.00	\$225,656.00	\$1,268.23	\$224,387.77
Tripp County WUD (DW-01)	\$3,500,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Tripp County WUD (DW-02)	\$148,000.00	\$0.00	\$27,960.00	\$51,307.00	\$79,267.00	\$0.00	\$79,267.00
Tyndall (DW-01)	\$300,000.00	\$0.00	\$0.00	\$300,000.00	\$300,000.00	\$54,172.43	\$245,827.57
Tyndall (DW-02)	\$861,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Vermillion (DW-01)	\$795,338.00	\$68,827.00	\$0.00	\$726,511.00	\$795,338.00	\$75,142.65	\$720,195.35
Vermillion (DW-02)	\$1,510,000.00	\$0.00	\$26,872.00	\$127,979.00	\$154,851.00	\$0.00	\$154,851.00
WEB RWS (DW-01)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WEB RWS (DW-02)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Webster (DW-01)	\$330,000.00	\$0.00	\$69,329.00	\$62,286.00	\$131,615.00	\$0.00	\$131,615.00
WR/LJ RWS (DW-01)	\$340,000.00	\$0.00	\$59,092.00	\$280,908.00	\$340,000.00	\$3,833.67	\$336,166.33
Worthing (DW-01)	\$288,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Yankton (DW-01)	\$3,460,000.00	\$0.00	\$166,374.00	\$1,069,304.00	\$1,235,678.00	\$0.00	\$1,235,678.00
	\$86,548,236.00	\$244,906.00	\$7,530,931.00	\$35,824,984.00	\$43,600,821.00	\$6,607,326.52	\$36,993,494.48

**EXHIBIT IX**  
**Projected Cash Flow Worksheet**  
**For 10/1/2003 through 9/30/2004**  
**Unaudited**

<b>Borrower</b>	<b>Principal</b>	<b>Interest</b>	<b>Admin Surcharge</b>	<b>Total</b>
Baltic (DW-01)	\$1,923	\$5,215	\$2,086	\$9,225
BDM (DW-01)	\$4,156	\$21,305	\$8,521	\$33,983
Big Stone City (DW-01)	\$15,160	\$15,631	\$3,676	\$34,467
Black Hawk WUD (DW-01)	\$13,135	\$13,863	\$3,260	\$30,258
Brandon (DW-01)	\$103,916	\$56,679	\$15,112	\$175,708
Britton (DW-01)	\$10,496	\$10,624	\$3,032	\$24,152
Bryant (DW-01)	\$3,141	\$4,084	\$0	\$7,225
Canton (DW-01)	\$0	\$14,221	\$5,688	\$19,909
Clear Lake (DW-01)	\$12,341	\$15,008	\$0	\$27,349
Colonial Pine Hills (DW-01)	\$22,741	\$15,387	\$6,154	\$44,283
Colton (DW-01)	\$0	\$10,556	\$4,222	\$14,778
Custer (DW-01)	\$11,386	\$16,524	\$6,609	\$34,519
Dakota Dunes (DW-01)	\$385	\$2,093	\$837	\$3,316
Dell Rapids (DW-01)	\$0	\$12,927	\$5,170	\$18,097
Elk Point (DW-01)	\$7,879	\$5,331	\$2,132	\$15,342
Fall River (DW-01)	\$12,586	\$16,260	\$0	\$28,845
Fall River (DW-02)	\$4,483	\$4,810	\$0	\$9,293
Garretson (DW-01)	\$0	\$14,764	\$5,905	\$20,669
Gettysburg (DW-01)	\$18,476	\$19,074	\$5,443	\$42,992
Gregory (DW-01)	\$7,990	\$8,521	\$0	\$16,510
Harrisburg (DW-01)	\$17,131	\$19,605	\$4,901	\$41,637
Hartford (DW-01)	\$6,042	\$6,915	\$1,729	\$14,686
Hartford (DW-02)	\$3,656	\$4,622	\$1,849	\$10,126
Hermosa (DW-01)	\$10,696	\$10,508	\$2,627	\$23,831
Irene (DW-01)	\$4,501	\$4,523	\$1,131	\$10,155
Kingbrook RWS (DW-01)	\$11,891	\$0	\$0	\$11,891
Lead (DW-01)	\$16,168	\$6,147	\$1,734	\$24,049
Madison (DW-01)	\$138,199	\$65,640	\$21,880	\$225,719
Mina Lake San Dist (DW-01)	\$6,611	\$9,112	\$2,278	\$18,000
Minnehaha CWC (DW-01)	\$0	\$70,994	\$28,396	\$99,390
Mitchell (DW-01)	\$15,570	\$61,390	\$20,463	\$97,423
Mobridge (DW-01)	\$53,642	\$29,785	\$9,928	\$93,356
Mobridge (DW-02)	\$19,057	\$11,239	\$3,746	\$34,042
Nisland (DW-01)	\$8,750	\$0	\$0	\$8,750
Pierre (DW-01)	\$45,879	\$20,838	\$8,335	\$75,052
Redfield (DW-01)	\$2,874	\$2,803	\$791	\$6,468
Sioux Falls (DW-01)	\$604,065	\$162,546	\$45,846	\$812,458
Sioux Falls (DW-02)	\$194,720	\$76,577	\$21,599	\$292,896
Sioux Falls (DW-03)	\$138,644	\$143,044	\$57,214	\$338,902
Tripp (DW-01)	\$5,153	\$5,562	\$0	\$10,714
Tyndall (DW-01)	\$28,116	\$5,883	\$0	\$33,999
Vermillion (DW-01)	\$27,642	\$28,397	\$7,099	\$63,139
Vermillion (DW-02)	\$0	\$6,005	\$2,402	\$8,407
Webster(DW-01)	\$2,358	\$2,861	\$1,144	\$6,363
West River/Lyman Jones (DW-01)	\$7,812	\$8,311	\$0	\$16,123
Yankton (DW-01)	\$32,473	\$52,702	\$21,079	\$106,255
Total FFY04	\$1,649,921	\$1,093,671	\$341,933	\$3,085,525

**EXHIBIT X**  
**DENR DRINKING WATER STATE REVOLVING FUND**  
**BALANCE SHEET**  
**9/30/2003**

	SETASIDES					ADMIN SURCHARGE	LOANS	TOTAL
	STATE ADMIN	TECHNICAL ASSISTANCE	OPERATOR TRAINING	LOCAL ASSISTANCE	TOTAL SETASIDES			
<b>ASSETS:</b>								
Cash	(\$10,779.81)	(\$2,922.98)		(\$5.61)	(\$13,708.40)	\$856,751.45	\$7,552,605.63	\$8,395,648.68
Investments					\$0.00		\$8,731,856.21	\$8,731,856.21
Loans Receivable					\$0.00		\$36,993,494.48	\$36,993,494.48
Federal LOC Commitment less Cash Draws	\$807,616.00	\$199,450.00	\$0.00	\$48,000.00	\$1,055,066.00		\$32,935,002.00	\$33,990,068.00
Accrued Interest Receivable	\$0.01				\$0.01	\$567.08	\$350,570.64	\$351,137.73
Due from Other Governments					\$0.00	\$87,197.12		\$87,197.12
Deferred Charges	\$220,905.05				\$220,905.05		\$156,346.87	\$377,251.92
<b>TOTAL ASSETS</b>	<b>\$1,017,741.25</b>	<b>\$196,527.02</b>	<b>\$0.00</b>	<b>\$47,994.39</b>	<b>\$1,262,262.66</b>	<b>\$944,515.65</b>	<b>\$86,719,875.83</b>	<b>\$88,926,654.14</b>
<b>LIABILITIES AND FUND EQUITY:</b>								
Liabilities:								
Accounts Payable	\$43,950.82	\$3,475.00			\$47,425.82	\$0.00	\$0.00	\$47,425.82
Bonds Payable					\$0.00		\$10,675,000.00	\$10,675,000.00
Wages Payable	\$9,475.40				\$9,475.40			\$9,475.40
Accrued Employee Benefits	\$2,221.13				\$2,221.13			\$2,221.13
Accrued Interest Payable					\$0.00		\$84,869.58	\$84,869.58
<b>Total Liabilities</b>	<b>\$55,647.35</b>	<b>\$3,475.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$59,122.35</b>	<b>\$0.00</b>	<b>\$10,759,869.58</b>	<b>\$10,818,991.93</b>
Fund Equity:								
Contributions from EPA	\$2,349,864.00	\$561,050.00	\$4,300.00	\$50,000.00	\$2,965,214.00		\$68,759,986.00	\$71,725,200.00
Retained Earnings	(\$1,387,770.10)	(\$367,997.98)	(\$4,300.00)	(\$2,005.61)	(\$1,762,073.69)	\$944,515.65	\$5,775,760.25	\$4,958,202.21
Contributed Capital					\$0.00		\$1,424,260.00	\$1,424,260.00
<b>Total Fund Equity</b>	<b>\$962,093.90</b>	<b>\$193,052.02</b>	<b>\$0.00</b>	<b>\$47,994.39</b>	<b>\$1,203,140.31</b>	<b>\$944,515.65</b>	<b>\$75,960,006.25</b>	<b>\$78,107,662.21</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$1,017,741.25</b>	<b>\$196,527.02</b>	<b>\$0.00</b>	<b>\$47,994.39</b>	<b>\$1,262,262.66</b>	<b>\$944,515.65</b>	<b>\$86,719,875.83</b>	<b>\$88,926,654.14</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, 2003**

	SETASIDES					ADMIN SURCHARGE	LOANS	TOTAL
	STATE ADMIN	TECHNICAL ASSISTANCE	OPERATOR TRAINING	LOCAL ASSISTANCE	TOTAL SETASIDES			
<b>Operating Revenues:</b>								
Interest Income					\$0.00		\$805,522.79	\$805,522.79
Investment Income	\$0.31				\$0.31	\$8,451.21	\$594,976.85	\$603,428.37
Other Income					\$0.00	\$226,195.29		\$226,195.29
<b>Total Operating Revenue</b>	<b>\$0.31</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.31</b>	<b>\$234,646.50</b>	<b>\$1,400,499.64</b>	<b>\$1,635,146.45</b>
<b>Operating Expenses:</b>								
Administrative Expenses	\$266,604.20	\$89,385.43	\$0.00	\$1,005.61	\$356,995.24	\$0.00	\$0.00	\$356,995.24
Interest Expense					\$0.00		\$523,030.00	\$523,030.00
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
Refund of Prior Year Revenue						\$154.58	\$463.73	\$618.31
Total Operating Expenses	\$281,665.99	\$89,385.43	\$0.00	\$1,005.61	\$372,057.03	\$154.58	\$532,179.67	\$904,391.28
Operating Income (Loss)	(\$281,665.68)	(\$89,385.43)	\$0.00	(\$1,005.61)	(\$372,056.72)	\$234,491.92	\$868,319.97	\$730,755.17
Operating Transfers:								
Operating Transfer In							\$2,595,720.00	\$2,595,720.00
Operating Transfer Out	(\$27,461.49)				(\$27,461.49)			(\$27,461.49)
Net Transfers	(\$27,461.49)	\$0.00	\$0.00	\$0.00	(\$27,461.49)	\$0.00	\$2,595,720.00	\$2,568,258.51
<b>Net Income (Loss)</b>	<b>(\$309,127.17)</b>	<b>(\$89,385.43)</b>	<b>\$0.00</b>	<b>(\$1,005.61)</b>	<b>(\$399,518.21)</b>	<b>\$234,491.92</b>	<b>\$3,464,039.97</b>	<b>\$3,299,013.68</b>
<b>Fund Equity, Beginning</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>
<b>RETAINED EARNINGS, ENDING</b>	<b>(\$1,387,770.10)</b>	<b>(\$367,997.98)</b>	<b>(\$4,300.00)</b>	<b>(\$2,005.61)</b>	<b>(\$1,762,073.69)</b>	<b>\$944,515.65</b>	<b>\$5,775,760.25</b>	<b>\$4,958,202.21</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				TOTAL SETASIDES	ADMIN SURCHARGE	LOANS	TOTAL
	STATE ADMIN	TECHNICAL ASSISTANCE	OPERATOR TRAINING	LOCAL ASSISTANCE				
<b>Cash flows from operating activities:</b>								
Net Income	(\$281,665.68)	(\$89,385.43)	\$0.00	(\$1,005.61)	(\$372,056.72)	\$234,491.92	\$868,319.97	\$730,755.17
Adjustments to reconcile net income to net cash provided (used) by operating activities:								
Investment Income	(\$0.30)	\$0.00	\$0.00	\$0.00	(\$0.30)	(\$8,162.36)	(\$601,850.75)	(\$610,013.41)
Interest Expense							\$523,030.00	\$523,030.00
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		(\$13,959,353.12)	(\$13,959,353.12)
Accrued Interest Receivable on Loans					\$0.00		(\$890.94)	(\$890.94)
Federal LOC Commitment less Cash Draws	(\$37,242.00)	\$16,100.00		\$1,000.00	(\$20,142.00)		\$340,174.00	\$320,032.00
Deferred Bond Issuance Costs Due from Other Governments					\$0.00	(\$12,884.02)		(\$12,884.02)
Liabilities: Increase/(Decrease)								
Accounts Payable	\$12,313.82	(\$19,712.50)			(\$7,398.68)			(\$7,398.68)
Bond Issuance								
Accrued Interest payable					\$0.00			\$0.00
Due to Other Governments							(\$618.31)	(\$618.31)
Cost of Issuance Payable								\$0.00
Accrued Employee Benefits	\$913.77				\$913.77			\$913.77
Wages Payable	\$3,698.37				\$3,698.37			\$3,698.37
Net cash provided by operations	(\$286,920.23)	(\$92,997.93)	\$0.00	(\$5.61)	(\$379,923.77)	\$213,445.54	(\$12,822,503.21)	(\$12,988,981.44)

	SETASIDES					ADMIN SURCHARGE	LOANS	TOTAL
	STATE ADMIN	TECHNICAL ASSISTANCE	OPERATOR TRAINING	LOCAL ASSISTANCE	TOTAL SETASIDES			
<b>Cash flows from noncapital financing activities:</b>								
Operating Transfers Out					(\$27,461.49)			(\$27,461.49)
Operating Transfer In							\$2,595,720.00	\$2,595,720.00
Unamortized Bond Issuance Costs								\$0.00
Unamortized Bond Discount Costs								\$0.00
Bonds Payable					\$0.00		(\$400,000.00)	(\$400,000.00)
Bond Issue								\$0.00
Interest Payment on Bonds and Notes							(\$525,792.50)	(\$525,792.50)
Contributions from EPA	\$320,164.00	\$100,000.00			\$420,164.00		\$14,051,736.00	\$14,471,900.00
<b>Net cash provided by noncapital financing activities</b>	<b>\$292,702.51</b>	<b>\$100,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$392,702.51</b>	<b>\$0.00</b>	<b>\$15,721,663.50</b>	<b>\$16,114,366.01</b>
<b>Cash Flows from Investing Activities:</b>								
Interest on Investments	\$0.32				\$0.32	\$8,451.21	\$594,976.84	\$603,428.37
Purchase of Investment Securities							(\$4,936,881.45)	(\$4,936,881.45)
Proceeds from Sale of Investment Securities					\$0.00		\$3,788,661.34	\$3,788,661.34
<b>Increase in Investments</b>	<b>\$0.32</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.32</b>	<b>\$8,451.21</b>	<b>(\$553,243.27)</b>	<b>(\$544,791.74)</b>
<b>Net Decrease in cash and cash equivalents</b>	<b>\$5,782.60</b>	<b>\$7,002.07</b>	<b>\$0.00</b>	<b>(\$5.61)</b>	<b>\$12,779.06</b>	<b>\$221,896.75</b>	<b>\$2,345,917.02</b>	<b>\$2,580,592.83</b>
<b>Cash and cash equivalents at beginning of year</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>
<b>Cash and cash equivalents at year end</b>	<b>(\$10,779.81)</b>	<b>(\$2,922.98)</b>	<b>\$0.00</b>	<b>(\$5.61)</b>	<b>(\$13,708.40)</b>	<b>\$856,751.45</b>	<b>\$7,552,605.63</b>	<b>\$8,395,648.68</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, 2003**

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 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 Poors, which paid on average approximately 1.12% for the year ending September 30, 2003.
6. Investments consist of an Investment Agreement at 5.56% with CDC Funding Corporation due August 1, 2008 totaling \$8,217,356.
7. Reserve Accounts consist primarily of an Investment Agreement at 5.56% 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, 2004</u>	<u>August 1, 2004</u>
Series 1998 Bonds			
Principal	5,575,000		240,000
Interest		134,193	134,193
Series 2001 Bonds			
Principal	5,100,000		175,000
Interest		120,416	120,416
TOTAL	<u>10,675,000</u>	<u>254,609</u>	<u>669,609</u>

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
2003	<u>14,471,900</u>
TOTAL	<u>71,725,200</u>

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>09/30/03</u>	<u>Cumulative</u> <u>Total</u>
State of South Dakota	308,626	1,525,092
First National Bank	17,594	57,344
Altheimer & Gray	30,000	120,000
Other	<u>775</u>	<u>6,643</u>
TOTAL	<u>356,995</u>	<u>1,709,079</u>

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**ADDENDUM I**

**FEDERAL FISCAL YEAR 2004**

**INTENDED USE PLAN**

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**SOUTH DAKOTA  
DRINKING WATER STATE REVOLVING FUND  
FISCAL YEAR 2004 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 2004 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 2004 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 2003 the BWNR set the interest rates for fiscal year 2004 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 set 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 3.5 percent, 2.5 percent or zero percent depending on the recipient's median household income. Information regarding disadvantaged eligibility and subsidy level criteria can be found in the disadvantaged community subsidies section.

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 those loans with interest rate less than 3.5 percent.

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 \$35.4 million (40.8 percent) of the \$86.5 million of loans. With \$6.2 million identified for systems serving fewer than 10,000 persons on Attachment II – List of Projects to be Funded in Fiscal Year 2004, 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 years 2002 and 2003. 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 Appropriation Bill for fiscal year 2004. 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 and \$7,761,360 from the Clean Water SRF program in fiscal years 2002 and 2003, respectively. This equaled the entire fiscal years' 2002 and 2003



Clean Water SRF capitalization grants and state match. These transfers utilized the capacity of the 1997 through 2001 Drinking Water SRF capitalization grants and \$1.5 million of the 2002 Drinking Water SRF capitalization grant. If the transfer authority is extended, \$6,568,383 of the 2004 Clean Water SRF capitalization grant and state match will be transferred to the Drinking Water SRF program. This transfer will utilize the remaining capacity of \$1.17 million from the 2002 Drinking Water SRF capitalization grant and all of the capacity from the 2003 and 2004 Drinking Water SRF capitalization grants. With this transfer, the entire transfer capacity of \$22,142,703 will have been transferred to the Drinking Water SRF program. Table 1 (page 8) itemizes the amount of funds transferred to the Drinking Water SRF program.

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 \$8,352,500 for federal fiscal year 2004. The required state match of \$1,670,500 will be secured through bonds. The bonding authority for this program is established in SDCL 46A-1-60.1.

As of September 30, 2003, sixty-six loans totaling \$86,548,236 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	\$334,100
Small System Technical Assistance	<u>\$167,050</u>
<b>Total for set-asides</b>	<b>\$501,150</b>

The program has received seven previous capitalization grants totaling \$58,746,600 and has provided the required state match of \$11,749,320. Of this amount, \$2,965,214 was allocated to set-aside activities as follows: \$2,349,864 for administration, \$561,050 for small system technical assistance, \$4,300 for state program management – operator certification, and \$50,000 for capacity development.

In fiscal years 2002 and 2003, demand on the program was substantially higher than was anticipated. Similar demand on the program is expected in fiscal year 2004. 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 and 2003 Clean Water SRF capitalization grants and state match were transferred to the Drinking Water SRF program. This amounted to more than \$15.5 million. If the transfer authority is extended, \$6,568,383 of

the 2004 Clean Water SRF capitalization grant and state match will be transferred to the Drinking Water SRF program.

At the beginning of fiscal year 2004, \$4.65 million is available for loan. Upon receipt of the fiscal year 2004 capitalization grant and transfer of funds from the Clean Water SRF program, approximately \$16.0 million of additional funds will be available to loan. This amount is based on the best available information at this time. With the 2004 capitalization grant, excess interest earnings, and repayments, the South Dakota Drinking Water SRF program will have dedicated \$107.2 million for loans to qualifying public water systems. This information is provided in Attachment III, Drinking Water SRF Funding Status. The attached project priority list identifies \$40.9 million in potential loans.

Additional state bonding, i.e. more than that required to match capitalization grants, has not been provided to leverage additional funds. The state retained a financial advisor in fiscal year 2003. The financial advisor has been tasked to evaluate the feasibility of leveraging the program to meet the increased demand.

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 fiscal year capitalization grant or an estimated \$334,100 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, financial advisor, and trustee; and other costs to administer the program.

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

**Small system technical assistance. In fiscal year 2004, two percent of the capitalization grant or an estimated \$167,050 will be allocated to provide technical assistance to public water systems serving 10,000 or fewer. This is the maximum allowed.**

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

In fiscal year 1997, the board contracted with the South Dakota 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 \$19,550 remains unobligated.

The six contracts with the regional planning districts for the completion of capacity assessments were allowed to expire at the end of FFY 2003. Through these contracts 68 capacity assessments were completed since 1998. Funds remaining in these contracts were reverted to the small system technical assistance set-aside and will be available for other eligible activities. Communities needing assistance with capacity assessment may request funds directly from the department. These funds will be allocated through the set-aside for local assistance and other state programs. The contract with the South Dakota Association of Rural Water Systems and will be amended to allow the continuation of assistance activities. The Rural Water Association provides on-site assistance such as leak detection, consumer confidence reports, water audits, board oversight and review, treatment plant operations, operator certification, and rate analysis. Contracts to date have provided more than 5,200 hours of on-site small system technical assistance.

To promote proactive planning within small communities, the Small Community Planning Grant program was initiated in fiscal year 2001. The systems are reimbursed 80 percent of the cost of an engineering study, with the maximum grant amount for any project being \$4,000. To date, \$225,000 has been allocated to this program. Thirty-six grants have been made for this purpose, totaling \$120,786 in obligations. For the first two years of the program, grants were available only for communities having a population of 1,000 or less.

Beginning in fiscal year 2004, grants will be available to communities of 2,500 or less. The department will begin providing additional subsidy for studies that incorporate a rate analysis using Rate Maker software. The maximum reimbursement amount will be determined as the cost for developing the analyses are negotiated with planning districts and consultants. Reimbursement will remain at 80 percent of costs. The section regarding local assistance and other state programs provides additional information regarding the use of Rate Maker software.

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

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 2004.

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 were completed using other funding sources.

In fiscal year 2001, \$50,000 was allocated to 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. In fiscal year 2003, \$26,000 was obligated to the six planning districts to be trained in Rate Maker software and to then complete water rate analyses in twelve communities interested in using the software. Unobligated funds will be banked for use in fiscal year 2004. The department continues to work with the regional planning districts and other interested parties to identify uses of the Capacity Development Program set-aside funds.

No funds will be set-aside in fiscal year 2004 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 state-wide 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 state-wide median household income; and
  - (b) the monthly water bill for rural households is \$50 or more for 7,000 gallons usage.

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

Affordability criteria used to determine subsidy amount. 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>\$1,486,620</b> \$1,170,705
2003	\$8,004,100	\$2,641,353	\$19,386,378	<b>\$7,761,360</b>	\$2,641,353
2004 (est.)	\$8,352,500	\$2,756,325	\$22,142,703	\$6,568,383	\$2,756,325

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 2004.**

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
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
93	Fall River Water Users District	C462435-03	<i>Problem:</i> the Fall River WUD was served a petition for annexation from a group of area ranchers, businesses and other landowners. <i>Project:</i> construct approximately 48 miles of variously sized water mains to serve new users in Fall and Custer Counties.	\$650,000	3.5%, 30 yrs.	275	Yes
80	B-Y Rural Water System	C462431-02	<i>Problem:</i> the treatment plant produces lime sludge that must be disposed of properly. <i>Project:</i> construct a monofill to dispose of the sludge.	\$250,000	3.5%, 30 yrs	3,905	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>
76	Sioux Falls	C462232-04	<i>Problem:</i> growth within the city necessitates improvements to the system to meet water demand and corroded water lines result in unacceptable levels of water loss. <i>Project:</i> improve the disinfection capability by adding UV disinfection, additional storage to improve water pressures in areas where pressure is low, and replace portions of the distribution system.	\$7,875,000	3.5%, 10 yrs.	123,975	
64	Aberdeen	C462072-02	<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.	\$6,000,000	3.5%, 20 yrs.	24,658	
61	Kingbrook Rural Water System	C462432-02	<i>Problem:</i> areas within the rural water system are experiencing low pressure and water outages due to increased demand. <i>Project:</i> construction of new transmission lines within the areas experiencing problems.	\$450,000	3.5%, 30 yr	3,600	Yes
60	Brookings-Deuel Rural Water System	C462453-01	<i>Problem:</i> increased demand is straining the ability of the system to provide reliable service to users in the Bruce area. <i>Project:</i> construction of approximately 10 miles of new 12-inch transmission line.	\$225,000	3.5%, 30 yrs	2,050	Yes



Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
58	Green Valley Sanitary District	C462251-01	<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	768	
57	Aurora-Brule Rural Water System	C462425-01	<i>Problem:</i> the system is experiencing spikes in turbidity, and the existing water treatment process units are nearing the end of their useful life. <i>Project:</i> Replace the existing treatment units with an Actifloc treatment process.	\$1,000,000	3.5%, 30 yrs	6,084	Yes
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.	7,043	
50	Lennox	C462105-01	<i>Problem:</i> the city's water is supplied by three wells that are marginal in their ability to meet the current peak day demand, the elevated water storage facility is over 90 years old and in need of replacement, and the distribution system has areas of cast iron and asbestos cement pipe and dead-end lines. <i>Project:</i> drill two new wells, rehabilitate existing wells, construct a one-million gallon elevated water tank, replace areas of old water main, and install new lines to loop dead-end lines.	\$4,238,600	3.5%, 30 yrs.	2,037	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
44	Clay Rural Water System (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	
42	Claire City	C462324-01	<i>Problem:</i> the community is served by individual wells, and on numerous occasions, total coliform has been found in samples of the sole system subject to sampling (a transient, non community system). <i>Project:</i> construction of a water distribution system and connection to the BDM Rural Water system, which will own and operate the system.	\$150,000	3.5%, 30 yrs.	85	Yes
40	Hartford	C462104-03	<i>Problem:</i> water storage capacity is less than an average day demand and reduced pressures are being experienced in the northeast area of the city. <i>Project:</i> construct a 500,000 elevated storage facility and replace lines and provide looping to improve water flows.	\$1,150,000	3.5%, 20 yrs	1,844	
34	Parker	C462026-01	<i>Problem:</i> The existing water distribution system consists largely of 4-inch lines and is experiencing substantial water loss. <i>Project:</i> construct phases 1 and 2 of a seven-phase project to replace most of the water distribution system.	\$298,000	3.5%, 20 yrs	1,031	
32	Randall Community Water System	C462436-01	<i>Problem:</i> the town of Ravinia's existing distribution system is old and subject to excessive water loss. <i>Project:</i> the Randall CWS, which currently provides bulk water to Ravinia, will construct a new distribution system and provide individual service to residents.	\$100,000	2.5%, 30 yrs.	79	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
29	Crooks	C462227-01	<i>Problem:</i> the city receives its water from the Minnehaha Community Water Corporation; the capacity of the supply line was reached last year during times of peak demand. <i>Project:</i> install a second connection to Minnehaha Community Water Corporation and replace existing high service pumps.	\$300,000	3.5%, 20 yrs	859	
28	Keystone	C462074-01	<i>Problem:</i> the system does not have adequate groundwater supply to meet the maximum day demand with the largest producing well out of service, users at higher elevations do not have adequate pressure, and a large portion of the system is not looped. <i>Project:</i> develop a new well, construct a 150,000-gallon ground storage reservoir, and install 3,900 feet of 8-inch line to loop the system.	\$675,000	3.5%, 20 yrs	311	No (do not meet minimum rates)
28	Willow Lake	C462303-01	<i>Problem:</i> the existing water distribution system is unmetered and consists mostly of cast iron lines that are over 50 years old and in poor condition. <i>Project:</i> upgrade the distribution system, including looping, by installing approximately 16,130 feet of 6-inch PVC, 10 fire hydrants, and 139 meters.	\$138,000	3.5%, 30 years	294	Yes
27	Letcher	C462358-01	<i>Problem:</i> the distribution system is experiencing almost 50% water loss as a result of old asbestos-cement pipe and leaky valves. <i>Project:</i> install approximately 16,800 feet of six-inch PVC water main to replace the entire distribution system.	\$200,000	2.5%, 30 years	177	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
21	Clay Rural Water System (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	Platte	C462130-01	<i>Problem:</i> cast iron water mains are old which results in frequent breaks in the line. <i>Project:</i> replace the cast iron mains with PVC pipe to complete the last phase of the city's line replacement project.	\$200,000	3.5%, 30 yrs.	1,367	Yes
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.	\$3,500,000	3.5%, 20 yrs.	2,244	
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.	\$870,000	3.5%, 30 yrs.	910	Yes
19	McLaughlin	C462233-01	<i>Problem:</i> the distribution lines under the city's Main Street are over 50 years old and in need of replacement. <i>Project:</i> replace five blocks of water main in conjunction with a DOT Main Street Improvement project.	\$270,000	2.5%, 30 yrs	775	Yes
17	Joint Well Field, Inc.	C462454-01	<i>Problem:</i> the water treatment plant is reaching capacity. <i>Project:</i> expand the existing water treatment plant by adding an aerator, detention tank, and sand filters and make improvements to the high service pumping capability.	\$350,000	3.5%, 30 yrs.	5,850	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>
17	Kingbrook Rural Water System	C462432-02	<i>Problem:</i> portions of the Winfred Water District's lines need replacement, and the district lacks the technical, managerial, and financial capacity to operate a water system. <i>Project:</i> installation of new lines, meters and appurtenances to connect to the Kingbrook Rural Water system as individual users.	\$100,000	3.5%, 20 yrs.	88	
15	Elk Point	C462059-02	<i>Problem:</i> the water treatment system is experiencing difficulty in meeting peak day demands due to limited water treatment capacity. <i>Project:</i> upgrading the capability of the water treatment facility by replacing piping and valves, baffling in the detention tank, and the aerator, constructing a new detention tank, and installing a new chemical feed system and four additional filters.	\$1,000,000	3.5%, 20 yrs.	1,714	
14	Whitewood	C462006-01	<i>Problem:</i> a booster station within the system is inadequate and areas experienced reduced pressures due to lack of looping. <i>Project:</i> eliminate the booster station by pumping directly from the wells to the distribution system and construct new lines to provide looping in areas of inadequate flow.	\$350,000	3.5%, 30 yrs	844	Yes
13	Tyndall	C462131-03	<i>Problem:</i> portions of the distribution system consist of asbestos cement pipe that is over 50 years old and undersized. <i>Project:</i> replace approximately 2,800 feet of asbestos cement water line with PVC.	\$300,000	2.5%, 30 yrs.	1,239	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
11	Lead (line replacement)	C462007-02	<i>Problem:</i> portions of the distribution system are cast iron lines that are over 100 years old and in need of replacement. <i>Project:</i> replace cast iron lines PVC lines in conjunction with a DOT Highway project.	\$150,000	3.5%, 30 yrs.	3,632	Yes
10	Clark	C462124-01	<i>Problem:</i> the cast iron water mains under Cloud Street are approximately 50 years old, undersized, and deteriorating. <i>Project:</i> replace approximately 3,125 feet of water line.	\$160,000	3.5%, 30 yrs.	1,285	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	Burke	C462225-01	<i>Problem:</i> the existing water main under Franklin Street is old, corroded, and filled with deposits. <i>Project:</i> Replace approximately 2,900 feet of water main in conjunction with a road reconstruction project.	\$100,000	3.5%, 20 yrs.	676	No (do not meet minimum rates)
9	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	3.5%, 30 yrs.	780	Yes
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%, 30 yrs.	737	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
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%, 30 yrs.	432	Yes
7	Java	C462350-01	<i>Problem:</i> the city's distribution system is old and in need of replacement. <i>Project:</i> replace the entire distribution system (approximately 40 blocks).	\$329,500	3.5%, 30 yrs.	197	Yes
2	Pine Cliff Park Water and Maintenance, Inc.	C462452-01	<i>Problem:</i> numerous breaks have occurred in certain areas within the system. <i>Project:</i> replace the existing 2- and 4-inch water mains with 4- or 6-inch mains.	\$980,000	3.5%, 20 yrs.	179	
2	Ponderosa Park Development Association	C462450-01	<i>Problem:</i> the 2-inch water lines are susceptible to freezing due to insufficient burial depth, and the existing storage facility does not provide sufficient pressure throughout the system. <i>Project:</i> replace the existing distribution system with 6-inch lines and construct additional storage to eliminate pressure tanks.	\$180,000	3.5%, 20 yrs.	50	

**ATTACHMENT II - LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2004**

<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						
20	Rapid City	C462014-01	\$3,500,000	November 2003	2003 & Unrestricted Interest	
64	Aberdeen (amendment)	C462072-01	\$1,000,000	January 2004	Unrestricted Interest, & Repayments	
76	Sioux Falls	C462232-04	\$7,875,000	March 2004	2004	
64	Aberdeen	C462072-02	\$7,000,000	March 2004	2004	
34	Parker	C462026-01	\$298,000	March 2004	2004	
29	Crooks	C462227-01	\$300,000	March 2004	2004	
28	Keystone	C462074-01	\$675,000	June 2004	2004/	
27	Letcher	C462358-01	\$200,000	June 2004	Repayments	Yes
19	Centerville	C462215-01	\$870,000	June 2004	Repayments & Unrestricted Interest	Yes
19	McLaughlin	C462233-01	\$270,000	June 2004	Unrestricted Interest	Yes
15	Elk Point	C462059-02	\$1,000,000	June 2004	Leveraged Funds	
13	Tyndall	C462131-03	\$300,000	June 2004	Leveraged Funds	Yes
57	Rapid Valley Sanitary District	C462013-01	\$2,000,000	September 2004	Leveraged Funds	
8	Irene	C462255-02	\$280,000	September 2004	Leveraged Funds	Yes



**ATTACHMENT III**  
**PROGRAM FUNDING STATUS**

**Fiscal Years 1997 - 2003**

Capitalization Grants	\$58,746,600	
State Match	\$11,749,320	
Set-Asides	(\$2,965,214)	
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	\$15,574,320	
Available to Loan		\$83,105,026
Excess Interest as of September 30, 2003		\$1,486,111
Principal Repayments as of September 30, 2003		\$6,607,327

**Fiscal Year 2004**

Capitalization Grants	\$8,352,500	
State Match	\$1,670,500	
Set-Asides	(\$501,150)	
Transfer of Fiscal Year 2004 Clean Water Capitalization Grant and State Match	\$6,568,383	
Available to Loan		<u>\$16,090,233</u>
Total Funds Dedicated to Loan		\$107,288,697
Loans made through September 30, 2003		<u>(\$86,548,236)</u>
Funds Available for Loans		<u><u>\$20,740,461</u></u>
Amount of Estimated Loans Identified on Attachment I of Fiscal Year 2004 Intended Use Plan		<u><u>\$40,914,100</u></u>