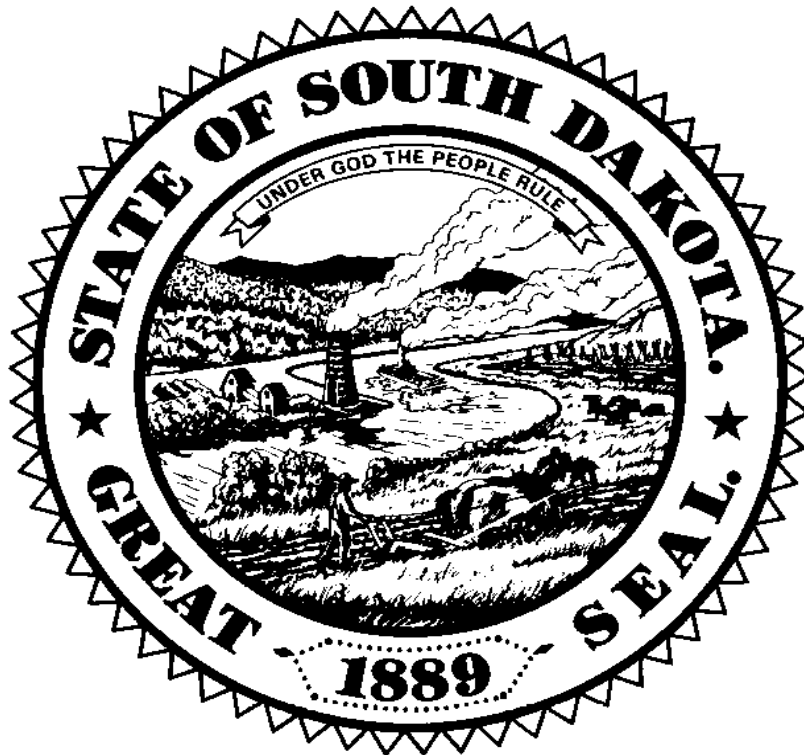


**THE SOUTH DAKOTA CONSERVANCY DISTRICT  
DRINKING WATER STATE REVOLVING FUND  
ANNUAL REPORT**

**FEDERAL FISCAL YEAR 2004  
October 1, 2003 - September 30, 2004**



**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  
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GENE JONES, JR  
Sioux Falls  
Member since 2002

JOHN LOUCKS  
Rapid City  
Member since 1989

DON ROUNDS  
Pierre  
Member since 2003

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## **MISSION**

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

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**FEDERAL FISCAL YEAR**

**2004**

**ANNUAL REPORT**

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## INTRODUCTION

The State of South Dakota herewith submits its Annual Report for Federal Fiscal Year (FFY) 2004 (October 1, 2003 through September 30, 2004). 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 2004 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 2004 activities. The next section addresses the *Goals and Objectives* the State of South Dakota identified in its 2004 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 2004, 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 2005. 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 \$8,303,100 for FFY 2004. These funds were matched by \$1,660,620 in state issued revenue bonds. In addition, the Conservancy District leveraged \$22,503,662 in revenue bonds. Total funding from the FFY 2004 capitalization grant, state match, and leveraged funds equaled \$32,467,382.

### DRINKING WATER SRF LOANS

The Conservancy District approved 12 loans with 12 communities totaling \$30,899,800. No projects with higher priority points were denied funding in FFY 2004. These projects were bypassed because they were not ready to proceed or had secured other financing. A breakdown of the loans made during FFY 2004 is detailed in Table 1 and Exhibit I. On a cumulative basis, the Board of Water and Natural Resources has obligated a total of 77 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 2004**

| <b>Recipient</b>    | <b>Project Description</b>             | <b>Assistance<br/>Amount</b> | <b>Rate/Term</b> |
|---------------------|--|------------------------------|------------------|
| Aberdeen (DW-01)    | Water Treatment Plant Improvements     | \$8,300,000                  | 3.5%/20          |
| Centerville (DW-01) | Water Distribution System Improvements | \$870,000                    | 3.25%/30         |
| Crooks (DW-01)      | Water Distribution System Improvements | \$302,900                    | 3.25%/20         |
| Elk Point (DW-02)   | Water Treatment Plant Upgrade          | \$570,000                    | 3.25%/20         |
| Groton (DW-02)      | Waterline Replacement                  | \$365,900                    | 3.25%/20         |
| Keystone (DW-01)    | Water System Improvements              | \$762,000                    | 3.25%/20         |
| Lennox (DW-01)      | Water System Improvements              | \$2,000,000                  | 3.25%/30         |
| McLaughlin (DW-01)  | Watermain Improvements                 | \$350,000                    | 2.5%/30          |
| Parker (DW-01)      | Water System Improvements              | \$730,000                    | 3.25%/20         |
| Platte (DW-01)      | Waterline Replacement                  | \$400,000                    | 2.5%/10          |
| Rapid City (DW-01)  | Red Rock Water Storage Reservoir       | \$3,500,000                  | 3.5%/20          |
| Sioux Falls (DW-05) | Drinking Water Facilities Improvements | \$12,749,000                 | 2.5%/10          |
| <b>TOTAL</b>        |  | <b>\$30,899,800</b>          |                  |

Disbursements from the program during FFY 2004 totaled \$24,586,885. This total includes loan disbursements of \$24,069,557 to the various recipients with the balance going to set-asides. See Exhibit V for a breakdown of all disbursements during FFY 2004.

Since the program was initiated in 1998, 77 loans have been awarded. The projects associated with 53 loans are fully constructed or essentially complete and in operation. The following fourteen projects initiated operations this past year:

|                         |                        |
|-------------------------|------------------------|
| Baltic (DW-01)          | Big Stone City (DW-02) |
| Canton (DW-01)          | Colton (DW-01)         |
| Custer (DW-01)          | Garretson (DW-01)      |
| Lincoln Co. RWS (DW-01) | Minnehaha CWC (DW-01)  |
| Mitchell (DW-01)        | Salem (DW-01)          |

Scotland (DW-01)  
Vermillion (DW-02)

Sioux Falls (DW-03)  
Webster (DW-01)

Drinking Water SRF program forms are provided in the Department of Environment and Natural Resources' State Water Planning Process document. This document contains application forms and instructions for the State Water Plan and various funding programs. A drinking water project self-assessment was incorporated into the State Water Plan application to facilitate the project priority determination process 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 2004, \$6,350,800 (20.6 percent) of the binding commitments were made to systems serving less than 10,000. Since the Drinking Water SRF program was initiated, \$41,702,685 (33.8 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 2004. 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 FFY 2004 interest rates in September 2003 and retained the FFY 2003 interest rates at 3.5 percent for loans 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 of 2.5 percent, and an MHI less than 60 percent of the statewide MHI to be eligible for a loan at zero percent interest. Residential water bills

must be at least \$20 for 5,000 gallons usage for municipalities and sanitary districts and \$50 for 7,000 gallons usage for other community water systems.

In March 2004, the board adjusted the base rates to 2.5 percent for loans up to 10 years and 3.25 percent for loans up to 20 years. The 3.25 percent rate includes 2.5 percent interest plus 0.75 percent administrative surcharge fee. The 2.5 percent rate includes 2.0 percent interest plus 0.5 percent administrative surcharge.

The Board adjusted the 80 percent-100 percent MHI disadvantaged and interim rates to 3.25 percent; interim rates were adjusted to 2.0 percent.

### **REPAYMENTS**

Thirty-five loans are currently in repayment, and six loans have been repaid in full. Repayments equaled \$6,402,109 in FFY 2004 and consisted of \$4,702,832 in principal, \$1,280,777 in interest, and \$418,500 in administrative surcharge fees.

### **FINANCIAL ADVISOR**

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

### **BOND ISSUE**

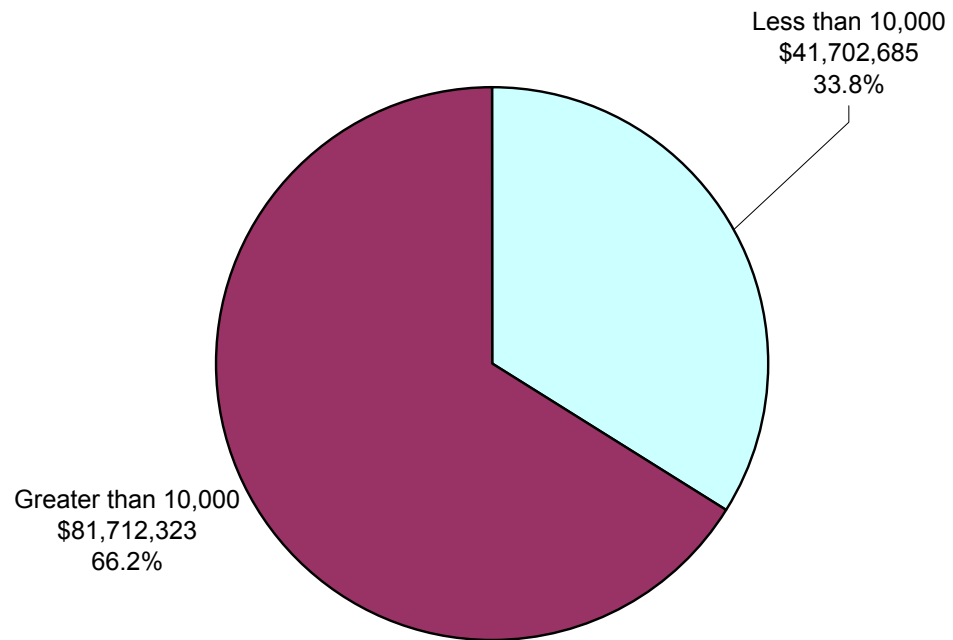
The South Dakota Conservancy District issued Series 2004 bonds for the State Revolving Fund (SRF) programs in July 2004. The purpose of the bond issue was to provide State match for the Drinking Water SRF program for 2004 through 2006, provide additional leveraged bonds for the Drinking Water SRF program to satisfy the high loan demand, and refund prior series of Clean Water SRF bonds. The 2004 bond issue was rated AAA by Standard and Poor's and Aaa by Moody's. These are the highest ratings assigned by each agency. The bonds were marketed on June 28 and 29, 2004, and the final value of the bond was \$38,460,000. The True Interest Cost was 4.48 percent and the Net Interest Cost was 4.60 percent.

The refunding of the 1994, 1995, and 1996 series of Clean Water bonds resulted in a net present value savings of \$986,412. This savings was higher than anticipated and was a secondary benefit of the refunding. The refunding was done primarily to adopt a new Master Trust Indenture under which both SRF programs operate rather than each program having a separate indenture. The new Master Trust Indenture allows the district to more readily transfer funds between programs, and the earnings from one program can pay debts on the other program, if needed (cross-collateralization).

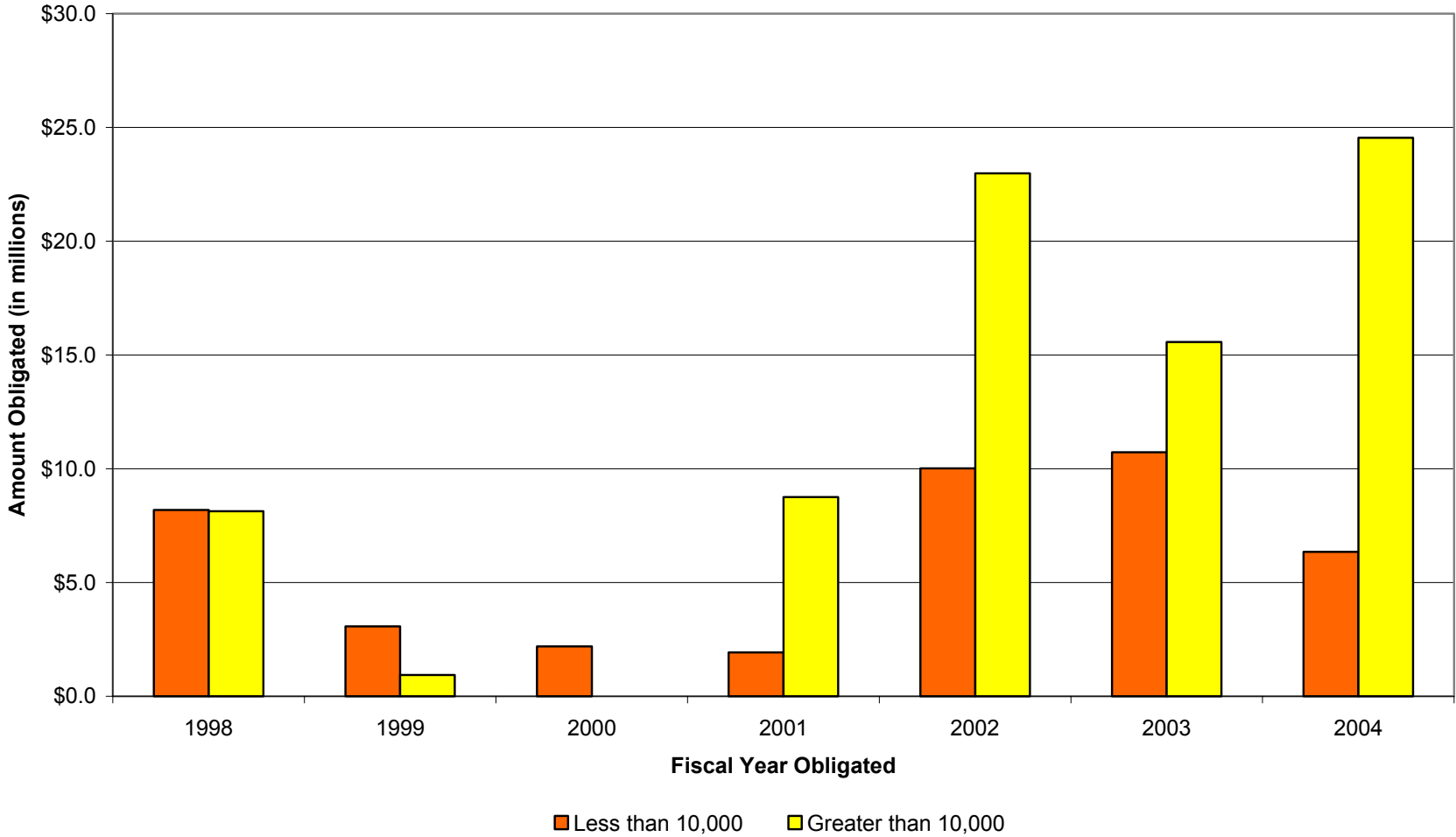
In conjunction with the bond issue, a Guaranteed Investment Contract (GIC) was awarded to AIG Matched Funding Corp. The GIC earns 5.07 percent, and up to \$60 million of bond proceeds and repayments from the 2001 and 2004 bond issues can be invested under this agreement. A GIC agreement was not executed for the 2001 issue because of extremely low interest rates due to the depressed financial markets following the September 11th event. The 2001 bond issue was originally scheduled to be sold on September 11, 2001.

The Drinking Water portion of the bond issue amounted to \$27,070,000, with \$22,503,662 in leveraged funds, \$5,001,620 state match for grant years 2004, 2005, and 2006, and \$435,282 in costs of issuance.

**FIGURE 1**  
**DW SRF Loans by Service Population**  
**(\$123 Million)**



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



**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 2004 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<br/>1997-2003</b> | <b>Allotment<br/>2004</b> | <b>Transfer<br/>Out</b> | <b>Obligated<br/>9/30/04</b> | <b>Balance</b>   |
|------------------------------|--------------------------------|---------------------------|-------------------------|------------------------------|------------------|
| Administration               | \$2,349,864                    | \$332,124                 | 0                       | \$1,984,238                  | \$697,750        |
| Small System Tech Assistance | 561,050                        | 166,062                   | 0                       | 557,259                      | 169,853          |
| State Program Mgmt           | 20,000                         | 0                         | 15,700                  | 4,300                        | 0                |
| Local Assistance/ Other      | 1,305,880                      | 0                         | \$1,255,880             | 21,206                       | 28,794           |
| <b>TOTAL</b>                 | <b>\$4,236,794</b>             | <b>\$498,186</b>          | <b>\$1,271,580</b>      | <b>\$2,567,003</b>           | <b>\$896,397</b> |

▪ **Administration**

Four percent of the 2004 capitalization grant (\$332,124) was allocated to administer the Drinking Water SRF program. Specific activities funded from this set-aside include the following:

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

During FFY 2004, \$322,303 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 were available to communities of 1,000 or fewer to assist in preparing a water system engineering study. This population threshold was raised to 2,500 in FFY 2004. Participating systems are reimbursed 80 percent of the cost of the study, up to a maximum of \$4,000. In 2004, the board also began providing additional grants for studies incorporating a rate analysis using Rate Maker software. Reimbursement for performing a rate analysis is 80 percent of costs up to a maximum of \$1,600. An additional \$75,000 was allocated to this effort in 2002 and \$100,000 in 2003. Table 3 provides a list of the small community public water systems that received awards in 2003 through the Small Community Planning Grant Program.

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 2004, the Association has provided more than 5,800 hours of on-site small system technical assistance.

To assure continued technical assistance for South Dakota communities, the maximum allowable allocation was set aside in FFY 2004. This amounted to \$166,062 and is intended to be used for planning grants and Rural Water Association activities as needed. At the close of the program year, none of the 2004 funds had been placed under agreement. The funds will be banked for future use.

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

| <b>Sponsor</b>                             | <b>Amount<br/>Obligated</b> | <b>Date<br/>Obligated</b> | <b>Project Description</b>                |
|--|-----------------------------|---------------------------|---|
| Fall River WUD                             | \$4,000                     | 12/15/2003                | Water System Expansion                    |
| Jefferson                                  | \$4,000                     | 12/22/2003                | Water System Improvements                 |
| Montrose                                   | \$3,485                     | 1/12/2004                 | Water Distribution System<br>Improvements |
| Hosmer                                     | \$2,000                     | 1/20/2004                 | Water Distribution System<br>Improvements |
| Buffalo Gap                                | \$1,880                     | 2/2/2004                  | Water Supply Improvements                 |
| Monroe                                     | \$4,000                     | 2/2/2004                  | Water System Improvements                 |
| Longview San. Dist.                        | \$4,000                     | 3/5/2004                  | Water Supply/Distribution<br>Improvements |
| Prairie Hills Water &<br>Development Corp. | \$4,000                     | 4/12/2004                 | Water Supply/Distribution Upgrade         |
| Terry Trojan Water Dist.                   | \$4,000                     | 4/22/2004                 | Water Distribution System<br>Improvements |
| New Underwood                              | \$4,000                     | 5/4/2004                  | Water System Upgrade                      |
| Harrisburg                                 | \$4,000                     | 5/17/2004                 | Drinking Water System Improvements        |



| <b>Sponsor</b>                    | <b>Amount<br/>Obligated</b> | <b>Date<br/>Obligated</b> | <b>Project Description</b>                         |
|-----------------------------------|-----------------------------|---------------------------|--|
| Tea                               | \$4,000                     | 6/29/2004                 | Water/WW System Improvements                       |
| Westview Homeowners' Assn.        | \$3,040                     | 8/20/2004                 | Water Distribution System Study                    |
| Rosholt                           | \$4,800                     | 8/25/2004                 | Water/WW Systems<br>Improvement/Ratemaker Analysis |
| Ethan                             | \$800                       | 9/16/2004                 | WW Collection System<br>Study/Ratemaker Analysis   |
| Golden Hills Homeowners'<br>Assn. | \$4,000                     | 9/20/2004                 | Water System Improvement Study                     |
| Hitchcock                         | \$4,000                     | 9/21/2004                 | Water System Improvement Study                     |
| <b>TOTAL</b>                      | <b>\$60,005</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, \$20,200 was expended in FFY 2004. The remaining \$28,794 will be reverted back to the loan fund in the upcoming year.

## GOALS AND OBJECTIVES

The following goals were developed for the FFY 2004 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, 2004, South Dakota has made binding commitments equal to \$117,050,191 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 2004 capitalization grants and the associated state matching funds.

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

The state has awarded 77 loans to 62 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 \$727,112 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 12 binding commitments totaling \$30,899,800. Exhibit I details the Drinking Water SRF binding commitments made during FFY 2004.

**Sources of Funds:** During FFY 2004, the state was awarded a federal capitalization grant totaling \$8,303,100. State match totaling \$1,660,620 was provided. 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 \$2,579,826.11. Fund expenses included administration expenditures, interest payable on bonds, and the amortization of each bond's issuance costs. These expenses totaled \$1,190,705.81. Additionally, \$26,635.31 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 2004.

**Findings and Recommendations of the Annual Audit and EPA Oversight Review:** The Drinking Water SRF program was audited by the South Dakota Department of Legislative Audit for state fiscal year 2003 (July 1, 2002, through June 30, 2003). The audit did not contain any written findings or recommendations.

Region VIII conducted its annual review of the FFY 2004 South Dakota Drinking Water SRF program. A final report was received in October 2004, and the following recommendations were made:

1. The FY05 DWSRF Intended Use Plan must include the amount from the administrative fee that is available to be used by the DWSRF program. This is required by 40 CFR 35.3555(c)(4). This is a minor recommendation.

The recommendation is addressed in the 2005 Intended Use Plan.

2. The next DWSRF report should document why projects were bypassed on the project priority list. If readiness to proceed is the sole reason for all bypasses during the reporting period, the report should include a statement to this effect. This is a minor recommendation.

This recommendation is addressed on page 2 in the Executive Summary.

## **Assistance Activity**

Exhibits I through VII illustrate the assistance activity of the Drinking Water SRF in FFY 2004.

- Exhibit I Recipients that received Drinking Water SRF loans during FFY 2004
- 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 2004. The estimated schedule was agreed upon by the state and EPA in the 2003 Capitalization Grant Agreement.
- Exhibit VII The environmental review and land purchase information for the loans made in FFY 2004.

## **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.

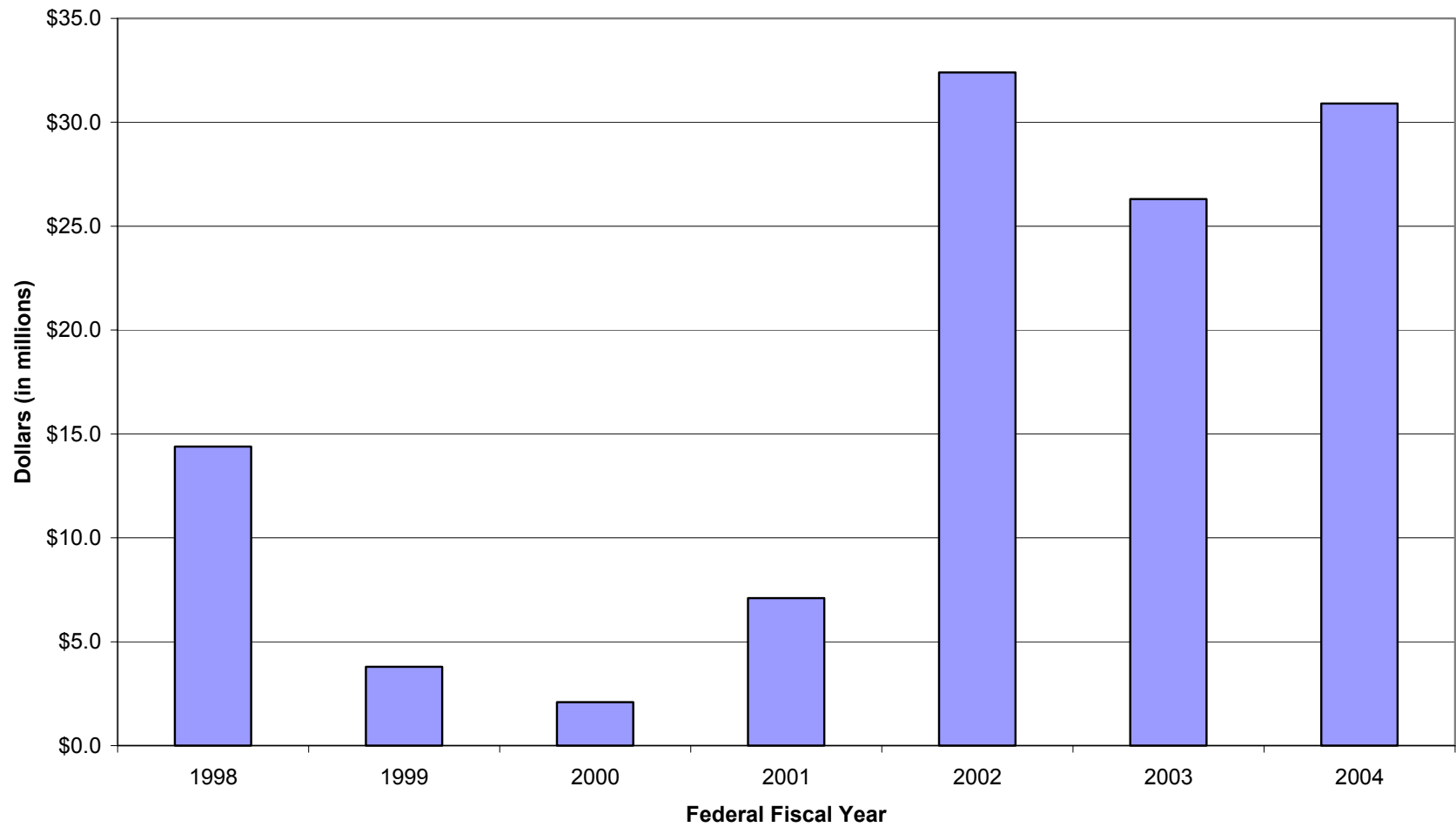
The state and EPA have agreed on "fair share" goals of 1 percent MBE and 3 percent WBE. The actual MBE/WBE participation achieved during FFY 2004 was 0.16 percent MBE and 5.38 percent WBE.

## **PROGRAM CHANGES**

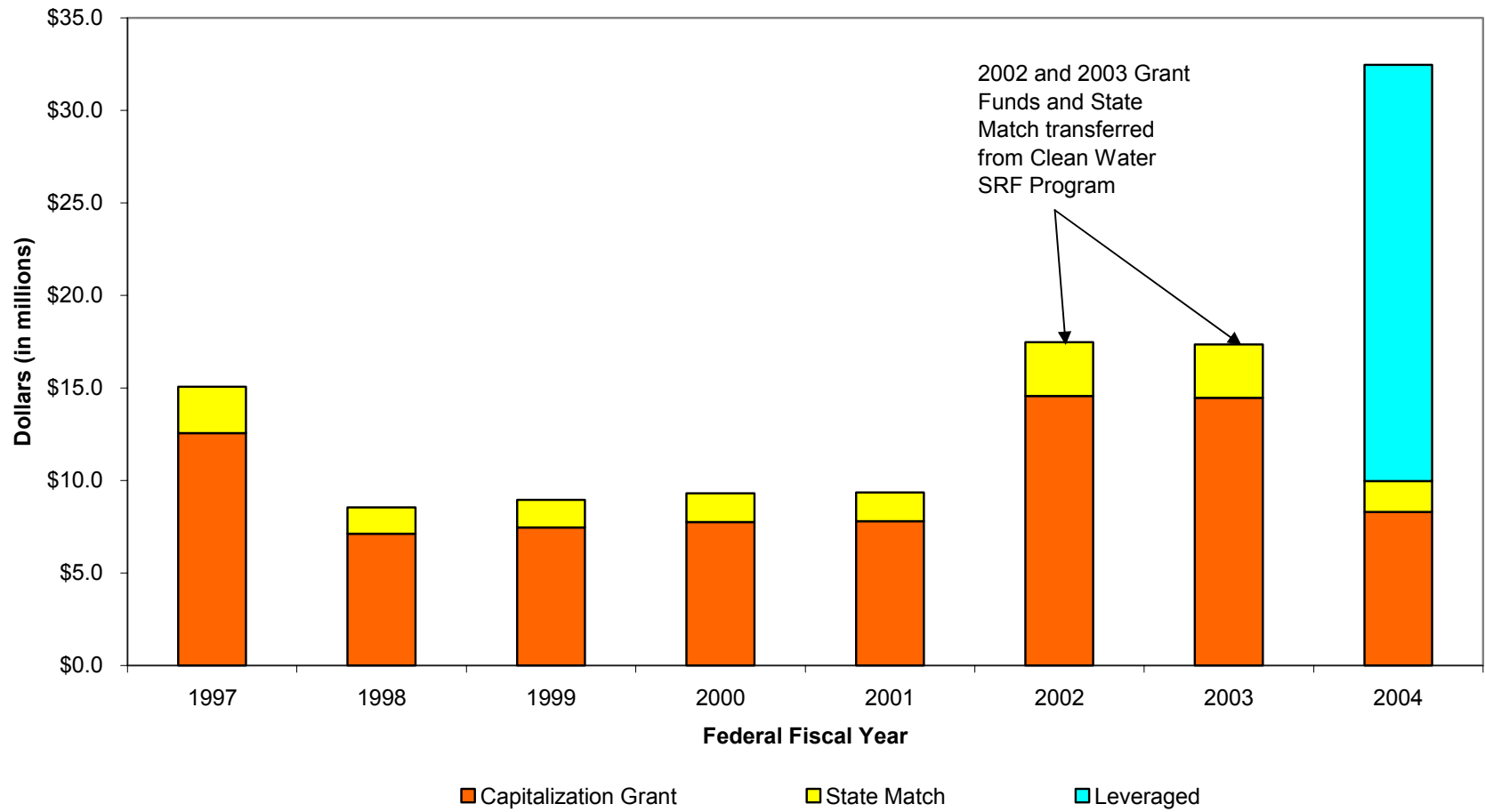
### **2005 Intended Use Plan**

The Annual Report contains the 2005 Intended Use Plan as approved by the Board of Water and Natural Resources on November 5, 2004, and is shown on page A1.

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



**FIGURE 4**  
**Source of State Revolving Funds by Year**



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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 \$80,028,300. 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 \$16,005,660 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 \$12,978,600, 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 4**  
**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.

In July 2004, \$27,070,000 in revenue bonds were issued. Leveraged funds for new loans represented \$22,503,662, state match accounted for \$5,001,620 for grant years 2004, 2005, and 2006, and costs of issuance totaled \$435,282. The 2004 bond issue was rated AAA by Standard and Poor's and Aaa by Moody's.

### **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**

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

## **FINANCIAL ADVISOR**

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

## **EPA REGION VIII**

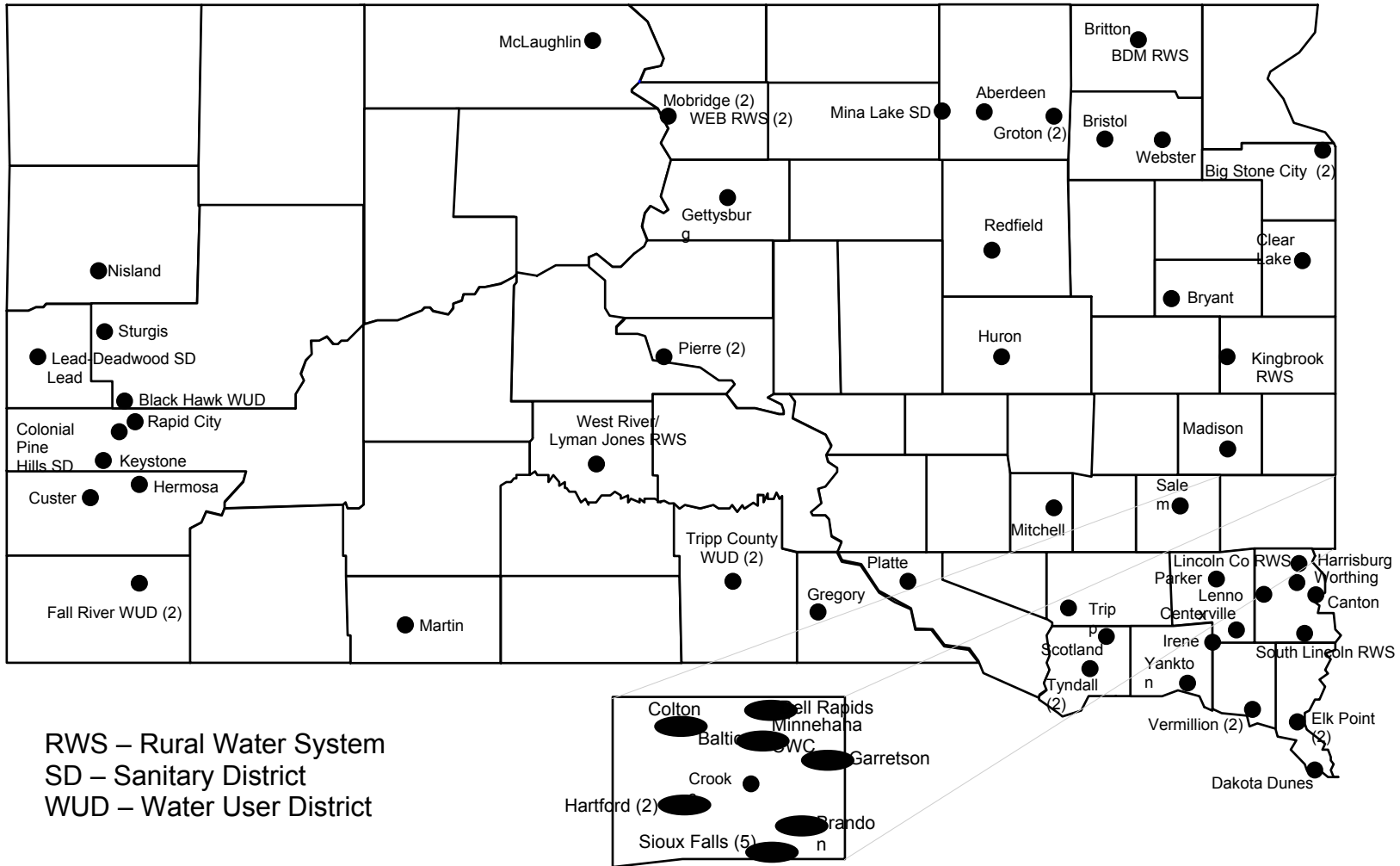
Region VIII of the Environmental Protection Agency oversees the Drinking Water State Revolving Fund Loan Program. EPA assists the state in securing capitalization grants and guides the conservancy district in its administration of the program.

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

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



**Table 4**  
**State of South Dakota**  
**Drinking Water State Revolving Fund Loan Program**

| RECIPIENT                                     | BINDING<br>COMMITMENT<br>DATE | RATE,<br>TERM | ORIGINAL<br>BINDING<br>COMMITMENT<br>AMOUNT | ACTUAL<br>BINDING<br>COMMITMENT<br>AMOUNT |
|---|-------------------------------|---------------|---|---|
| Aberdeen (DW-01)                              | 03/28/2003                    | 3.50%, 20 yr  | \$16,760,000                                | \$16,760,000                              |
| Baltic (DW-01)                                | 06/27/2002                    | 3.50%, 20 yr  | \$250,000                                   | \$250,000                                 |
| BDM RWS (DW-01)                               | 04/12/2002                    | 3.50%, 20 yr  | \$536,000                                   | \$280,251                                 |
| Big Stone City (DW-01)                        | 07/22/1998                    | 5.25%, 20 yr  | \$600,000                                   | \$570,000                                 |
| Big Stone City (DW-02)                        | 06/26/2003                    | 3.50%, 20 yr  | \$240,000                                   | \$240,000                                 |
| Black Hawk WUD (DW-01)                        | 03/26/1998                    | 5.25%, 20 yr  | \$500,000                                   | \$500,000                                 |
| Brandon (DW-01)                               | 11/13/1998                    | 4.75%, 15 yr  | \$1,950,000                                 | \$1,877,375                               |
| Bristol (DW-01) <sup>1</sup>                  | 04/25/2001                    | 4.5%, 20 yr   | \$139,000                                   | \$0                                       |
| Britton (DW-01)                               | 04/25/2001                    | 4.50%, 20 yr  | \$320,000                                   | \$320,000                                 |
| Bryant (DW-01)                                | 01/13/2000                    | 3.00%, 30 yr  | \$142,000                                   | \$142,000                                 |
| Canton (DW-01)                                | 01/10/2003                    | 3.50%, 20 yr  | \$500,000                                   | \$500,000                                 |
| Centerville (DW-01)                           | 03/25/2004                    | 3.25%, 30 yr  | \$870,000                                   | \$870,000                                 |
| Clear Lake (DW-01)                            | 12/10/1998                    | 3.00%, 30 yr  | \$565,000                                   | \$540,637                                 |
| Colonial Pine Hills Sanitary District (DW-01) | 01/31/2002                    | 3.50%, 20 yr  | \$659,000                                   | \$636,108                                 |
| Colton (DW-01)                                | 06/27/2002                    | 3.50%, 30 yr  | \$681,720                                   | \$681,720                                 |
| Crooks (DW-01)                                | 06/25/2004                    | 3.25%, 20 yr  | \$302,900                                   | \$302,900                                 |
| Custer (DW-01)                                | 01/10/2003                    | 3.50%, 20 yr  | \$800,000                                   | \$800,000                                 |
| Dakota Dunes CID (DW-01)                      | 06/27/2002                    | 3.50%, 20 yr  | \$908,000                                   | \$908,000                                 |
| Dell Rapids (DW-01)                           | 03/28/2003                    | 3.50%, 20 yr  | \$621,000                                   | \$621,000                                 |
| Elk Point (DW-01)                             | 01/31/2002                    | 3.50%, 20 yr  | \$220,000                                   | \$220,000                                 |
| Elk Point (DW-02)                             | 06/25/2004                    | 3.25%, 20 yr  | \$570,000                                   | \$570,000                                 |
| Fall River Water Users District (DW-01)       | 12/09/1999                    | 3.00%, 30 yr  | \$759,000                                   | \$759,000                                 |
| Fall River Water Users District (DW-02)       | 11/09/2001                    | 2.50%, 30 yr  | \$400,000                                   | \$400,000                                 |
| Garretson (DW-01)                             | 06/27/2002                    | 3.50%, 30 yr  | \$1,261,060                                 | \$1,261,060                               |
| Gettysburg (DW-01)                            | 06/14/2001                    | 4.50%, 20 yr  | \$565,000                                   | \$565,000                                 |
| Gregory (DW-01)                               | 04/12/2002                    | 2.50%, 30 yr  | \$380,000                                   | \$347,580                                 |
| Groton (DW-01)                                | 03/28/2003                    | 3.50%, 20 yr  | \$440,000                                   | \$440,000                                 |
| Groton (DW-02)                                | 06/25/2004                    | 3.25%, 20 yr  | \$365,900                                   | \$365,900                                 |
| Harrisburg (DW-01)                            | 10/12/2000                    | 5.00%, 20 yr  | \$525,000                                   | \$525,000                                 |
| Hartford (DW-01)                              | 04/13/2000                    | 5.00%, 20 yr  | \$185,000                                   | \$185,000                                 |
| Hartford (DW-02)                              | 01/10/2003                    | 3.50%, 20 yr  | \$800,957                                   | \$800,957                                 |
| Hermosa (DW-01)                               | 12/10/1998                    | 5.00%, 20 yr  | \$300,000                                   | \$300,000                                 |
| Huron (DW-01)                                 | 06/27/2002                    | 3.50%, 20 yr  | \$4,000,000                                 | \$4,000,000                               |
| Irene (DW-01) <sup>2</sup>                    | 06/22/2000                    | 5.00%, 20 yr  | \$145,000                                   | \$127,126                                 |

|   |            |              |              |              |
|---|------------|--------------|--------------|--------------|
| Keystone (DW-01)                            | 03/25/2004 | 3.25%, 20 yr | \$762,000    | \$762,000    |
| Kingbrook RWS (DW-01)                       | 04/13/2000 | 0.00%, 30 yr | \$475,000    | \$474,204    |
| Lead (DW-01)                                | 07/27/2000 | 4.50%, 10 yr | \$192,800    | \$192,800    |
| Lead-Deadwood San Dist (DW-01) <sup>2</sup> | 06/24/1998 | 5.25%, 20 yr | \$2,700,000  | \$2,683,957  |
| Lennox (DW-01)                              | 07/16/2004 | 3.25%, 30 yr | \$2,000,000  | \$2,000,000  |
| Lincoln County Rural Water (DW-01)          | 01/31/2002 | 3.50%, 20 yr | \$1,200,000  | \$1,200,000  |
| Madison (DW-01) <sup>2</sup>                | 05/14/1998 | 5.00%, 15 yr | \$2,372,000  | \$2,372,000  |
| Martin (DW-01)                              | 09/25/2003 | 2.50%, 30 yr | \$920,000    | \$920,000    |
| McLaughlin (DW-01)                          | 06/25/2004 | 2.50%, 30 yr | \$350,000    | \$350,000    |
| Mina Lake San Dist (DW-01)                  | 11/13/1998 | 5.00%, 20 yr | \$255,200    | \$255,200    |
| Minnehaha CWC (DW-01)                       | 06/27/2002 | 3.50%, 20 yr | \$6,500,000  | \$6,500,000  |
| Mitchell (DW-01)                            | 10/12/2000 | 4.00%, 20 yr | \$6,000,000  | \$3,000,000  |
| Mobridge (DW-01) <sup>2</sup>               | 03/26/1998 | 5.25%, 20 yr | \$965,000    | \$965,000    |
| Mobridge (DW-02) <sup>2</sup>               | 07/22/1998 | 5.25%, 20 yr | \$355,000    | \$352,207    |
| Nisland (DW-01)                             | 12/13/2001 | 0.00%, 30 yr | \$350,000    | \$350,000    |
| Parker (DW-01)                              | 09/23/2004 | 3.25%, 20 yr | \$730,000    | \$730,000    |
| Pierre (DW-01)                              | 01/31/2002 | 3.50%, 15 yr | \$1,094,200  | \$988,188    |
| Pierre (DW-02)                              | 09/25/2003 | 3.50%, 15 yr | \$1,832,900  | \$1,832,900  |
| Platte (DW-01)                              | 06/25/2004 | 2.50%, 10 yr | \$400,000    | \$400,000    |
| Rapid City (DW-01)                          | 11/14/2003 | 3.50%, 20 yr | \$3,500,000  | \$3,500,000  |
| Redfield (DW-01)                            | 04/25/2001 | 4.50%, 20 yr | \$85,000     | \$85,000     |
| Salem (DW-01)                               | 03/28/2003 | 3.50%, 10 yr | \$126,921    | \$118,540    |
| Scotland (DW-01)                            | 03/28/2003 | 2.50%, 30 yr | \$340,000    | \$340,000    |
| Sioux Falls (DW-01)                         | 07/22/1998 | 4.50%, 10 yr | \$7,022,000  | \$6,496,745  |
| Sioux Falls (DW-02)                         | 01/11/2001 | 4.50%, 10 yr | \$2,750,000  | \$2,348,168  |
| Sioux Falls (DW-03)                         | 04/12/2002 | 3.50%, 10 yr | \$7,930,000  | \$7,930,000  |
| Sioux Falls (DW-04)                         | 01/10/2003 | 3.50%, 10 yr | \$5,279,000  | \$5,279,000  |
| Sioux Falls (DW-05)                         | 07/16/2004 | 2.50%, 10 yr | \$12,749,000 | \$12,749,000 |
| South Lincoln RWS (DW-01)                   | 01/10/2003 | 3.50%, 20 yr | \$2,000,000  | \$2,000,000  |
| Sturgis (DW-01) <sup>2</sup>                | 01/08/1998 | 5.00%, 15 yr | \$700,000    | \$478,377    |
| Tripp (DW-01)                               | 07/26/2001 | 2.50%, 30 yr | \$291,000    | \$225,656    |
| Tripp County WUD (DW-01)                    | 11/14/2002 | 2.50%, 30 yr | \$3,500,000  | \$3,500,000  |
| Tripp County WUD (DW-02)                    | 11/14/2002 | 0.00%, 30 yr | \$148,000    | \$131,469    |
| Tyndall (DW-01)                             | 07/27/2000 | 2.50%, 10 yr | \$300,000    | \$300,000    |
| Tyndall (DW-02)                             | 11/09/2001 | 2.50%, 30 yr | \$861,000    | \$861,000    |
| Vermillion (DW-01)                          | 05/13/1999 | 5.00%, 20 yr | \$942,000    | \$795,338    |
| Vermillion (DW-02)                          | 06/27/2002 | 3.50%, 20 yr | \$1,510,000  | \$1,510,000  |
| WEB WDA (DW-01) <sup>3</sup>                | 03/26/1998 | 5.25%, 20 yr | \$1,110,000  | \$0          |
| WEB WDA (DW-02) <sup>3</sup>                | 10/11/2001 | 2.50%, 30 yr | \$137,450    | \$0          |
| Webster (DW-01)                             | 04/12/2002 | 3.50%, 20 yr | \$330,000    | \$318,828    |
| West River/Lyman Jones RWS (DW-01)          | 10/12/2001 | 2.50%, 30 yr | \$340,000    | \$340,000    |
| Worthing (DW-01)                            | 06/26/2003 | 3.50%, 20 yr | \$288,000    | \$288,000    |
| Yankton (DW-01)                             | 11/09/2001 | 3.50%, 20 yr | \$3,460,000  | \$3,460,000  |

**TOTAL 77 loans to 62 entities**

**\$123,415,008**

**\$117,050,191**

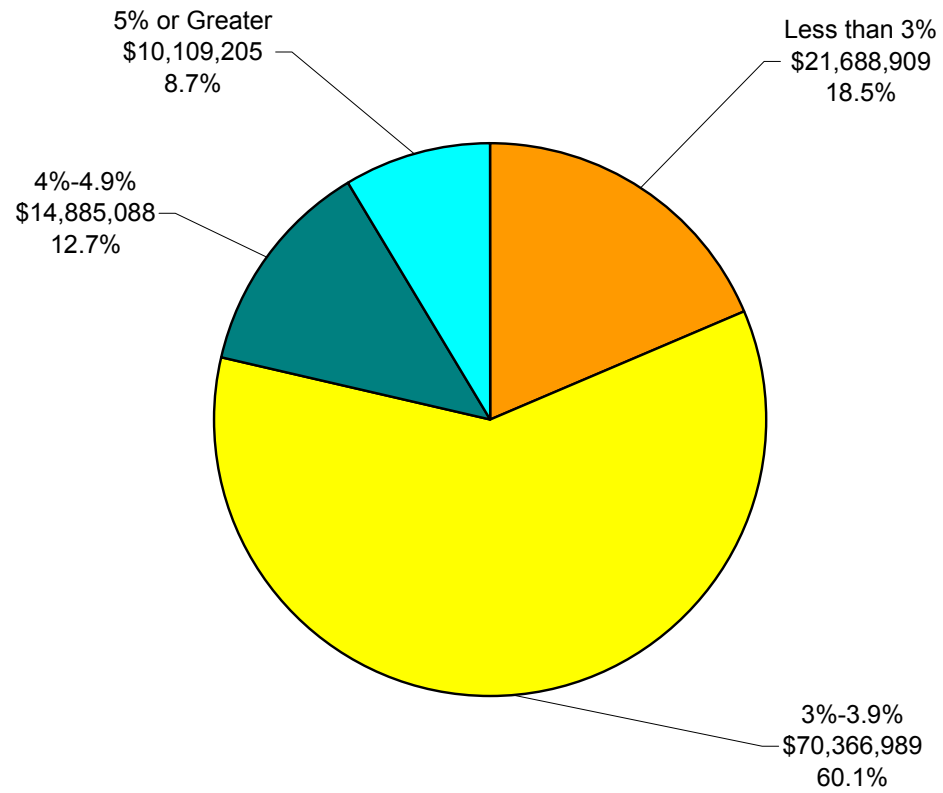
<sup>1</sup> Deobligated in full

<sup>2</sup> Loans paid in full

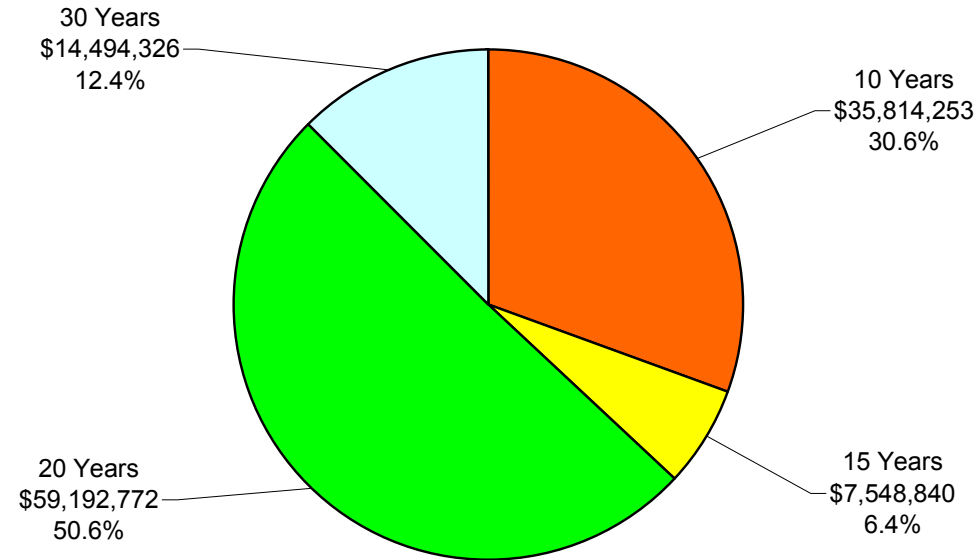
<sup>3</sup> Rescinded by BWR



**FIGURE 6**  
**DW SRF Interest Rates by Percent**  
**of Loan Portfolio (\$117 Million)**



**FIGURE 7**  
**DW SRF Loan Terms**  
**by Percent of Loan Portfolio**  
**(\$117 Million)**



## PROJECT DESCRIPTIONS

**Loans approved during Federal Fiscal Year 2004  
are designated with 2004 directly beside the recipient's name  
and italic lettering within the paragraph.**

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

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

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

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

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

**BRANDON** – Brandon received a loan for \$1,950,000 at 4.75 percent for 15 years. 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 water main 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** – Canton utilized its first loan in the amount of \$500,000 at 3.5 percent for 20 years to fund utility improvements in conjunction with South Dakota DOT reconstruction of US 18.

**CENTERVILLE (2004)** – *Centerville received its first drinking water SRF loan in the amount of \$870,000 to construct water distribution system improvements. The loan is at 3.25 percent for 30 years.*

**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.

**CROOKS (2004)** – *Crooks will construct a second connection to Minnehaha Community Water Corporation's distribution system and replace high service pumps to improve capacity. The loan, in the amount of \$302,900, is at 3.25 percent for 20 years.*

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

**DAKOTA DUNES COMMUNITY IMPROVEMENT DISTRICT** – Dakota Dunes 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** —Dell Rapids constructed various distribution system improvements with its first \$621,000 loan at 3.5 percent for 20 years.

**ELK POINT (2004)** – Elk Point received its first loan in the amount of \$220,000 for water main replacement in conjunction with its Pearl Street Utility Improvement project at 3.5 percent for 20 years. *Its second loan, in the amount of \$570,000 at 3.25 percent for 20 years, will fund an upgrade to the city's water treatment plant.*

**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 (2004)**—Groton’s first loan in the amount of \$440,000 at 3.5 percent for 20 years funded replacement of water main in conjunction with its Main Street Utility Project. *Its second loan, in the amount of \$365,900 at 3.25 percent for 20 years, will fund additional waterline 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** – 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 replaced 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.

**KEYSTONE (2004)** – *Keystone used its first loan, in the amount of \$762,000 at 3.25 percent for 20 years, to build a 187,000 gallon reservoir, to close the loop on one-third of the town’s system, and to install a pumping station.*

**KINGBROOK RWS** – 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.

**LENNOX (2004)** – *Lennox’s first loan, in the amount of \$2,000,000 at 3.25 percent for 30 years, will fund two wells, an elevated water storage reservoir, water main replacement and new lines.*

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

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

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

**McLAUGHLIN (2004)** – *Improvements to McLaughlin’s water distribution system in conjunction with SDDOT project will be funded with a \$350,000 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.

**PARKER (2004)** – *Parker’s first loan, in the amount of \$730,000 at 3.25 percent for 20 years, was used to replace cast iron water mains, clay sewer pipe and storm sewer pipe in various locations in the city.*

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

**PLATTE (2004)** – *Platte will replace cast iron water mains with its first drinking water loan of \$400,000 at 2.5 percent for 10 years.*

**RAPID CITY (2004)** – *Rapid City’s first drinking water loan is for \$3,500,000 at 3.5 percent for 20 years. This loan will finance a new water tank and transmission main in the southwest edge of the city.*

**REDFIELD** – The City of Redfield received a loan in the amount of \$85,000 at an interest rate of 4.5 percent for 20 years. 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** —Salem received a loan of \$126,921 at 3.5 percent for 10 years to fund water distribution improvements in the city.

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

**SIoux FALLS (2004)** – The city of Sioux Falls received a loan in the amount of \$7,022,000 at an interest rate of 4.5 percent for 10 years to finance central pressure zone improvements. The city's second loan allowed the city to continue with drinking water facility improvements with a loan for \$2,750,000 at 4.5 percent interest for 10 years. Its third loan, at 3.5 percent for ten years, was in the amount of \$7,930,000 for drinking water facilities improvements and water distribution line replacement. The city's fourth drinking water loan, \$5,279,000 at 3.5 percent for 10 years, funded the replacement of aging equipment and water main and the improvement of operational efficiency, maintenance space, and pressure zones. *Sioux Falls' fifth drinking water loan is in the amount of \$12,749,000 at 2.5 percent for 10 years. This loan will finance improvements to the water treatment plant, improvements to the West Pump Station, replacement of water mains, and upgrade of elevated finish tanks and collector wells.*

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

**STURGIS** – Sturgis received a loan for \$700,000 at 5 percent interest for 15 years. This loan financed the replacement of approximately 7,800 feet of water main in conjunction with a South Dakota 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** —Tripp County Water Users District was awarded two loans in 2003. The first loan, \$3,500,000 at 2.5 percent for 30 years, funded expansion of the TCWUD into Gregory County and absorbed the East Gregory Rural Water System. The second loan, \$148,000 at zero percent interest for 30 years, allowed the District to assume the water distribution system at Wood.

**TYNDALL** – Tyndall received a loan for \$300,000 at 2.5 percent interest for 10 years. This loan 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 would have allowed WEB to extend service to approximately 200 additional rural homes and farms and provide additional water service to four existing bulk users. The Board of Water and Natural Resources rescinded this loan on May 13, 1999. WEB applied for and received a \$137,450 loan at 2.5 percent interest for 30 years to improve water service in the community of Glenham by replacing the town’s water distribution system. This loan was rescinded on June 27, 2003.

**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** —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 2004**

| Recipient           | Assistance Amount<br>by Population |                     | Binding<br>Commitment | Rate/Term |
|---------------------|------------------------------------|---------------------|-----------------------|-----------|
|                     | 10,000 & Below                     | 10,001 & Above      | Date                  |           |
| Aberdeen (DW-01)    |                                    | \$8,300,000         | 8-Jan-04              | 3.5%/20   |
| Centerville (DW-01) | \$870,000                          |                     | 25-Mar-04             | 3.25%/30  |
| Crooks (DW-01)      | \$302,900                          |                     | 25-Jun-04             | 3.25%/20  |
| Elk Point (DW-02)   | \$570,000                          |                     | 25-Jun-04             | 3.25%/20  |
| Groton (DW-02)      | \$365,900                          |                     | 25-Jun-04             | 3.25%/20  |
| Keystone (DW-01)    | \$762,000                          |                     | 25-Mar-04             | 3.25%/20  |
| Lennox (DW-01)      | \$2,000,000                        |                     | 16-Jul-04             | 3.25%/30  |
| McLaughlin (DW-01)  | \$350,000                          |                     | 25-Jun-04             | 2.5%/30   |
| Parker (DW-01)      | \$730,000                          |                     | 23-Sep-04             | 3.25%/20  |
| Platte (DW-01)      | \$400,000                          |                     | 25-Jun-04             | 2.5%/10   |
| Rapid City (DW-01)  |                                    | \$3,500,000         | 14-Nov-03             | 3.5%/20   |
| Sioux Falls (DW-05) |                                    | \$12,749,000        | 16-Jul-04             | 2.5%/10   |
| <b>TOTAL</b>        | <b>\$6,350,800</b>                 | <b>\$24,549,000</b> |                       |           |

**EXHIBIT II  
SRF NEEDS CATEGORIES  
FEDERAL FISCAL YEAR 2004**

| Recipient           | I                  | II                  | III                | IV                 |
|---------------------|--------------------|---------------------|--------------------|--------------------|
|                     | Trans/Dist         | Treatment           | Storage            | Source             |
| Aberdeen (DW-01)    |                    | \$8,300,000         |                    |                    |
| Centerville (DW-01) | \$870,000          |                     |                    |                    |
| Crooks (DW-01)      | \$302,900          |                     |                    |                    |
| Elk Point (DW-02)   |                    | \$570,000           |                    |                    |
| Groton (DW-02)      | \$365,900          |                     |                    |                    |
| Keystone (DW-01)    | \$509,830          |                     | \$252,170          |                    |
| Lennox (DW-01)      | \$500,000          |                     | \$1,000,000        | \$500,000          |
| McLaughlin (DW-01)  | \$350,000          |                     |                    |                    |
| Parker (DW-01)      | \$730,000          |                     |                    |                    |
| Platte (DW-01)      | \$400,000          |                     |                    |                    |
| Rapid City (DW-01)  | \$400,000          |                     | \$3,100,000        |                    |
| Sioux Falls (DW-05) | \$2,278,000        | \$8,821,000         |                    | \$1,650,000        |
| <b>TOTAL</b>        | <b>\$6,706,630</b> | <b>\$17,691,000</b> | <b>\$4,352,170</b> | <b>\$2,150,000</b> |

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

| Fiscal Year | Capitalization<br>Grant Award | State Match  | Leveraged<br>Funds | Total         |
|-------------|-------------------------------|--------------|--------------------|---------------|
| 1997        | \$12,558,800                  | \$2,511,760  |                    | \$15,070,560  |
| 1998        | \$7,121,300                   | \$1,424,260  |                    | \$8,545,560   |
| 1999        | \$7,463,800                   | \$1,492,760  |                    | \$8,956,560   |
| 2000        | \$7,757,000                   | \$1,551,400  |                    | \$9,308,400   |
| 2001        | \$7,789,100                   | \$1,557,820  |                    | \$9,346,920   |
| 2002        | \$14,563,300                  | \$2,912,660  |                    | \$17,475,960  |
| 2003        | \$14,471,900                  | \$2,894,380  |                    | \$17,366,280  |
| 2004        | \$8,303,100                   | \$1,660,620  | \$22,503,662       | \$32,467,382  |
| TOTAL       | \$80,028,300                  | \$16,005,660 | \$22,503,662       | \$118,537,622 |

**EXHIBIT IV**  
**OBLIGATIONS FOR FEDERAL FISCAL YEARS 1997-2004**  
**CAPITALIZATION GRANTS AND PRINCIPAL REPAYMENTS**

**1. PROJECTS UTILIZING 1997 SRF FUNDS**

| RECIPIENT                                 | BINDING<br>COMMITMENT<br>DATE | BINDING<br>COMMITMENT<br>AMOUNT | ACTUAL<br>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) <sup>1</sup>              | 11/13/98                      | \$1,950,000                     | \$45,622         | \$0          |

<sup>1</sup> Balance is from 1998 funds

**2. PROJECTS UTILIZING 1998 SRF FUNDS**

| RECIPIENT                                 | BINDING<br>COMMITMENT<br>DATE | BINDING<br>COMMITMENT<br>AMOUNT | ACTUAL<br>AMOUNT | BALANCE     |
|---|-------------------------------|---------------------------------|------------------|-------------|
| 1998 Capitalization Grant and State Match |                               |                                 |                  | \$8,545,560 |
| Set-Asides                                |                               | \$309,852                       | \$309,852        | \$8,235,708 |
| Brandon (DW-01) <sup>2</sup>              | 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) <sup>3</sup>           | 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) <sup>4</sup> | 10/12/00 | \$6,000,000 | \$1,876,477 | \$0         |

<sup>2</sup> Balance is from 1997 funds

<sup>3</sup> Balance is from repayment funds

<sup>4</sup> Balance is from 1999 funds

### 3. PROJECTS UTILIZING 1999 SRF FUNDS

| RECIPIENT                                 | BINDING<br>COMMITMENT<br>DATE | BINDING<br>COMMITMENT<br>AMOUNT | ACTUAL<br>AMOUNT | BALANCE     |
|---|-------------------------------|---------------------------------|------------------|-------------|
| 1999 Capitalization Grant and State Match |                               |                                 |                  | \$8,956,560 |
| Set-Asides                                |                               | \$423,552                       | \$423,552        | \$8,533,008 |
| Mitchell (DW-01) <sup>5</sup>             | 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) <sup>6</sup>              | 11/09/01                      | \$3,460,000                     | \$2,264,661      | \$0         |

<sup>5</sup> Balance is from 1998 funds

<sup>6</sup> Balance is from 2000 funds

### 4. PROJECTS UTILIZING 2000 SRF FUNDS

| RECIPIENT                                 | BINDING<br>COMMITMENT<br>DATE | BINDING<br>COMMITMENT<br>AMOUNT | ACTUAL<br>AMOUNT | BALANCE     |
|---|-------------------------------|---------------------------------|------------------|-------------|
| 2000 Capitalization Grant and State Match |                               |                                 |                  | \$9,308,400 |
| Set-Asides                                |                               | \$310,280                       | \$310,280        | \$8,998,120 |
| Yankton (DW-01) <sup>7</sup>              | 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 | \$988,188   | \$4,408,485 |
| BDM RWS (DW-01)                  | 04/12/02 | \$536,000   | \$280,251   | \$4,128,234 |
| Gregory (DW-01)                  | 04/12/02 | \$380,000   | \$347,580   | \$3,780,654 |
| Sioux Falls (DW-03) <sup>8</sup> | 04/12/02 | \$7,930,000 | \$3,780,654 | \$0         |

<sup>7</sup> Balance is from 1999 funds

<sup>8</sup> Balance is from 2000 funds

## 5. PROJECTS UTILIZING 2001 SRF FUNDS

| RECIPIENT                                 | BINDING<br>COMMITMENT<br>DATE | BINDING<br>COMMITMENT<br>AMOUNT | ACTUAL<br>AMOUNT | BALANCE     |
|---|-------------------------------|---------------------------------|------------------|-------------|
| 2001 Capitalization Grant and State Match |                               |                                 |                  | \$9,346,920 |
| Set-Asides                                |                               | \$411,564                       | \$411,564        | \$8,935,356 |
| Sioux Falls (DW-03) <sup>9</sup>          | 04/12/02                      |                                 | \$4,149,346      | \$4,786,010 |
| Webster (DW-01)                           | 04/12/02                      | \$330,000                       | \$318,828        | \$4,467,182 |
| Baltic (DW-01)                            | 06/27/02                      | \$250,000                       | \$250,000        | \$4,217,182 |
| Colton (DW-01)                            | 06/28/02                      | \$681,720                       | \$681,720        | \$3,535,462 |
| Dakota Dunes (DW-01) <sup>10</sup>        | 06/27/02                      | \$908,000                       | \$236,500        | \$3,298,962 |
| Garretson (DW-01)                         | 06/27/02                      | \$1,261,060                     | \$1,261,060      | \$2,037,902 |
| Huron (DW-01) **                          | 06/27/02                      | \$4,000,000                     | \$734,473        | \$1,303,429 |
| Minnehaha CWC (DW-01) <sup>11</sup>       | 06/27/02                      | \$6,500,000                     | \$1,303,429      | \$0         |

<sup>9</sup> Balance is from 2000 funds

<sup>10</sup> Balance is from repayment funds

<sup>11</sup> Balance is from 2001 funds

## 6. PROJECTS UTILIZING 2002 SRF FUNDS

| RECIPIENT                                 | BINDING<br>COMMITMENT<br>DATE | BINDING<br>COMMITMENT<br>AMOUNT | ACTUAL<br>AMOUNT | BALANCE      |
|---|-------------------------------|---------------------------------|------------------|--------------|
| 2002 Capitalization Grant and State Match |                               |                                 |                  | \$17,475,960 |
| Set-Asides                                |                               | \$483,150                       | \$483,150        | \$16,992,810 |
| Minnehaha CWC (DW-01) <sup>12</sup>       | 06/27/02                      |                                 | \$5,196,571      | \$11,796,239 |
| Vermillion (DW-02)                        | 06/27/02                      | \$1,510,000                     | \$1,510,000      | \$10,286,239 |

|                                   |          |             |             |             |
|-----------------------------------|----------|-------------|-------------|-------------|
| Tripp County WUD (DW-01)          | 11/14/02 | \$3,500,000 | \$3,500,000 | \$6,786,239 |
| Tripp County WUD (DW-02)          | 11/14/02 | \$148,000   | \$131,469   | \$6,654,770 |
| Canton (DW-01)                    | 01/10/03 | \$500,000   | \$500,000   | \$6,154,770 |
| Custer (DW-01) <sup>13</sup>      | 01/10/03 | \$800,000   | \$668,258   | \$5,486,512 |
| Hartford (DW-02)                  | 01/10/03 | \$800,957   | \$800,957   | \$4,685,555 |
| Sioux Falls (DW-04) <sup>14</sup> | 01/10/03 | \$5,279,000 | \$4,685,555 | \$0         |

<sup>12</sup> Balance is from 2001 funds

<sup>13</sup> Balance is from repayment funds

<sup>14</sup> Balance is from 2003 funds

## 7. PROJECTS UTILIZING 2003 SRF FUNDS

| RECIPIENT                                 | BINDING<br>COMMITMENT<br>DATE | BINDING<br>COMMITMENT<br>AMOUNT | ACTUAL<br>AMOUNT | BALANCE      |
|---|-------------------------------|---------------------------------|------------------|--------------|
| 2003 Capitalization Grant and State Match |                               |                                 |                  | \$17,366,280 |
| Set-Asides                                |                               |                                 | \$420,164        | \$16,946,116 |
| Sioux Falls (DW-04) <sup>15</sup>         | 01/10/03                      |                                 | \$593,445        | \$16,352,671 |
| South Lincoln RWS (DW-01)                 | 01/10/03                      | \$2,000,000                     | \$2,000,000      | \$14,352,671 |
| Aberdeen (DW-01A) <sup>16</sup>           | 03/28/03                      | \$8,460,000                     | \$6,823,636      | \$7,529,035  |
| Dell Rapids (DW-01)                       | 03/28/03                      | \$621,000                       | \$621,000        | \$6,908,035  |
| Groton (DW-01)                            | 03/28/03                      | \$440,000                       | \$440,000        | \$6,468,035  |
| Salem (DW-01)                             | 03/28/03                      | \$126,921                       | \$118,540        | \$6,349,495  |
| Scotland (DW-01)                          | 03/28/03                      | \$340,000                       | \$340,000        | \$6,009,495  |
| Big Stone City (DW-02)                    | 06/26/03                      | \$240,000                       | \$240,000        | \$5,769,495  |
| Worthing (DW-01)                          | 06/26/03                      | \$288,000                       | \$288,000        | \$5,481,495  |
| Martin (DW-01)                            | 09/25/03                      | \$920,000                       | \$920,000        | \$4,561,495  |
| Pierre (DW-02)                            | 09/25/03                      | \$1,832,900                     | \$1,832,900      | \$2,728,595  |
| Rapid City (DW-01) <sup>17</sup>          | 11/14/03                      | \$3,500,000                     | \$2,728,595      | \$0          |

<sup>15</sup> Balance is from 2002 funds

<sup>16</sup> Balance is from repayment funds

<sup>17</sup> Balance is from 2004 funds

## 8. PROJECTS UTILIZING 2004 SRF FUNDS

| RECIPIENT                                 | BINDING<br>COMMITMENT<br>DATE | BINDING<br>COMMITMENT<br>AMOUNT | ACTUAL<br>AMOUNT | BALANCE     |
|---|-------------------------------|---------------------------------|------------------|-------------|
| 2004 Capitalization Grant and State Match |                               |                                 |                  | \$9,963,720 |

|                                   |          |             |             |             |
|-----------------------------------|----------|-------------|-------------|-------------|
| Set-Asides                        |          |             | \$498,186   | \$9,465,534 |
| Rapid City (DW-01) <sup>18</sup>  | 11/14/03 |             | \$771,405   | \$8,694,129 |
| Centerville (DW-01) <sup>19</sup> | 03/25/04 | \$870,000   | \$321,327   | \$8,372,802 |
| Keystone (DW-01)                  | 03/25/04 | \$762,000   | \$762,000   | \$7,610,802 |
| Aberdeen (DW-01B)                 | 05/03/04 | \$7,300,000 | \$7,300,000 | \$310,802   |
| Crooks (DW-01)                    | 06/25/04 | \$302,900   | \$302,900   | \$7,902     |
| Elk Point (DW-02) <sup>20</sup>   | 06/25/04 | \$570,000   | \$7,902     | \$0         |

<sup>18</sup> Balance is from 2003 funds

<sup>19</sup> Balance is from repayment funds

<sup>20</sup> Balance is from leveraged funds

## 9. PROJECTS UTILIZING LEVERAGED FUNDS

| RECIPIENT                       | BINDING<br>COMMITMENT<br>DATE | BINDING<br>COMMITMENT<br>AMOUNT | ACTUAL<br>AMOUNT | BALANCE      |
|---------------------------------|-------------------------------|---------------------------------|------------------|--------------|
| Total Leveraged Funds Available |                               |                                 |                  | \$22,503,662 |
| Elk Point (DW-02) <sup>21</sup> |                               |                                 | \$562,098        | \$21,941,563 |
| Groton (DW-02)                  | 06/25/04                      | \$365,900                       | \$365,900        | \$21,575,663 |
| McLaughlin (DW-01)              | 06/25/04                      | \$350,000                       | \$350,000        | \$21,225,663 |
| Platte (DW-01)                  | 06/25/04                      | \$400,000                       | \$400,000        | \$20,825,663 |
| Lennox (DW-01)                  | 07/16/04                      | \$2,000,000                     | \$2,000,000      | \$18,825,663 |
| Sioux Falls (05)                | 07/16/04                      | \$12,749,000                    | \$12,749,000     | \$6,076,663  |
| Parker (DW-01)                  | 09/23/04                      | \$730,000                       | \$730,000        | \$5,346,663  |

<sup>21</sup> Balance is from 2004 funds



**10. PROJECTS UTILIZING REPAYMENT FUNDS**

| RECIPIENT                          | BINDING<br>COMMITMENT<br>DATE | BINDING<br>COMMITMENT<br>AMOUNT | ACTUAL<br>AMOUNT | BALANCE      |
|------------------------------------|-------------------------------|---------------------------------|------------------|--------------|
| Total Repayments as of 9/30/2004   |                               |                                 |                  | \$11,310,159 |
| Vermillion (DW-01) <sup>22</sup>   | 05/13/99                      |                                 | \$68,827         | \$11,241,332 |
| Huron (DW-01) <sup>23</sup>        | 06/27/02                      |                                 | \$3,265,527      | \$7,975,805  |
| Dakota Dunes (DW-01) <sup>23</sup> | 06/27/02                      |                                 | \$671,500        | \$7,304,305  |
| Custer (DW-01) <sup>24</sup>       | 01/10/03                      |                                 | \$131,742        | \$7,172,563  |
| Aberdeen (DW-01A) <sup>25</sup>    | 03/28/03                      |                                 | \$2,636,364      | \$4,536,199  |
| Centerville (DW-01) <sup>26</sup>  | 03/25/04                      |                                 | \$548,673        | \$3,987,526  |

<sup>22</sup> Balance is from 1998 funds

<sup>23</sup> Balance is from 2001 funds

<sup>24</sup> Balance is from 2002 funds

<sup>25</sup> Balance is from 2003 funds

<sup>26</sup> Balance is from 2004 funds

**EXHIBIT V**  
**Drinking Water SRF Disbursements**  
**October 1, 2003 through September 30, 2004**

**LOAN DISBURSEMENTS**

| Disburse |          |                          |                |              |              | Total          |
|----------|----------|--------------------------|----------------|--------------|--------------|----------------|
| Number   | Date     | Payee                    | Other          | State        | Federal      | Payment        |
| 04-01    | 10/03/03 | Minnehaha CWC (DW-01)    | \$0.00         | \$0.00       | \$198,773.00 | \$198,773.00   |
| 04-02    | 10/03/03 | Colton (DW-01)           | \$0.00         | \$3,661.00   | \$14,249.00  | \$17,910.00    |
| 04-03    | 10/03/03 | Garretson (DW-01)        | \$0.00         | \$5,609.00   | \$21,832.00  | \$27,441.00    |
| 04-04    | 10/03/03 | Tripp County WUD (DW-02) | \$0.00         | \$8,425.00   | \$32,793.00  | \$41,218.00    |
| 04-05    | 10/03/03 | Yankton (DW-01)          | \$0.00         | \$212,457.00 | \$826,960.00 | \$1,039,417.00 |
| 04-06    | 10/08/03 | Custer (DW-01)           | \$0.00         | \$27,765.00  | \$132,079.00 | \$159,844.00   |
| 04-07    | 10/08/03 | Nisland (DW-01)          | \$0.00         | \$869.00     | \$4,131.00   | \$5,000.00     |
| 04-08    | 10/08/03 | Vermillion (DW-02)       | \$0.00         | \$25,944.00  | \$123,413.00 | \$149,357.00   |
| 04-09    | 10/16/03 | Lincoln County (DW-01)   | \$0.00         | \$0.00       | \$135,336.00 | \$135,336.00   |
| 04-10    | 10/16/03 | Dell Rapids (DW-01)      | \$0.00         | \$4,661.00   | \$5,415.00   | \$10,076.00    |
| 04-11    | 10/16/03 | Scotland (DW-01)         | \$0.00         | \$7,047.00   | \$8,187.00   | \$15,234.00    |
| 04-12    | 10/16/03 | Webster (DW-01)          | \$0.00         | \$25,941.00  | \$30,140.00  | \$56,081.00    |
| 04-13    | 10/23/03 | Mitchell (DW-01)         | \$0.00         | \$59,293.00  | \$282,056.00 | \$341,349.00   |
| 04-14    | 10/23/03 | Salem (DW-01)            | \$0.00         | \$3,014.00   | \$14,340.00  | \$17,354.00    |
| 04-15    | 10/29/03 | South Lincoln (DW-01)    | \$0.00         | \$0.00       | \$301,295.00 | \$301,295.00   |
| 04-16    | 10/29/03 | Scotland (DW-01)         | \$0.00         | \$14,469.00  | \$0.00       | \$14,469.00    |
| 04-17    | 11/05/03 | Minnehaha CWC (DW-01)    | \$0.00         | \$0.00       | \$413,557.00 | \$413,557.00   |
| 04-18    | 11/05/03 | Colton (DW-01)           | \$0.00         | \$27,667.00  | \$0.00       | \$27,667.00    |
| 04-19    | 11/05/03 | Garretson (DW-01)        | \$0.00         | \$73,199.00  | \$0.00       | \$73,199.00    |
| 04-20    | 11/05/03 | Baltic (DW-01)           | \$0.00         | \$28,499.00  | \$0.00       | \$28,499.00    |
| 04-21    | 11/05/03 | Custer (DW-01)           | \$0.00         | \$19,920.00  | \$87,340.00  | \$107,260.00   |
| 04-22    | 11/05/03 | Vermillion (DW-02)       | \$0.00         | \$26,020.00  | \$113,863.00 | \$139,883.00   |
| 04-23    | 11/14/03 | Hartford (DW-02)         | \$0.00         | \$7,014.00   | \$33,375.00  | \$40,389.00    |
| 04-24    | 11/14/03 | Pierre (DW-01)           | \$0.00         | \$8,382.00   | \$39,880.00  | \$48,262.00    |
| 04-25    | 11/21/03 | Mitchell (DW-01)         | \$0.00         | \$98,322.00  | \$467,740.00 | \$566,062.00   |
| 04-26    | 11/21/03 | Webster (DW-01)          | \$0.00         | \$11,439.00  | \$54,420.00  | \$65,859.00    |
| 04-27    | 11/26/03 | Lincoln County (DW-01)   | \$0.00         | \$0.00       | \$80,492.00  | \$80,492.00    |
| 04-28    | 11/26/03 | South Lincoln (DW-01)    | \$0.00         | \$0.00       | \$66,708.00  | \$66,708.00    |
| 04-29    | 11/26/03 | Scotland (DW-01)         | \$0.00         | \$33,495.00  | \$10,600.00  | \$44,095.00    |
| 04-31    | 12/03/03 | Salem (DW-01)            | \$0.00         | \$5,301.00   | \$25,210.00  | \$30,511.00    |
| 04-30    | 12/03/03 | Vermillion (DW-02)       | \$0.00         | \$13,239.00  | \$63,472.00  | \$76,711.00    |
| 04-32    | 12/05/03 | Minnehaha CWC (DW-01)    | \$0.00         | \$0.00       | \$318,837.00 | \$318,837.00   |
| 04-33    | 12/05/03 | Colton (DW-01)           | \$0.00         | \$12,380.00  | \$14,389.00  | \$26,769.00    |
| 04-34    | 12/05/03 | Garretson (DW-01)        | \$0.00         | \$23,668.00  | \$27,509.00  | \$51,177.00    |
| 04-35    | 12/05/03 | Worthing (DW-01)         | \$0.00         | \$52,845.00  | \$61,415.00  | \$114,260.00   |
| 04-36    | 12/11/03 | Yankton (DW-01)          | \$0.00         | \$94,522.00  | \$449,635.00 | \$544,157.00   |
| 04-37    | 12/11/03 | Huron (DW-01)            | \$2,853,339.00 | \$0.00       | \$0.00       | \$2,853,339.00 |
| 04-38    | 12/17/03 | Dell Rapids (DW-01)      | \$0.00         | \$4,843.00   | \$23,000.00  | \$27,843.00    |
| 04-39    | 12/24/03 | BDM Rural Water (DW-01)  | \$0.00         | \$0.00       | \$1,910.00   | \$1,910.00     |
| 04-40    | 12/24/03 | Webster (DW-01)          | \$0.00         | \$5,870.00   | \$2,065.00   | \$7,935.00     |
| 04-41    | 01/06/04 | Vermillion (DW-02)       | \$0.00         | \$50,000.00  | \$282,391.00 | \$332,391.00   |

|          |          |                          |              |              |                |                |
|----------|----------|--------------------------|--------------|--------------|----------------|----------------|
| 04-42    | 01/06/04 | Custer (DW-01)           | \$0.00       | \$8,448.00   | \$31,552.00    | \$40,000.00    |
| 04-43    | 01/06/04 | Colton (DW-01)           | \$0.00       | \$2,841.00   | \$2,757.00     | \$5,598.00     |
| 04-43    | 01/06/04 | Colton (DW-01)           | \$0.00       | \$46,343.00  | \$0.00         | \$46,343.00    |
| 04-44    | 01/06/04 | Garretson (DW-01)        | \$0.00       | \$52,934.00  | \$0.00         | \$52,934.00    |
| 04-45    | 01/06/04 | Minnehaha CWC (DW-01)    | \$0.00       | \$0.00       | \$614,864.00   | \$614,864.00   |
| Reimburs | 01/06/04 | BDM Rural Water (DW-01)  | \$0.00       | \$0.00       | (\$200,299.00) | (\$200,299.00) |
| 04-46    | 01/14/04 | Hartford (DW-02)         | \$0.00       | \$0.00       | \$24,641.00    | \$24,641.00    |
| 04-47    | 01/27/04 | Lincoln County (DW-01)   | \$0.00       | \$0.00       | \$82,166.00    | \$82,166.00    |
| 04-48    | 01/27/04 | Scotland (DW-01)         | \$0.00       | \$0.00       | \$15,449.00    | \$15,449.00    |
| 04-49    | 02/04/04 | South Lincoln (DW-01)    | \$0.00       | \$0.00       | \$65,726.00    | \$65,726.00    |
| 04-50    | 02/04/04 | Minnehaha CWC (DW-01)    | \$0.00       | \$0.00       | \$550,461.00   | \$550,461.00   |
| 04-51    | 02/04/04 | Colton (DW-01)           | \$0.00       | \$35,520.00  | \$9,953.00     | \$45,473.00    |
| 04-52    | 02/04/04 | Garretson (DW-01)        | \$0.00       | \$38,070.00  | \$10,666.00    | \$48,736.00    |
| 04-53    | 02/04/04 | Salem (DW-01)            | \$0.00       | \$2,045.00   | \$573.00       | \$2,618.00     |
| 04-54    | 02/04/04 | Vermillion (DW-02)       | \$0.00       | \$47,895.00  | \$45,700.00    | \$93,595.00    |
| 04-55    | 03/04/04 | South Lincoln (DW-01)    | \$0.00       | \$0.00       | \$42,467.00    | \$42,467.00    |
| 04-56    | 03/04/04 | Scotland (DW-01)         | \$0.00       | \$25,000.00  | \$11,575.00    | \$36,575.00    |
| 04-57    | 03/04/04 | Dell Rapids (DW-01)      | \$0.00       | \$7,000.00   | \$248.00       | \$7,248.00     |
| 04-58    | 03/11/04 | Minnehaha CWC (DW-01)    | \$0.00       | \$0.00       | \$348,356.00   | \$348,356.00   |
| 04-59    | 03/11/04 | Colton (DW-01)           | \$0.00       | \$9,321.00   | \$13,984.00    | \$23,305.00    |
| 04-60    | 03/11/04 | Garretson (DW-01)        | \$0.00       | \$24,664.00  | \$36,995.00    | \$61,659.00    |
| 04-61    | 03/11/04 | Vermillion (DW-02)       | \$0.00       | \$39,041.00  | \$58,555.00    | \$97,596.00    |
| 04-62    | 03/17/04 | Tripp County WUD (DW-01) | \$0.00       | \$21,007.00  | \$100,335.00   | \$121,342.00   |
| 04-63    | 03/24/04 | Mitchell (DW-01)         | \$0.00       | \$16,246.00  | \$77,595.00    | \$93,841.00    |
| 04-64    | 03/31/04 | Minnehaha CWC (DW-01)    | \$0.00       | \$0.00       | \$136,333.00   | \$136,333.00   |
| 04-65    | 03/31/04 | Colton (DW-01)           | \$0.00       | \$6,019.00   | \$3,101.00     | \$9,120.00     |
| 04-66    | 03/31/04 | Garretson (DW-01)        | \$0.00       | \$21,925.00  | \$11,295.00    | \$33,220.00    |
| 04-67    | 03/31/04 | Hartford (DW-02)         | \$0.00       | \$4,089.00   | \$2,106.00     | \$6,195.00     |
| 04-68    | 04/09/04 | Minnehaha CWC (DW-01)    | \$0.00       | \$0.00       | \$11,703.00    | \$11,703.00    |
| 04-69    | 04/09/04 | Colton (DW-01)           | \$0.00       | \$783.00     | \$0.00         | \$783.00       |
| 04-70    | 04/09/04 | Garretson (DW-01)        | \$0.00       | \$2,852.00   | \$0.00         | \$2,852.00     |
| 04-71    | 04/09/04 | Dell Rapids (DW-01)      | \$0.00       | \$6,547.00   | \$0.00         | \$6,547.00     |
| 04-72    | 04/09/04 | Vermillion (DW-02)       | \$0.00       | \$9,037.00   | \$80,067.00    | \$89,104.00    |
| 04-74    | 04/21/04 | Tripp County WUD (DW-01) | \$0.00       | \$103,538.00 | \$494,600.00   | \$598,138.00   |
| 04-73    | 04/22/04 | Huron (DW-01)            | \$315,243.00 | \$0.00       | \$0.00         | \$315,243.00   |
| 04-75    | 04/28/04 | Tripp County WUD (DW-01) | \$0.00       | \$72,464.00  | \$346,160.00   | \$418,624.00   |
| 04-76    | 05/06/04 | Colton (DW-01)           | \$0.00       | \$22,910.00  | \$0.00         | \$22,910.00    |
| 04-77    | 05/06/04 | Garretson (DW-01)        | \$0.00       | \$79,308.00  | \$0.00         | \$79,308.00    |
| 04-78    | 05/06/04 | Minnehaha CWC (DW-01)    | \$0.00       | \$0.00       | \$336,051.00   | \$336,051.00   |
| 04-79    | 05/06/04 | Pierre (DW-02)           | \$0.00       | \$108,139.00 | \$643,511.00   | \$751,650.00   |
| 04-80    | 05/06/04 | Vermillion (DW-02)       | \$0.00       | \$21,556.00  | \$128,278.00   | \$149,834.00   |
| 04-81    | 05/14/04 | South Lincoln (DW-01)    | \$0.00       | \$0.00       | \$32,292.00    | \$32,292.00    |
| 04-82    | 05/19/04 | Tripp County WUD (DW-01) | \$0.00       | \$130,101.00 | \$589,193.00   | \$719,294.00   |
| 04-83    | 05/26/04 | South Lincoln (DW-01)    | \$0.00       | \$0.00       | \$43,588.00    | \$43,588.00    |
| 04-84    | 05/26/04 | Sioux Falls (DW-03)      | \$0.00       | \$236,744.00 | \$1,087,337.00 | \$1,324,081.00 |
| 04-85    | 06/01/04 | Lincoln County (DW-01)   | \$0.00       | \$0.00       | \$57,913.00    | \$57,913.00    |
| 04-86    | 06/01/04 | Minnehaha CWC (DW-01)    | \$0.00       | \$0.00       | \$476,143.00   | \$476,143.00   |
| 04-87    | 06/01/04 | Garretson (DW-01)        | \$0.00       | \$89,161.00  | \$14,481.00    | \$103,642.00   |
| 04-88    | 06/01/04 | Colton (DW-01)           | \$0.00       | \$26,559.00  | \$4,313.00     | \$30,872.00    |
| 04-89    | 06/18/04 | Lincoln County (DW-01)   | \$0.00       | \$0.00       | \$74,152.00    | \$74,152.00    |

|                          |          |                          |                |                |                 |                 |
|--------------------------|----------|--------------------------|----------------|----------------|-----------------|-----------------|
| 04-90                    | 06/18/04 | Pierre (DW-02)           | \$0.00         | \$59,928.00    | \$212,128.00    | \$272,056.00    |
| 04-91                    | 06/28/04 | Centerville (DW-01)      | \$0.00         | \$19,686.00    | \$94,050.00     | \$113,736.00    |
| 04-91                    | 06/28/04 | Centerville (DW-01)      | \$85,782.00    | \$0.00         | \$0.00          | \$85,782.00     |
| 04-92                    | 06/28/04 | Salem (DW-01)            | \$0.00         | \$1,290.00     | \$6,161.00      | \$7,451.00      |
| 04-93                    | 06/28/04 | Webster (DW-01)          | \$0.00         | \$9,924.00     | \$47,414.00     | \$57,338.00     |
| 04-94                    | 06/28/04 | Yankton (DW-01)          | \$0.00         | \$42,025.00    | \$200,740.00    | \$242,765.00    |
| 04-95                    | 06/30/04 | Minnehaha CWC (DW-01)    | \$0.00         | \$0.00         | \$254,443.00    | \$254,443.00    |
| 04-96                    | 06/30/04 | Colton (DW-01)           | \$0.00         | \$8,477.00     | \$21,360.00     | \$29,837.00     |
| 04-97                    | 06/30/04 | Garretson (DW-01)        | \$0.00         | \$15,965.00    | \$40,224.00     | \$56,189.00     |
| 04-98                    | 06/30/04 | Tripp County WUD (DW-01) | \$0.00         | \$88,272.00    | \$222,393.00    | \$310,665.00    |
| 04-99                    | 07/16/04 | Hartford (DW-02)         | \$0.00         | \$4,295.00     | \$20,520.00     | \$24,815.00     |
| 04-100                   | 07/16/04 | Sioux Falls (DW-04)      | \$0.00         | \$48,399.00    | \$231,200.00    | \$279,599.00    |
| 04-101                   | 07/21/04 | Centerville (DW-01)      | \$0.00         | \$2,527.00     | \$12,074.00     | \$14,601.00     |
| 04-101                   | 07/22/04 | Centerville (DW-01)      | \$73,632.00    | \$0.00         | \$0.00          | \$73,632.00     |
| 04-102                   | 07/22/04 | Hartford (DW-02)         | \$0.00         | \$1,106.00     | \$5,285.00      | \$6,391.00      |
| 04-103                   | 07/29/04 | South Lincoln (DW-01)    | \$0.00         | \$0.00         | \$25,782.00     | \$25,782.00     |
| 04-104                   | 07/29/04 | Hartford (DW-02)         | \$0.00         | \$7,922.00     | \$36,418.00     | \$44,340.00     |
| 04-105                   | 07/29/04 | Tripp County WUD (DW-01) | \$0.00         | \$135,318.00   | \$622,063.00    | \$757,381.00    |
| 04-106                   | 08/04/04 | Aberdeen (DW-01)         | \$1,478,973.00 | \$0.00         | \$0.00          | \$1,478,973.00  |
| 04-107                   | 08/04/04 | Minnehaha CWC (DW-01)    | \$0.00         | \$0.00         | \$92,551.00     | \$92,551.00     |
| 04-108                   | 08/04/04 | Colton (DW-01)           | \$0.00         | \$2,188.00     | \$7,918.00      | \$10,106.00     |
| 04-109                   | 08/04/04 | Garretson (DW-01)        | \$0.00         | \$5,400.00     | \$19,543.00     | \$24,943.00     |
| 04-110                   | 08/04/04 | Martin (DW-01)           | \$0.00         | \$35,369.00    | \$127,973.00    | \$163,342.00    |
| 04-111                   | 08/04/04 | Vermillion (DW-02)       | \$0.00         | \$36,586.00    | \$132,377.00    | \$168,963.00    |
| 04-112                   | 08/20/04 | Centerville (DW-01)      | \$0.00         | \$1,882.00     | \$8,992.00      | \$10,874.00     |
| 04-112                   | 08/20/04 | Centerville (DW-01)      | \$68,076.00    | \$0.00         | \$0.00          | \$68,076.00     |
| 04-113                   | 08/20/04 | Dell Rapids (DW-01)      | \$0.00         | \$1,059.00     | \$5,060.00      | \$6,119.00      |
| 04-114                   | 08/20/04 | Pierre (DW-02)           | \$0.00         | \$64,417.00    | \$307,713.00    | \$372,130.00    |
| 04-115                   | 08/20/04 | Tripp County WUD (DW-01) | \$0.00         | \$49,837.00    | \$238,065.00    | \$287,902.00    |
| 04-116                   | 08/27/04 | Hartford (DW-02)         | \$0.00         | \$8,956.00     | \$42,775.00     | \$51,731.00     |
| 04-117                   | 09/16/04 | Lincoln County (DW-01)   | \$0.00         | \$0.00         | \$136,200.00    | \$136,200.00    |
| 04-118                   | 09/16/04 | Aberdeen (DW-01)         | \$0.00         | \$183,906.00   | \$751,730.00    | \$935,636.00    |
| 04-119                   | 09/16/04 | Hartford (DW-02)         | \$0.00         | \$13,648.00    | \$55,786.00     | \$69,434.00     |
| 04-120                   | 09/24/04 | Centerville (DW-01)      | \$0.00         | \$1,943.00     | \$9,283.00      | \$11,226.00     |
| 04-120                   | 09/24/04 | Centerville (DW-01)      | \$125,105.00   | \$0.00         | \$0.00          | \$125,105.00    |
| 04-121                   | 09/24/04 | Martin (DW-01)           | \$0.00         | \$24,802.00    | \$118,479.00    | \$143,281.00    |
| 04-122                   | 09/24/04 | Tripp County WUD (DW-02) | \$0.00         | \$1,901.00     | \$9,083.00      | \$10,984.00     |
| 04-123                   | 09/30/04 | Garretson (DW-01)        | \$0.00         | \$2,035.00     | \$9,933.00      | \$11,968.00     |
| 04-124                   | 09/30/04 | Groton (DW-01)           | \$0.00         | \$43,390.00    | \$211,848.00    | \$255,238.00    |
| 04-125                   | 09/30/04 | Minnehaha CWC (DW-01)    | \$0.00         | \$0.00         | \$45,142.00     | \$45,142.00     |
| 04-126                   | 09/30/04 | Tripp County WUD (DW-01) | \$0.00         | \$27,281.00    | \$133,197.00    | \$160,478.00    |
| 04-127                   | 09/30/04 | Colton (DW-01)           |                | \$704.00       | \$3,436.00      | \$4,140.00      |
| Total Loan Disbursements |          |                          | \$5,000,150.00 | \$3,264,325.00 | \$15,805,082.00 | \$24,069,557.00 |

**SET-ASIDE DISBURSEMENTS**

| Disburse<br>Number            | Date     | Payee                 | Other          | State          | Federal         | Total<br>Payment |
|-------------------------------|----------|-----------------------|----------------|----------------|-----------------|------------------|
| 04A-01                        | 10/16/03 | SD - Admin            | \$0.00         | \$0.00         | \$10,800.00     | \$10,800.00      |
| 04A-01                        | 10/16/03 | SD - Tech Assist      | \$0.00         | \$0.00         | \$2,900.00      | \$2,900.00       |
| 04A-02                        | 11/24/03 | SD - Admin            | \$0.00         | \$0.00         | \$29,700.00     | \$29,700.00      |
| 04A-02                        | 11/24/03 | SD - Tech Assist      | \$0.00         | \$0.00         | \$7,100.00      | \$7,100.00       |
| 04A-03                        | 12/11/03 | SD - Admin            | \$0.00         | \$0.00         | \$11,500.00     | \$11,500.00      |
| 04A-03                        | 12/11/03 | SD - Tech Assist      | \$0.00         | \$0.00         | \$4,000.00      | \$4,000.00       |
| 04A-04                        | 12/11/03 | FNB                   | \$0.00         | \$0.00         | \$10,625.00     | \$10,625.00      |
| 04A-05                        | 01/27/04 | SD - Admin            | \$0.00         | \$0.00         | \$20,600.00     | \$20,600.00      |
| 04A-05                        | 01/27/04 | SD - Tech Assist      | \$0.00         | \$0.00         | \$3,600.00      | \$3,600.00       |
| 04A-06                        | 02/12/04 | SD - Admin            | \$0.00         | \$0.00         | \$27,400.00     | \$27,400.00      |
| 04A-06                        | 02/12/04 | SD - Tech Assist      | \$0.00         | \$0.00         | \$3,800.00      | \$3,800.00       |
| 04A-07                        | 03/11/04 | Alzheimer & Gray      | \$0.00         | \$0.00         | \$15,000.00     | \$15,000.00      |
| 04A-08                        | 03/24/04 | SD - Admin            | \$0.00         | \$0.00         | \$8,600.00      | \$8,600.00       |
| 04A-08                        | 03/24/04 | SD - Local Assist     | \$0.00         | \$0.00         | \$15,200.00     | \$15,200.00      |
| 04A-08                        | 03/24/04 | SD - Tech Assist      | \$0.00         | \$0.00         | \$8,000.00      | \$8,000.00       |
| 04A-09                        | 04/21/04 | Public Financial Mgmt | \$0.00         | \$0.00         | \$21,500.00     | \$21,500.00      |
| 04A-10                        | 04/21/04 | SD - Admin            | \$0.00         | \$0.00         | \$9,627.00      | \$9,627.00       |
| 04A-10                        | 04/21/04 | SD - Admin            | \$0.00         | \$0.00         | \$10,173.00     | \$10,173.00      |
| 04A-10                        | 04/21/04 | SD - Tech Assist      | \$0.00         | \$0.00         | \$8,000.00      | \$8,000.00       |
| 04A-11                        | 05/14/04 | SD - Admin            | \$0.00         | \$0.00         | \$28,500.00     | \$28,500.00      |
| 04A-11                        | 05/14/04 | SD - Local Assist     | \$0.00         | \$0.00         | \$4,000.00      | \$4,000.00       |
| 04A-12                        | 06/18/04 | FNB                   | \$0.00         | \$0.00         | \$11,295.00     | \$11,295.00      |
| 04A-13                        | 06/18/04 | Perkins Coie          | \$0.00         | \$0.00         | \$27,500.00     | \$27,500.00      |
| 04A-14                        | 06/25/04 | SD - Admin            | \$0.00         | \$0.00         | \$7,100.00      | \$7,100.00       |
| 04A-14                        | 06/25/04 | SD - Tech Assist      | \$0.00         | \$0.00         | \$7,500.00      | \$7,500.00       |
| 04A-15                        | 07/16/04 | Perkins Coie          | \$38,016.00    | \$0.00         | \$0.00          | \$38,016.00      |
| 04A-16                        | 07/16/04 | FNB                   | \$8,448.00     | \$0.00         | \$0.00          | \$8,448.00       |
| 04A-17                        | 07/16/04 | Moody's               | \$13,376.00    | \$0.00         | \$0.00          | \$13,376.00      |
| 04A-18                        | 07/16/04 | Ambac Assurance       | \$7,040.00     | \$0.00         | \$0.00          | \$7,040.00       |
| 04A-19                        | 07/16/04 | Standard & Poor's     | \$12,672.00    | \$0.00         | \$0.00          | \$12,672.00      |
| 04A-20                        | 07/29/04 | SD - Admin            | \$0.00         | \$0.00         | \$35,300.00     | \$35,300.00      |
| 04A-20                        | 07/29/04 | SD - Tech Assist      | \$0.00         | \$0.00         | \$11,000.00     | \$11,000.00      |
| 04A-21                        | 08/06/04 | Public Financial Mgmt | \$30,543.00    | \$0.00         | \$0.00          | \$30,543.00      |
| 04A-22                        | 08/26/04 | Berens-Tate Consult.  | \$1,830.00     | \$0.00         | \$0.00          | \$1,830.00       |
| 04A-23                        | 08/27/04 | SD - Admin            | \$0.00         | \$0.00         | \$28,500.00     | \$28,500.00      |
| 04A-23                        | 08/27/04 | SD - Tech Assist      | \$0.00         | \$0.00         | \$6,400.00      | \$6,400.00       |
| 04A-24                        | 09/15/04 | SD - Admin            | \$0.00         | \$0.00         | \$8,583.00      | \$8,583.00       |
| 04A-24                        | 09/15/04 | SD - Tech Assist      | \$0.00         | \$0.00         | \$1,600.00      | \$1,600.00       |
| Total Set-Aside Disbursements |          |                       | \$111,925.00   | \$0.00         | \$405,403.00    | \$517,328.00     |
| Total DWSRF Disbursements     |          |                       | \$5,112,075.00 | \$3,264,325.00 | \$16,210,485.00 | \$24,586,885.00  |

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 2004**

| QUARTER | PROJECTED<br>DRAWS | ACTUAL<br>LOAN<br>DRAWS | ACTUAL<br>SET-ASIDE<br>DRAWS | DIFFERENCE   |
|---------|--------------------|-------------------------|------------------------------|--------------|
| 1ST     | \$3,080,700        | \$4,486,416             | \$76,625                     | -\$1,482,341 |
| 2ND     | \$3,080,700        | \$2,379,545             | \$102,200                    | \$598,955    |
| 3RD     | \$3,663,730        | \$5,518,695             | \$135,195                    | -\$1,990,160 |
| 4TH     | \$2,901,432        | \$3,420,426             | \$91,383                     | -\$610,377   |
| TOTAL   | \$12,726,562       | \$15,805,082            | \$405,403                    | -\$3,483,923 |

**Letter of Credit Draws**  
**Federal Fiscal Year 2004**

| Draw<br># | Date     | Loan        | Admin    | Tech Asst | Local Asst | Total       |
|-----------|----------|-------------|----------|-----------|------------|-------------|
| 0502      | 10/02/03 | \$1,094,607 |          |           |            | \$1,094,607 |
| 0503      | 10/04/03 | \$259,623   |          |           |            | \$259,623   |
| 0504      | 10/15/03 | \$179,078   | \$10,800 | \$2,900   |            | \$192,778   |
| 0505      | 10/22/03 | \$296,396   |          |           |            | \$296,396   |
| 0506      | 10/28/03 | \$301,295   |          |           |            | \$301,295   |
| 0507      | 11/04/03 | \$614,760   |          |           |            | \$614,760   |
| 0508      | 11/12/03 | \$73,255    |          |           |            | \$73,255    |
| 0509      | 11/20/03 | \$522,160   |          |           |            | \$522,160   |
| 0510      | 11/21/03 |             | \$29,700 | \$7,100   |            | \$36,800    |
| 0511      | 11/25/03 | \$157,800   |          |           |            | \$157,800   |
| 0512      | 12/02/03 | \$88,682    |          |           |            | \$88,682    |
| 0513      | 12/04/03 | \$422,150   |          |           |            | \$422,150   |
| 0514      | 12/10/03 | \$449,635   | \$22,125 | \$4,000   |            | \$475,760   |
| 0515      | 12/16/03 | \$23,000    |          |           |            | \$23,000    |

|        |          |              |           |          |          |              |
|--------|----------|--------------|-----------|----------|----------|--------------|
| 0516   | 12/23/04 | \$3,975      |           |          |          | \$3,975      |
| 0517   | 01/05/04 | \$931,564    |           |          |          | \$931,564    |
| Reimb. | 01/06/04 | -\$200,299   |           |          |          | -\$200,299   |
| 0518   | 01/13/04 | \$24,641     |           |          |          | \$24,641     |
| 0519   | 01/26/04 | \$97,615     | \$20,600  | \$3,600  |          | \$121,815    |
| 0520   | 02/03/04 | \$683,079    |           |          |          | \$683,079    |
| 0521   | 02/12/04 |              | \$27,400  | \$3,800  |          | \$31,200     |
| 0522   | 03/03/04 | \$54,290     |           |          |          | \$54,290     |
| 0523   | 03/10/04 | \$457,890    | \$15,000  |          |          | \$472,890    |
| 0524   | 03/16/04 | \$100,335    |           |          |          | \$100,335    |
| 0525   | 03/23/04 | \$77,595     | \$8,600   | \$8,000  | \$15,200 | \$109,395    |
| 0526   | 03/30/04 | \$152,835    |           |          |          | \$152,835    |
| 0527   | 04/08/04 | \$91,770     |           |          |          | \$91,770     |
| 0528   | 04/20/04 | \$494,600    | \$41,300  | \$8,000  |          | \$543,900    |
| 0529   | 04/27/04 | \$346,160    |           |          |          | \$346,160    |
| 0530   | 05/05/04 | \$1,107,840  |           |          |          | \$1,107,840  |
| 0531   | 05/13/04 | \$32,292     | \$28,500  |          | \$4,000  | \$64,792     |
| 0532   | 05/18/04 | \$589,193    |           |          |          | \$589,193    |
| 0533   | 05/25/04 | \$1,130,925  |           |          |          | \$1,130,925  |
| 0534   | 05/28/04 | \$552,850    |           |          |          | \$552,850    |
| 0535   | 06/17/04 | \$286,280    | \$38,795  |          |          | \$325,075    |
| 0536   | 06/23/04 |              | \$7,100   | \$7,500  |          | \$14,600     |
| 0537   | 06/25/04 | \$348,365    |           |          |          | \$348,365    |
| 0538   | 06/29/04 | \$538,420    |           |          |          | \$538,420    |
| 0539   | 07/15/04 | \$251,720    |           |          |          | \$251,720    |
| 0540   | 07/21/04 | \$17,359     |           |          |          | \$17,359     |
| 0541   | 07/28/04 | \$684,263    | \$35,300  | \$11,000 |          | \$730,563    |
| 0542   | 08/03/04 | \$380,362    |           |          |          | \$380,362    |
| 0543   | 08/19/04 | \$560,370    |           |          |          | \$560,370    |
| Reimb. | 08/20/04 | -\$540       |           |          |          | -\$540       |
| 0544   | 08/26/04 | \$42,775     | \$28,500  | \$6,400  |          | \$77,675     |
| 0545   | 09/15/04 | \$943,716    | \$8,583   | \$1,600  |          | \$953,899    |
| 0546   | 09/23/04 | \$136,845    |           |          |          | \$136,845    |
| 0547   | 09/29/04 | \$403,556    |           |          |          | \$403,556    |
|        |          | \$15,805,082 | \$322,303 | \$63,900 | \$19,200 | \$16,210,485 |

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

| Loan Recipient      | Environmental<br>Assessment<br>Class | Environmental<br>Assessment<br>Publication Date | Land<br>Purchase<br>w/ SRF? |
|---------------------|--------------------------------------|---|-----------------------------|
| Aberdeen (DW-01B)   | FNSI                                 | 03/25/03  | No                          |
| Centerville (DW-01) | CatEx                                | 03/04/04  | No                          |
| Crooks (DW-01)      | FNSI                                 | 04/21/04  | No                          |
| Elk Point (DW-02)   | CatEx                                | 06/24/04  | No                          |
| Groton (DW-02)      | CatEx                                | 05/19/04  | No                          |
| Keystone (DW-01)    | FNSI                                 | 03/24/04  | No                          |
| Lennox (DW-01)      | FNSI                                 | 07/15/04  | No                          |
| McLaughlin (DW-01)  | CatEx                                | 05/13/04  | No                          |
| Parker (DW-01)      | CatEx                                | 09/30/04  | No                          |
| Platte (DW-01)      | CatEx                                | 06/17/04  | No                          |
| Rapid City (DW-01)  | FNSI                                 | 11/19/03  | No                          |
| Sioux Falls (DW-05) | CatEx                                | 07/02/04  | No                          |



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**EXHIBITS VIII -- XII**

**DRINKING WATER SRF**

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

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**EXHIBIT VIII**  
**LOAN PARTICIPANTS**  
**September 3, 2004**  
**(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)            | \$16,760,000.00    | \$1,478,973.00        | \$183,906.00          | \$751,730.00            | \$2,414,609.00        | \$0.00                  | \$2,414,609.00      |
| Baltic (DW-01)              | \$250,000.00       | \$0.00                | \$75,038.00           | \$174,962.00            | \$250,000.00          | \$4,360.86              | \$245,639.14        |
| BDM RWS (DW-01)             | \$280,251.00       | \$0.00                | \$0.00                | \$280,251.00            | \$280,251.00          | \$6,905.52              | \$273,345.48        |
| Big Stone City (DW-01)      | \$570,000.00       | \$0.00                | \$0.00                | \$570,000.00            | \$570,000.00          | \$94,923.50             | \$475,076.50        |
| 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          | \$78,423.32             | \$421,576.68        |
| Brandon (DW-01)             | \$1,877,375.00     | \$0.00                | \$0.00                | \$1,877,375.00          | \$1,877,375.00        | \$431,304.61            | \$1,446,070.39      |
| 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          | \$25,832.52             | \$294,167.48        |
| Bryant (DW-01)              | \$142,000.00       | \$0.00                | \$8,038.00            | \$133,962.00            | \$142,000.00          | \$7,832.83              | \$134,167.17        |
| Canton (DW-01)              | \$500,000.00       | \$0.00                | \$112,699.00          | \$347,759.00            | \$460,458.00          | \$0.00                  | \$460,458.00        |
| Centerville (DW-01)         | \$870,000.00       | \$352,595.00          | \$26,038.00           | \$124,399.00            | \$503,032.00          | \$0.00                  | \$503,032.00        |
| Clear Lake (DW-01)          | \$540,637.00       | \$0.00                | \$0.00                | \$540,637.00            | \$540,637.00          | \$48,116.29             | \$492,520.71        |
| Colonial Pine Hills (DW-01) | \$636,108.00       | \$0.00                | \$185,726.00          | \$450,382.00            | \$636,108.00          | \$40,715.02             | \$595,392.98        |
| Colton (DW-01)              | \$681,720.00       | \$0.00                | \$327,497.00          | \$301,137.00            | \$628,634.00          | \$0.00                  | \$628,634.00        |

| <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> |
|------------------------|--------------------|-----------------------|-----------------------|-------------------------|-----------------------|-------------------------|---------------------|
| Crooks (DW-01)         | \$302,900.00       | \$0.00                | \$0.00                | \$0.00                  | \$0.00                | \$0.00                  | \$0.00              |
| Custer (DW-01)         | \$800,000.00       | \$131,742.00          | \$159,437.00          | \$508,821.00            | \$800,000.00          | \$16,286.38             | \$783,713.62        |
| Dakota Dunes (DW-01)   | \$908,000.00       | \$44,337.00           | \$0.00                | \$0.00                  | \$44,337.00           | \$385.02                | \$43,951.98         |
| Dell Rapids (DW-01)    | \$621,000.00       | \$0.00                | \$147,999.00          | \$461,915.00            | \$609,914.00          | \$0.00                  | \$609,914.00        |
| Elk Point (DW-01)      | \$220,000.00       | \$0.00                | \$30,181.00           | \$189,819.00            | \$220,000.00          | \$11,716.21             | \$208,283.79        |
| Elk Point (DW-02)      | \$570,000.00       | \$0.00                | \$0.00                | \$0.00                  | \$0.00                | \$0.00                  | \$0.00              |
| Fall River WUD (DW-01) | \$759,000.00       | \$0.00                | \$0.00                | \$759,000.00            | \$759,000.00          | \$49,022.67             | \$709,977.33        |
| Fall River WUD (DW-02) | \$400,000.00       | \$0.00                | \$24,064.00           | \$236,894.00            | \$260,958.00          | \$8,938.45              | \$252,019.55        |
| Garretson (DW-01)      | \$1,261,060.00     | \$0.00                | \$624,756.00          | \$468,894.00            | \$1,093,650.00        | \$0.00                  | \$1,093,650.00      |
| Gettysburg (DW-01)     | \$565,000.00       | \$0.00                | \$0.00                | \$565,000.00            | \$565,000.00          | \$31,800.35             | \$533,199.65        |
| Gregory (DW-01)        | \$347,580.00       | \$0.00                | \$35,106.00           | \$312,474.00            | \$347,580.00          | \$13,792.67             | \$333,787.33        |
| Groton (DW-01)         | \$440,000.00       | \$0.00                | \$43,390.00           | \$211,848.00            | \$255,238.00          | \$0.00                  | \$255,238.00        |
| Groton (DW-02)         | \$365,900.00       | \$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          | \$45,650.12             | \$479,349.88        |
| Hartford (DW-01)       | \$185,000.00       | \$0.00                | \$0.00                | \$185,000.00            | \$185,000.00          | \$15,920.53             | \$169,079.47        |
| Hartford (DW-02)       | \$800,957.00       | \$0.00                | \$83,421.00           | \$394,106.00            | \$477,527.00          | \$6,721.12              | \$470,805.88        |
| Hermosa (DW-01)        | \$300,000.00       | \$0.00                | \$0.00                | \$300,000.00            | \$300,000.00          | \$46,773.14             | \$253,226.86        |
| Huron (DW-01)          | \$4,000,000.00     | \$3,168,582.00        | \$0.00                | \$0.00                  | \$3,168,582.00        | \$52,557.74             | \$3,116,024.26      |
| Irene (DW-01)          | \$127,126.00       | \$0.00                | \$0.00                | \$127,126.00            | \$127,126.00          | \$127,126.00            | \$0.00              |
| Keystone (DW-01)       | \$762,000.00       | \$0.00                | \$0.00                | \$0.00                  | \$0.00                | \$0.00                  | \$0.00              |

| <b>Borrower Name</b>       | <b>Loan Amount</b> | <b>Other Advances</b> | <b>State Advances</b> | <b>Federal Advances</b> | <b>Total Advances</b> | <b>Repayment Amount</b> | <b>Loan Balance</b> |
|----------------------------|--------------------|-----------------------|-----------------------|-------------------------|-----------------------|-------------------------|---------------------|
| Kingbrook RWS (DW-01)      | \$474,204.00       | \$0.00                | \$0.00                | \$474,204.00            | \$474,204.00          | \$38,208.71             | \$435,995.29        |
| Lead (DW-01)               | \$192,800.00       | \$0.00                | \$110,440.00          | \$82,360.00             | \$192,800.00          | \$23,717.43             | \$169,082.57        |
| 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              |
| Lennox (DW-01)             | \$2,000,000.00     | \$0.00                | \$0.00                | \$0.00                  | \$0.00                | \$0.00                  | \$0.00              |
| Lincoln County RWS (DW-01) | \$1,200,000.00     | \$0.00                | \$0.00                | \$1,070,487.00          | \$1,070,487.00        | \$0.00                  | \$1,070,487.00      |
| Madison (DW-01)            | \$2,372,000.00     | \$0.00                | \$0.00                | \$2,372,000.00          | \$2,372,000.00        | \$2,372,000.00          | \$0.00              |
| Martin (DW-01)             | \$920,000.00       | \$0.00                | \$60,171.00           | \$246,452.00            | \$306,623.00          | \$0.00                  | \$306,623.00        |
| McLaughlin (DW-01)         | \$350,000.00       | \$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          | \$30,721.60             | \$224,478.40        |
| Minnehaha CWC (DW-01)      | \$6,500,000.00     | \$0.00                | \$0.00                | \$5,956,008.00          | \$5,956,008.00        | \$0.00                  | \$5,956,008.00      |
| Mitchell (DW-01)           | \$3,000,000.00     | \$0.00                | \$547,768.00          | \$2,246,532.00          | \$2,794,300.00        | \$46,161.52             | \$2,748,138.48      |
| Mobridge (DW-01)           | \$965,000.00       | \$0.00                | \$0.00                | \$965,000.00            | \$965,000.00          | \$965,000.00            | \$0.00              |
| Mobridge (DW-02)           | \$352,207.00       | \$0.00                | \$0.00                | \$352,207.00            | \$352,207.00          | \$352,207.00            | \$0.00              |
| Nisland (DW-01)            | \$350,000.00       | \$0.00                | \$170,757.00          | \$179,243.00            | \$350,000.00          | \$8,750.01              | \$341,249.99        |
| Parker (DW-01)             | \$730,000.00       | \$0.00                | \$0.00                | \$0.00                  | \$0.00                | \$0.00                  | \$0.00              |
| Pierre (DW-01)             | \$988,188.00       | \$0.00                | \$130,882.00          | \$857,306.00            | \$988,188.00          | \$93,365.03             | \$894,822.97        |
| Pierre (DW-02)             | \$1,832,900.00     | \$0.00                | \$232,484.00          | \$1,163,352.00          | \$1,395,836.00        | \$0.00                  | \$1,395,836.00      |
| Platte (DW-01)             | \$400,000.00       | \$0.00                | \$0.00                | \$0.00                  | \$0.00                | \$0.00                  | \$0.00              |

| <b>Borrower Name</b>      | <b>Loan Amount</b> | <b>Other Advances</b> | <b>State Advances</b> | <b>Federal Advances</b> | <b>Total Advances</b> | <b>Repayment Amount</b> | <b>Loan Balance</b> |
|---------------------------|--------------------|-----------------------|-----------------------|-------------------------|-----------------------|-------------------------|---------------------|
| Rapid City (DW-01)        | \$3,500,000.00     | \$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           | \$11,987.98             | \$73,012.02         |
| Salem (DW-01)             | \$118,540.00       | \$0.00                | \$46,420.00           | \$72,120.00             | \$118,540.00          | \$0.00                  | \$118,540.00        |
| Scotland (DW-01)          | \$340,000.00       | \$0.00                | \$104,543.00          | \$119,045.00            | \$223,588.00          | \$0.00                  | \$223,588.00        |
| Sioux Falls (DW-01)       | \$6,496,745.00     | \$0.00                | \$3,879,001.00        | \$2,617,744.00          | \$6,496,745.00        | \$2,245,443.64          | \$4,251,301.36      |
| Sioux Falls (DW-02)       | \$2,348,168.00     | \$0.00                | \$6,101.00            | \$2,342,067.00          | \$2,348,168.00        | \$288,861.28            | \$2,059,306.72      |
| Sioux Falls (DW-03)       | \$7,930,000.00     | \$0.00                | \$1,333,874.00        | \$6,596,126.00          | \$7,930,000.00        | \$206,838.45            | \$7,723,161.55      |
| Sioux Falls (DW-04)       | \$5,279,000.00     | \$0.00                | \$48,399.00           | \$231,200.00            | \$279,599.00          | \$0.00                  | \$279,599.00        |
| Sioux Falls (DW-05)       | \$12,749,000.00    | \$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                | \$577,858.00            | \$577,858.00          | \$0.00                  | \$577,858.00        |
| 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          | \$6,420.92              | \$219,235.08        |
| Tripp County WUD (DW-01)  | \$3,500,000.00     | \$0.00                | \$627,818.00          | \$2,746,006.00          | \$3,373,824.00        | \$0.00                  | \$3,373,824.00      |
| Tripp County WUD (DW-02)  | \$131,469.00       | \$0.00                | \$38,286.00           | \$93,183.00             | \$131,469.00          | \$0.00                  | \$131,469.00        |
| Tyndall (DW-01)           | \$300,000.00       | \$0.00                | \$0.00                | \$300,000.00            | \$300,000.00          | \$82,288.20             | \$217,711.80        |
| 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          | \$102,784.56            | \$692,553.44        |
| Vermillion (DW-02)        | \$1,510,000.00     | \$0.00                | \$296,190.00          | \$1,156,095.00          | \$1,452,285.00        | \$0.00                  | \$1,452,285.00      |
| 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)           | \$318,828.00       | \$0.00                | \$122,503.00          | \$196,325.00            | \$318,828.00          | \$11,227.77             | \$307,600.23        |
| WR/LJ RWS (DW-01)         | \$340,000.00       | \$0.00                | \$59,092.00           | \$280,908.00            | \$340,000.00          | \$11,645.81             | \$328,354.19        |

| <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> |
|----------------------|--------------------|-----------------------|-----------------------|-------------------------|-----------------------|-------------------------|---------------------|
| Worthing (DW-01)     | \$288,000.00       | \$0.00                | \$52,845.00           | \$61,415.00             | \$114,260.00          | \$0.00                  | \$114,260.00        |
| Yankton (DW-01)      | \$3,460,000.00     | \$0.00                | \$515,378.00          | \$2,546,639.00          | \$3,062,017.00        | \$85,090.08             | \$2,976,926.92      |
|                      | \$117,050,191.00   | \$5,245,056.00        | \$10,795,256.00       | \$51,630,066.00         | \$67,670,378.00       | \$11,310,158.86         | \$53,945,610.14     |

**EXHIBIT IX**  
**Projected Cash Flow Worksheet**  
**For October 1, 2003 through September 30, 2004**  
**Unaudited**

| <b>Borrower</b>             | <b>Principal</b> | <b>Interest</b> | <b>Admin<br/>Surcharge</b> | <b>Total</b> |
|-----------------------------|------------------|-----------------|----------------------------|--------------|
| Baltic (DW-01)              | \$8,953          | \$6,058         | \$2,423                    | \$17,434     |
| BDM (DW-01)                 | \$9,963          | \$6,741         | \$2,696                    | \$19,400     |
| Big Stone City (DW-01)      | \$15,971         | \$14,976        | \$3,522                    | \$34,470     |
| Big Stone City (DW-02)      | \$0              | \$714           | \$286                      | \$1,000      |
| Black Hawk WUD (DW-01)      | \$13,838         | \$13,293        | \$3,126                    | \$30,258     |
| Brandon (DW-01)             | \$108,941        | \$52,712        | \$14,054                   | \$175,708    |
| Britton (DW-01)             | \$8,278          | \$7,650         | \$2,185                    | \$18,114     |
| Bryant (DW-01)              | \$3,236          | \$3,989         | \$0                        | \$7,225      |
| Canton (DW-01)              | \$12,101         | \$23,378        | \$9,351                    | \$44,830     |
| Centerville (DW-01)         | \$6,551          | \$9,182         | \$2,753                    | \$18,486     |
| Clear Lake (DW-01)          | \$12,716         | \$14,633        | \$0                        | \$27,349     |
| Colonial Pine Hills (DW-01) | \$23,754         | \$14,664        | \$5,865                    | \$44,283     |
| Colton (DW-01)              | \$10,644         | \$13,743        | \$5,497                    | \$29,884     |
| Custer (DW-01)              | \$28,704         | \$19,266        | \$7,706                    | \$55,676     |
| Dakota Dunes (DW-01)        | \$1,574          | \$1,084         | \$434                      | \$3,092      |
| Dell Rapids (DW-01)         | \$5,296          | \$28,901        | \$11,560                   | \$45,757     |
| Elk Point (DW-01)           | \$8,158          | \$5,131         | \$2,052                    | \$15,342     |
| Fall River (DW-01)          | \$12,968         | \$15,878        | \$0                        | \$28,845     |
| Fall River (DW-02)          | \$4,596          | \$4,697         | \$0                        | \$9,293      |
| Garretson (DW-01)           | \$33,578         | \$28,174        | \$11,269                   | \$73,020     |
| Gettysburg (DW-01)          | \$19,322         | \$18,411        | \$5,260                    | \$42,992     |
| Gregory (DW-01)             | \$6,163          | \$6,220         | \$0                        | \$12,383     |
| Harrisburg (DW-01)          | \$18,003         | \$18,907        | \$4,727                    | \$41,637     |
| Hartford (DW-01)            | \$6,350          | \$6,669         | \$1,667                    | \$14,686     |
| Hartford (DW-02)            | \$10,169         | \$10,504        | \$4,201                    | \$24,875     |
| Hermosa (DW-01)             | \$8,483          | \$7,513         | \$1,878                    | \$17,873     |
| Huron (DW-01)               | \$84,807         | \$57,900        | \$23,158                   | \$165,865    |
| Kingbrook RWS (DW-01)       | \$15,584         | \$0             | \$0                        | \$15,584     |
| Lead (DW-01)                | \$16,720         | \$5,701         | \$1,629                    | \$24,049     |
| Lincoln County RWS (DW-01)  | \$18,824         | \$49,274        | \$19,708                   | \$87,807     |
| Mina Lake San Dist (DW-01)  | \$9,206          | \$8,842         | \$2,211                    | \$20,259     |
| Minnehaha CWC (DW-01)       | \$204,767        | \$143,555       | \$57,418                   | \$405,740    |
| Mitchell (DW-01)            | \$95,125         | \$81,383        | \$27,128                   | \$203,636    |
| Nisland (DW-01)             | \$11,667         | \$0             | \$0                        | \$11,667     |
| Pierre (DW-01)              | \$54,075         | \$21,868        | \$8,746                    | \$84,689     |
| Pierre (DW-02)              | \$0              | \$43,919        | \$17,566                   | \$61,485     |
| Redfield (DW-01)            | \$9,236          | \$2,521         | \$711                      | \$12,468     |
| Salem (DW-01)               | \$10,083         | \$2,870         | \$1,148                    | \$14,100     |
| Scotland (DW-01)            | \$1,257          | \$9,957         | \$0                        | \$11,214     |
| Sioux Falls (DW-01)         | \$631,710        | \$140,586       | \$40,162                   | \$812,458    |
| Sioux Falls (DW-02)         | \$203,632        | \$69,430        | \$19,835                   | \$292,896    |
| Sioux Falls (DW-03)         | \$676,883        | \$186,783       | \$74,708                   | \$938,374    |
| Sioux Falls (DW-04)         | \$11,788         | \$6,934         | \$2,773                    | \$21,495     |
| South Lincoln RWS (DW-01)   | \$10,080         | \$22,237        | \$8,894                    | \$41,211     |
| Tripp (DW-01)               | \$5,283          | \$5,432         | \$0                        | \$10,714     |

|                                |             |             |           |             |
|--------------------------------|-------------|-------------|-----------|-------------|
| Tripp County WUD (DW-01)       | \$38,041    | \$91,801    | \$0       | \$129,842   |
| Tripp County WUD (DW-02)       | \$4,382     | \$0         | \$0       | \$4,382     |
| Tyndall (DW-01)                | \$28,825    | \$5,174     | \$0       | \$33,999    |
| Vermillion (DW-01)             | \$29,050    | \$27,271    | \$6,818   | \$63,139    |
| Vermillion (DW-02)             | \$45,165    | \$31,663    | \$12,664  | \$89,492    |
| Webster(DW-01)                 | \$11,618    | \$7,582     | \$3,033   | \$22,233    |
| West River/Lyman Jones (DW-01) | \$8,009     | \$8,134     | \$0       | \$16,143    |
| Worthing (DW-01)               | \$992       | \$4,483     | \$1,793   | \$7,268     |
| Yankton (DW-01)                | \$112,441   | \$73,378    | \$29,349  | \$215,168   |
| Total FFY05                    | \$2,738,608 | \$1,455,709 | \$459,542 | \$4,653,859 |



**EXHIBIT X**  
**DENR DRINKING WATER STATE REVOLVING FUND**  
**BALANCE SHEET**  
**9/30/2004**

|  | SETASIDES             |                         |                      |                     |                       | ADMIN<br>SURCHARGE    | LOANS                   | TOTAL                   |
|--|-----------------------|-------------------------|----------------------|---------------------|-----------------------|-----------------------|-------------------------|-------------------------|
|  | STATE ADMIN           | TECHNICAL<br>ASSISTANCE | OPERATOR<br>TRAINING | LOCAL<br>ASSISTANCE | TOTAL<br>SETASIDES    |                       |                         |                         |
| <b>ASSETS:</b>                           |                       |                         |                      |                     |                       |                       |                         |                         |
| Cash                                     | (\$18,512.13)         | (\$17,474.98)           |                      | (\$5.61)            | (\$35,992.72)         | \$1,284,382.35        | \$2,870,911.59          | \$4,119,301.22          |
| Investments                              |                       |                         |                      |                     | \$0.00                |                       | \$38,232,740.34         | \$38,232,740.34         |
| Loans Receivable                         |                       |                         |                      |                     | \$0.00                |                       | \$56,360,219.14         | \$56,360,219.14         |
| Federal LOC Commitment less Cash Draws   | \$817,437.00          | \$301,612.00            | \$0.00               | \$28,800.00         | \$1,147,849.00        |                       | \$24,934,834.00         | \$26,082,683.00         |
| Accrued Interest Receivable              | \$0.03                |                         |                      |                     | \$0.03                | \$1,384.09            | \$697,901.53            | \$699,285.65            |
| Due from Other Governments               |                       |                         |                      |                     | \$0.00                | \$98,447.31           |                         | \$98,447.31             |
| Deferred Charges                         | \$205,843.26          |                         |                      |                     | \$205,843.26          |                       | \$429,755.43            | \$635,598.69            |
| <b>TOTAL ASSETS</b>                      | <b>\$1,004,768.16</b> | <b>\$284,137.02</b>     | <b>\$0.00</b>        | <b>\$28,794.39</b>  | <b>\$1,317,699.57</b> | <b>\$1,384,213.75</b> | <b>\$123,526,362.03</b> | <b>\$126,228,275.35</b> |
| <b>LIABILITIES AND FUND EQUITY:</b>      |                       |                         |                      |                     |                       |                       |                         |                         |
| Liabilities:                             |                       |                         |                      |                     |                       |                       |                         |                         |
| Accounts Payable                         | \$33,072.62           | \$3,485.00              |                      |                     | \$36,557.62           | \$0.00                | \$0.00                  | \$36,557.62             |
| Bonds Payable                            |                       |                         |                      |                     | \$0.00                |                       | \$37,330,000.00         | \$37,330,000.00         |
| Cost of Issuance Payable                 |                       |                         |                      |                     | \$0.00                |                       | \$14,767.67             | \$14,767.67             |
| Wages Payable                            | \$8,238.47            |                         |                      |                     | \$8,238.47            |                       |                         | \$8,238.47              |
| Accrued Employee Benefits                | \$1,887.23            |                         |                      |                     | \$1,887.23            |                       |                         | \$1,887.23              |
| Accrued Interest Payable                 |                       |                         |                      |                     | \$0.00                |                       | \$350,910.71            | \$350,910.71            |
| Deferred Revenue                         |                       |                         |                      |                     | \$0.00                |                       | \$712,666.45            | \$712,666.45            |
| <b>Total Liabilities</b>                 | <b>\$43,198.32</b>    | <b>\$3,485.00</b>       | <b>\$0.00</b>        | <b>\$0.00</b>       | <b>\$46,683.32</b>    | <b>\$0.00</b>         | <b>\$38,408,344.83</b>  | <b>\$38,455,028.15</b>  |
| Fund Equity:                             |                       |                         |                      |                     |                       |                       |                         |                         |
| Contributions from EPA                   | \$2,681,988.00        | \$727,112.00            | \$4,300.00           | \$50,000.00         | \$3,463,400.00        |                       | \$76,564,900.00         | \$80,028,300.00         |
| Retained Earnings                        | (\$1,720,418.16)      | (\$446,459.98)          | (\$4,300.00)         | (\$21,205.61)       | (\$2,192,383.75)      | \$1,384,213.75        | \$7,128,857.20          | \$6,320,687.20          |
| Contributed Capital                      |                       |                         |                      |                     | \$0.00                |                       | \$1,424,260.00          | \$1,424,260.00          |
| <b>Total Fund Equity</b>                 | <b>\$961,569.84</b>   | <b>\$280,652.02</b>     | <b>\$0.00</b>        | <b>\$28,794.39</b>  | <b>\$1,271,016.25</b> | <b>\$1,384,213.75</b> | <b>\$85,118,017.20</b>  | <b>\$87,773,247.20</b>  |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> | <b>\$1,004,768.16</b> | <b>\$284,137.02</b>     | <b>\$0.00</b>        | <b>\$28,794.39</b>  | <b>\$1,317,699.57</b> | <b>\$1,384,213.75</b> | <b>\$123,526,362.03</b> | <b>\$126,228,275.35</b> |

**EXHIBIT XI**  
**DENR DRINKING WATER STATE REVOLVING FUND**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**For the Fiscal Year Ended September 30, 2004**

|                                  | SETASIDES               |                         |                      |                      |                         | ADMIN<br>SURCHARGE    | LOANS                 | TOTAL                 |
|----------------------------------|-------------------------|-------------------------|----------------------|----------------------|-------------------------|-----------------------|-----------------------|-----------------------|
|                                  | STATE ADMIN             | TECHNICAL<br>ASSISTANCE | OPERATOR<br>TRAINING | LOCAL<br>ASSISTANCE  | TOTAL<br>SETASIDES      |                       |                       |                       |
| <b>Operating Revenues:</b>       |                         |                         |                      |                      |                         |                       |                       |                       |
| Interest Income                  |                         |                         |                      |                      | \$0.00                  |                       | \$1,321,510.23        | \$1,321,510.23        |
| Investment Income                | \$0.84                  |                         |                      |                      | \$0.84                  | \$9,947.74            | \$810,821.54          | \$820,770.12          |
| Other Income                     |                         |                         |                      |                      | \$0.00                  | \$429,750.36          | \$7,795.40            | \$437,545.76          |
| <b>Total Operating Revenue</b>   | <b>\$0.84</b>           | <b>\$0.00</b>           | <b>\$0.00</b>        | <b>\$0.00</b>        | <b>\$0.84</b>           | <b>\$439,698.10</b>   | <b>\$2,140,127.17</b> | <b>\$2,579,826.11</b> |
| <b>Operating Expenses:</b>       |                         |                         |                      |                      |                         |                       |                       |                       |
| Administrative Expenses          | \$290,951.80            | \$78,462.00             | \$0.00               | \$19,200.00          | \$388,613.80            | \$0.00                | \$0.00                | \$388,613.80          |
| Interest Expense                 |                         |                         |                      |                      | \$0.00                  |                       | \$775,258.63          | \$775,258.63          |
| Bond Issuance Expense            | \$9,981.24              |                         |                      |                      | \$9,981.24              |                       | \$9,994.54            | \$19,975.78           |
| Bond Discount Expense            | \$5,080.55              |                         |                      |                      | \$5,080.55              |                       | \$1,777.05            | \$6,857.60            |
| Refund of Prior Year Revenue     |                         |                         |                      |                      |                         |                       |                       | \$0.00                |
| <b>Total Operating Expenses</b>  | <b>\$306,013.59</b>     | <b>\$78,462.00</b>      | <b>\$0.00</b>        | <b>\$19,200.00</b>   | <b>\$403,675.59</b>     | <b>\$0.00</b>         | <b>\$787,030.22</b>   | <b>\$1,190,705.81</b> |
| <b>Operating Income (Loss)</b>   | <b>(\$306,012.75)</b>   | <b>(\$78,462.00)</b>    | <b>\$0.00</b>        | <b>(\$19,200.00)</b> | <b>(\$403,674.75)</b>   | <b>\$439,698.10</b>   | <b>\$1,353,096.95</b> | <b>\$1,389,120.30</b> |
| <b>Operating Transfers:</b>      |                         |                         |                      |                      |                         |                       |                       |                       |
| Operating Transfer In            |                         |                         |                      |                      |                         |                       |                       | \$0.00                |
| Operating Transfer Out           | (\$26,635.31)           |                         |                      |                      | (\$26,635.31)           |                       |                       | (\$26,635.31)         |
| <b>Net Transfers</b>             | <b>(\$26,635.31)</b>    | <b>\$0.00</b>           | <b>\$0.00</b>        | <b>\$0.00</b>        | <b>(\$26,635.31)</b>    | <b>\$0.00</b>         | <b>\$0.00</b>         | <b>(\$26,635.31)</b>  |
| <b>Net Income (Loss)</b>         | <b>(\$332,648.06)</b>   | <b>(\$78,462.00)</b>    | <b>\$0.00</b>        | <b>(\$19,200.00)</b> | <b>(\$430,310.06)</b>   | <b>\$439,698.10</b>   | <b>\$1,353,096.95</b> | <b>\$1,362,484.99</b> |
| <b>Fund Equity, Beginning</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> |
| <b>RETAINED EARNINGS, ENDING</b> | <b>(\$1,720,418.16)</b> | <b>(\$446,459.98)</b>   | <b>(\$4,300.00)</b>  | <b>(\$21,205.61)</b> | <b>(\$2,192,383.75)</b> | <b>\$1,384,213.75</b> | <b>\$7,128,857.20</b> | <b>\$6,320,687.20</b> |

**EXHIBIT XII**  
**DENR DRINKING WATER STATE REVOLVING FUND**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended September 30, 2004**

|  | SETASIDES            |                         |                      |                     |                      | ADMIN<br>SURCHARGE    | LOANS                 | TOTAL                 |
|--|----------------------|-------------------------|----------------------|---------------------|----------------------|-----------------------|-----------------------|-----------------------|
|  | STATE ADMIN          | TECHNICAL<br>ASSISTANCE | OPERATOR<br>TRAINING | LOCAL<br>ASSISTANCE | TOTAL<br>SETASIDES   |                       |                       |                       |
| <b>Cash flows from operating activities:</b>   |                      |                         |                      |                     |                      |                       |                       |                       |
| Net Income   | (\$306,012.75)       | (\$78,462.00)           | \$0.00               | (\$19,200.00)       | (\$403,674.75)       | \$439,698.10          | \$1,353,096.95        | \$1,389,120.30        |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: |                      |                         |                      |                     |                      |                       |                       |                       |
| Investment Income  | (\$0.86)             | \$0.00                  | \$0.00               | \$0.00              | (\$0.86)             | (\$10,764.75)         | (\$1,117,418.79)      | (\$1,128,184.40)      |
| Interest Expense   |                      |                         |                      |                     |                      |                       | \$775,258.63          | \$775,258.63          |
| Amortization of bond issuance cost   | \$9,981.24           |                         |                      |                     | \$9,981.24           |                       | \$9,994.54            | \$19,975.78           |
| Amortization of bond discount  | \$5,080.55           |                         |                      |                     | \$5,080.55           |                       | \$1,777.05            | \$6,857.60            |
| Amortization of bond premium   |                      |                         |                      |                     | \$0.00               |                       | (\$7,795.40)          | (\$7,795.40)          |
| Assets: (Increase)/Decrease  |                      |                         |                      |                     |                      |                       |                       |                       |
| Loans Receivable   |                      |                         |                      |                     | \$0.00               |                       | (\$19,366,724.66)     | (\$19,366,724.66)     |
| Accrued Interest Receivable on Loans   |                      |                         |                      |                     | \$0.00               |                       | (\$40,733.64)         | (\$40,733.64)         |
| Federal LOC Commitment less Cash Draws   | (\$9,821.00)         | (\$102,162.00)          |                      | \$19,200.00         | (\$92,783.00)        |                       | \$8,000,168.00        | \$7,907,385.00        |
| Due from Other Governments   |                      |                         |                      |                     | \$0.00               | (\$11,250.19)         |                       | (\$11,250.19)         |
| Liabilities: Increase/(Decrease)   |                      |                         |                      |                     |                      |                       |                       |                       |
| Accounts Payable   | (\$10,878.20)        | \$10.00                 |                      |                     | (\$10,868.20)        |                       |                       | (\$10,868.20)         |
| Bond Issuance  |                      |                         |                      |                     |                      |                       |                       |                       |
| Due to Other Governments   |                      |                         |                      |                     |                      |                       | \$14,767.67           | \$14,767.67           |
| Cost of Issuance Payable   |                      |                         |                      |                     |                      |                       |                       | \$0.00                |
| Accrued Employee Benefits  | (\$333.90)           |                         |                      |                     | (\$333.90)           |                       |                       | (\$333.90)            |
| Wages Payable  | (\$1,236.93)         |                         |                      |                     | (\$1,236.93)         |                       |                       | (\$1,236.93)          |
| Net cash provided by operations  | (\$313,221.85)       | (\$180,614.00)          | \$0.00               | \$0.00              | (\$493,835.85)       | \$417,683.16          | (\$10,377,609.65)     | (\$10,453,762.34)     |
| <b>Cash flows from noncapital financing activities:</b>                                  |                      |                         |                      |                     |                      |                       |                       |                       |
| Operating Transfers Out  | (\$26,635.31)        |                         |                      |                     | (\$26,635.31)        |                       |                       | (\$26,635.31)         |
| Operating Transfer In  |                      |                         |                      |                     |                      |                       |                       | \$0.00                |
| Unamortized Bond Issuance Costs  |                      |                         |                      |                     |                      |                       | (\$285,180.15)        | (\$285,180.15)        |
| Unamortized Bond Premium Revenue   |                      |                         |                      |                     |                      |                       | \$720,461.85          | \$720,461.85          |
| Bonds Payable  |                      |                         |                      |                     | \$0.00               |                       | (\$415,000.00)        | (\$415,000.00)        |
| Bond Issue   |                      |                         |                      |                     |                      |                       | \$27,070,000.00       | \$27,070,000.00       |
| Interest Payment on Bonds and Notes  |                      |                         |                      |                     |                      |                       | (\$509,217.50)        | (\$509,217.50)        |
| Contributions from EPA   | \$332,124.00         | \$166,062.00            |                      |                     | \$498,186.00         |                       | \$7,804,914.00        | \$8,303,100.00        |
| Net cash provided by noncapital financing activities                                     | \$305,488.69         | \$166,062.00            | \$0.00               | \$0.00              | \$471,550.69         | \$0.00                | \$34,385,978.20       | \$34,857,528.89       |
| <b>Cash Flows from Investing Activities:</b>   |                      |                         |                      |                     |                      |                       |                       |                       |
| Interest on Investments  | \$0.84               |                         |                      |                     | \$0.84               | \$9,947.74            | \$810,821.54          | \$820,770.12          |
| Purchase of Investment Securities  |                      |                         |                      |                     |                      |                       | (\$35,480,719.10)     | (\$35,480,719.10)     |
| Proceeds from Sale of Investment Securities  |                      |                         |                      |                     | \$0.00               |                       | \$5,979,834.97        | \$5,979,834.97        |
| Increase in Investments  | \$0.84               | \$0.00                  | \$0.00               | \$0.00              | \$0.84               | \$9,947.74            | (\$28,690,062.59)     | (\$28,680,114.01)     |
| Net Decrease in cash and cash equivalents  | (\$7,732.32)         | (\$14,552.00)           | \$0.00               | \$0.00              | (\$22,284.32)        | \$427,630.90          | (\$4,681,694.04)      | (\$4,276,347.46)      |
| Cash and cash equivalents at beginning of year   | (\$10,779.81)        | (\$2,922.98)            | \$0.00               | (\$5.61)            | (\$13,708.40)        | \$856,751.45          | \$7,552,605.63        | \$8,395,648.68        |
| <b>Cash and cash equivalents at year end</b>   | <b>(\$18,512.13)</b> | <b>(\$17,474.98)</b>    | <b>\$0.00</b>        | <b>(\$5.61)</b>     | <b>(\$35,992.72)</b> | <b>\$1,284,382.35</b> | <b>\$2,870,911.59</b> | <b>\$4,119,301.22</b> |

## **DRINKING WATER STATE REVOLVING FUND**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2004**

1. The financial information contained on the Loan Participants; Projected Cash Flow Worksheet; Balance Sheets; Revenues, Expenses and Changes in Retained Earnings; and Cash Flows in Exhibits VIII through XII of the Drinking Water SRF Annual Report is unaudited and prepared by personnel of the Department of Environment and Natural Resources, Division of Financial and Technical Assistance. The format for these statements is generally consistent with guidelines provided by EPA personnel.
2. 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 Poor's, which paid on average approximately 0.92% for the year ending September 30, 2004
6. Investments consist of an Investment Agreement at 5.56% with CDC Funding Corporation due August 1, 2008 totaling \$6,198,721. Agreement also at 5.07% with AIG Matched Funding Corp due August 1, 2025 totaling \$31,922,097.

7. Reserve Accounts consist primarily of an Investment Agreement at 5.56% with CDC Funding Corporation due August 1, 2008 totaling \$514,500. Agreement also at 5.07% with AIG Matched Funding Corp due August 1, 2025 totaling \$697,901.
8. Bonds outstanding plus principal and interest payments on the bond issue is due as follows:

|                   | <u>Bonds Outstanding</u> | <u>February 1, 2005</u> | <u>August 1, 2005</u> |
|-------------------|--------------------------|-------------------------|-----------------------|
| Series 1998 Bonds |                          |                         |                       |
| Principal         | 5,335,000                |                         | 255,000               |
| Interest          |                          | 129,033                 | 129,033               |
| Series 2001 Bonds |                          |                         |                       |
| Principal         | 4,925,000                |                         | 185,000               |
| Interest          |                          | 116,916                 | 116,916               |
| Series 2004 Bonds |                          |                         |                       |
| Principal         | 27,070,000               |                         |                       |
| Interest          |                          | 687,638                 | 625,126               |
| <br>Total         | <br><u>37,330,000</u>    | <br><u>933,587</u>      | <br><u>1,311,075</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                | 14,471,900            |
| 2004                | 8,303,100             |
| <br>Total           | <br><u>80,028,300</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:

|                              | Year Ending<br><u>09/30/04</u> |
|------------------------------|--------------------------------|
| State of South Dakota Admin. | 214,455                        |
| Technical Assistance         | 97,662                         |
| Trustee                      | 24,997                         |
| Bond Council                 | 30,000                         |
| Financial Advisor            | <u>21,500</u>                  |
| Total                        | <u><u>388,614</u></u>          |

11. A bond issue of \$27,070,000 was completed on 7/13/2004. The bonds sold at a premium of \$720,461.85. The cost of Issuance was estimated at \$285,180.15 which would make the cash to be received on the bonds equal to \$27,505,281.70. The purpose of the bond was to provide State match for the program for 2004 through 2006, and provide additional leveraged bonds for the program to satisfy the high loan demand. The 2004 bonds were rated AAA by Standard and Poor's and Aaa by Moody's which is the highest ratings assigned by each agency.

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**ADDENDUM I**

**FEDERAL FISCAL YEAR 2005**

**INTENDED USE PLAN**

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**SOUTH DAKOTA  
DRINKING WATER STATE REVOLVING FUND  
FISCAL YEAR 2005 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 2005 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 5, 2004, to review the 2005 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. In September 2004 the Board of Water and Natural Resources retained the interest rates established in March 2004, which are 2.50 percent for loans with a term of 10 years or less and 3.25 percent for loans with a term greater than 10 years. The term of each loan is at the discretion of the project sponsor provided that the proposed repayment source produces sufficient coverage. The rate for loans for interim financing is 2.0 percent. The maximum allowable term for interim financing loans is three years. Loan rates for disadvantaged communities are 3.25 percent, 2.5 percent or zero percent depending on the recipient's median household income. Information regarding disadvantaged eligibility and subsidy level criteria can be found in the disadvantaged community subsidies section.

The interest rate includes an administrative surcharge as identified in Table 1. The primary purpose of the surcharge is to provide a pool of funds to be used for administrative purposes after the state ceases to receive capitalization grants. The administrative surcharge is also available for other purposes, as determined eligible by EPA and at the discretion of the Board of Water and Natural Resources and department. As of September 30, 2004, \$1.23 million of administrative surcharge funds are available.

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 \$41.7 million of the \$117.1 million of loans, which equates to 35.6 percent. With over \$13.3 million identified for systems serving fewer than 10,000 persons on Attachment II – List of Projects to be funded in Fiscal Year 2005, the state expects to meet the 15 percent threshold.

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

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

|                     | Up to<br>3 Yrs | Up to<br>10<br>Yrs | Up to<br>20<br>Yrs | Up to<br>30<br>Yrs |
|---------------------|----------------|--------------------|--------------------|--------------------|
| <u>Interim Rate</u> |                |                    |                    |                    |
| Interest Rate       | 2.00%          |                    |                    |                    |
| Admin.              |                |                    |                    |                    |
| Surcharge           | <u>0.00%</u>   |                    |                    |                    |
| Total               | 2.00%          |                    |                    |                    |

|                                     |              |              |              |
|-------------------------------------|--------------|--------------|--------------|
| <u>Base Rate</u>                    |              |              |              |
| Interest Rate                       | 2.00%        | 2.50%        |              |
| Admin.                              |              |              |              |
| Surcharge                           | <u>0.50%</u> | <u>0.75%</u> |              |
| Total                               | 2.50%        | 3.25%        |              |
| <u>Disadvantaged Rate - 100% of</u> |              |              |              |
| <u>MHI</u>                          |              |              |              |
| Interest Rate                       |              |              | 2.50%        |
| Admin.                              |              |              |              |
| Surcharge                           |              |              | <u>0.75%</u> |
| Total                               |              |              | 3.25%        |
| <u>Disadvantaged Rate - 80% of</u>  |              |              |              |
| <u>MHI</u>                          |              |              |              |
| Interest Rate                       |              |              | 2.00%        |
| Admin.                              |              |              |              |
| Surcharge                           |              |              | <u>0.50%</u> |
| Total                               |              |              | 2.50%        |
| <u>Disadvantaged Rate - 60% of</u>  |              |              |              |
| <u>MHI</u>                          |              |              |              |
| Interest Rate                       |              |              | 0.00%        |
| Admin.                              |              |              |              |
| Surcharge                           |              |              | <u>0.00%</u> |
| Total                               |              |              | 0.00%        |

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

The Safe Drinking Water Act Amendments of 1996 allowed states to transfer an amount equal to 33 percent of its Drinking Water SRF capitalization grant to the Clean Water SRF or an equivalent amount from the Clean Water SRF to the Drinking Water SRF. One-year extensions of this transfer authority were granted through the VA, HUD, and Independent Agencies Appropriation Bill for fiscal years 2002 - 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 fiscal years 1997 through 2001 Drinking Water SRF capitalization grants and \$1.5 million of the fiscal year 2002 Drinking Water SRF capitalization grant. Assuming the transfer authority is extended, \$9,308,406 of banked transfer authority remains; however, no transfers from the Clean Water SRF program are expected to occur in 2005. Table 2 (page 8) itemizes the amount of funds transferred to the Drinking Water SRF program.

To meet the anticipated increased demand for loan funds, transfers from the Drinking Water SRF program to the Clean Water SRF program may be necessary. Such a transfer is dependent upon the availability of Drinking Water SRF funds. A decision will be made at a later date when demand on the Drinking Water program is determined.

## FINANCIAL STATUS

It is expected that the fiscal year 2005 capitalization grant will be \$8,353,500. The required state match of \$1,670,500 has been secured through bonds. The bonding authority for this program is established in SDCL 46A-1-60.1.

As of September 30, 2004, seventy-seven loans totaling \$117,050,191 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                    | \$334,140        |
| Small System Technical Assistance | <u>\$167,360</u> |
| <b>Total for set-asides</b>       | <b>\$501,500</b> |

The program has received eight previous capitalization grants totaling \$67,049,760 and has provided the required state match of \$13,409,940. Of this amount, \$3,463,400 was allocated to set-aside activities as follows: \$2,681,988 for administration, \$727,112 for small system technical assistance, \$4,300 for state program management – operator certification, and \$50,000 for capacity development. The fiscal year 2005 capitalization grant application will request that \$28,794 of the \$50,000 reserved for capacity development be reverted back to the loan fund.

To accommodate 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. Additionally, \$22.5 million of additional (leveraged) bonds above that required for state match were issued in fiscal year 2004.

At the beginning of fiscal year 2005, \$11.2 million is available for loan. The attached project priority list identifies \$30.5 million in potential loans. With the 2005 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, approximately \$20.7 million will be available to loan, and the program will have dedicated \$137.8 million for loans to qualifying public water systems. This information is provided in Attachment III, Drinking Water SRF Funding Status.

With the adoption of the amended and restated Master Indenture in 2004, the Clean Water and Drinking Water SRF programs are cross-collateralized. This allows the board to pledge excess revenues on deposit in the

Drinking Water SRF program to act as additional security for bonds secured by excess revenues on deposit in the Clean Water SRF program, and vice versa.

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

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

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

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

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

**Administration. Four percent of the fiscal year capitalization grant (\$334,140) will be allocated to administer the Drinking Water SRF program. This is the maximum allowed for this purpose.**

Specific activities to be funded are: staff salary, benefits, travel, and overhead; retaining of bond counsel, bond underwriter, financial advisor, and trustee; and other costs to administer the program.

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

**Small system technical assistance. Two percent of the capitalization grant (\$167,360) will be allocated to provide technical assistance to public water systems serving 10,000 or fewer. This is the maximum allowed for this purpose.**

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

In fiscal year 1997, the board contracted with the South Dakota Association of Rural Water Systems to help communities evaluate the technical, managerial, and financial capability of its water utilities. These contracts have been renewed annually. The contract will be amended to allow the continuation of assistance activities. The South Dakota Association of Rural Water Systems has been allocated \$348,500 in set-aside funds, and \$43,400 remains unobligated. The Rural Water Association provides such on-site assistance as leak detection, consumer confidence reports, water audits, board oversight and review, treatment plant operations, operator certification, and rate analysis. Contracts to date have provided more than 5,800 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. Upon the adoption of the Intended Use Plan, the maximum allowable grant amount will be increased to \$6,000. Fifty-four grants have been made for this purpose, totaling \$183,642 in obligations. Grants are available only for communities with a population of 2,500 or less.

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

To assure available funds to support the existing small system technical assistance endeavors, \$167,360 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 Association of South Dakota Rural Water Systems 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 2005.

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, \$22,206 has been expended for this activity. Of the amount obligated, \$21,206 was awarded 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.

No funds will be set-aside in fiscal year 2005 for local assistance and states programs. The fiscal year 2005 capitalization grant application will request that the remaining \$28,794 reserved for capacity development be reverted back to the loan fund.

#### **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

- (b) below the state-wide median household income; and
    - (c) 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 2 - Amounts Available to Transfer between State Revolving Fund Programs

| Year        | DWSRF Capitalization Grant | Amount Available for Transfer | Banked Transfer Ceiling | Amount Transferred from CWSRF to DWSRF | 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<br><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>                |
| 2003        | \$8,004,100                | \$2,641,353                   | \$19,386,378            | <b>\$7,761,360</b>                     |                                   |
| 2004        | \$8,303,100                | \$2,740,023                   | \$22,126,401            | -0-                                    |                                   |
| 2005 (est.) | \$8,352,500                | \$2,756,325                   | \$24,882,726            | -0-                                    |                                   |

## ATTACHMENT I

### PROJECT PRIORITY LIST

Attachment I is a comprehensive list of projects that are eligible for Drinking Water SRF loans. This list was developed from State Water Plan applications. Inclusion on the list carries no obligations to the Drinking Water SRF program. Attachment II lists those projects expected to be funded in fiscal year 2005.

| Priority Points | Community/<br>Public Water System | Project Number | Project Description  | Est. Loan Amount | Expected Loan Rate & Term | Pop. Served | Dis-advan-<br>taged |
|-----------------|-----------------------------------|----------------|--|------------------|---------------------------|-------------|---------------------|
| 223             | Clay Rural Water System           | C462437-01     | <i>Problem:</i> rural residents in South Union County lack a reliable source of water and areas are in violation of the radium standard. <i>Project:</i> install approximately 95 miles of line to serve the area, expand the water treatment plant, and construct a 200,000-gallon elevated storage tank. | \$3,190,000      | 3.25%, 30 yrs             | 17,587      | Yes                 |
| 141             | T-M Rural Water District          | C462429-01     | <i>Problem:</i> The existing treatment facility is approaching the end of its useful life and is not expected to comply with impending regulations. <i>Project:</i> replace the existing treatment plant with a nanofiltration membrane and aeration treatment facility.                                   | \$1,200,000      | 3.25%, 20 yrs             | 5,256       |                     |
| 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        | 3.25%, 20 yrs             | 150         |                     |
| 122             | BDM Rural Water System            | C462444-03     | <i>Problem:</i> the town of Hecla's water source is of poor quality and insufficient quantity. <i>Project:</i> install several miles of pipe to connect Hecla and other rural residences to the BDM Rural Water System.  | \$2,000,000      | 3.25%, 30 yrs.            | 464         | Yes                 |
| 93              | Fall River Water Users            | C462435-03     | <i>Problem:</i> the Fall River WUD was served a  | \$650,000        | 3.25%, 30 yrs.            | 275         | Yes                 |



| Priority Points | Community/<br>Public Water System  | Project Number | Project Description   | Est. Loan Amount | Expected Loan Rate & Term | Pop. Served | Dis-advan-taged |
|-----------------|------------------------------------|----------------|---|------------------|---------------------------|-------------|-----------------|
|                 | District                           |                | petition for annexation from a group of area ranchers, businesses and other landowners.<br><i>Project:</i> construct approximately 48 miles of variously sized water mains to serve new users in Fall River and Custer Counties.  |                  |                           |             |                 |
| 91              | Sioux Rural Water System           | C462433-01     | <i>Problem:</i> increased demand has necessitated expansion of storage and pumping capabilities.<br><i>Project:</i> Construction of a 400,000-gallon storage reservoir, replacement of high service pumps, upsizing existing, unreliable pipeline, and improvements to booster stations.  | \$890,000        | 3.25%, 30 yrs.            | 4,500       | Yes             |
| 80              | B-Y Rural Water System             | C462431-02     | <i>Problem:</i> the treatment plant produces lime sludge that must be disposed of properly.<br><i>Project:</i> construct a monofill to dispose of the sludge.   | \$250,000        | 3.25%, 30 yrs             | 3,905       | Yes             |
| 70              | Milbank                            | C462023-01     | <i>Problem:</i> the two existing raw water transmission lines are old and unable to deliver the adequate capacity under dry conditions, and the existing water treatment plant is not capable of meeting the proposed Ground Water rule.<br><i>Project:</i> replace the existing: raw water transmission lines and construct a new water treatment plant. | \$3,700,000      | 2.5%, 30 yrs              | 3640        | Yes             |
| 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>Problem:</i> construction of new transmission lines within the areas experiencing problems.   | \$2,115,000      | 3.25%, 30 yrs             | 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, and the water treatment plant is reaching capacity. <i>Project:</i> construction of approximately 10 miles of new 12-inch transmission line, construct new wells, and expand the existing water treatment plant by        | \$1,200,000      | 3.25%, 30 yrs             | 2,050       | Yes             |

| Priority Points | Community/<br>Public Water System | Project Number | Project Description   | Est. Loan Amount | Expected Loan Rate & Term | Pop. Served | Dis-advan-<br>taged |
|-----------------|-----------------------------------|----------------|---|------------------|---------------------------|-------------|---------------------|
| 58              | Green Valley Sanitary District    | C462251-01     | adding an aerator, detention tank, and sand filters and make improvements to the high service pumping capability<br><i>Problem:</i> most residences in the district are served by individual shallow wells for water use and septic systems for wastewater treatment. High groundwater levels and poorly operating septic tanks have led to water quality problems. <i>Project:</i> construct a distribution system and connect to the Rapid City system. | \$500,000        | 3.25%, 20 yrs             | 768         |                     |
| 58              | Vermillion                        | C462022-03     | <i>Problem:</i> major components of the water treatment facility need to be renovated or replaced. <i>Project:</i> construction of a second solid contact clarifier, re-carbonation basin, and expansion of the plant building.   | \$2,925,000      | 2.5%, 30 yrs.             | 10,276      | Yes                 |
| 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 lives. <i>Project:</i> Replace the existing treatment units with an Actifloc treatment process.  | \$1,000,000      | 3.25%, 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      | 3.25%, 20 yrs.            | 7,043       |                     |
| 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-gallon elevated storage facility and replace lines and provide looping to improve water flows.  | \$1,125,000      | 3.25%, 20 yrs             | 1,844       |                     |
| 31              | Sisseton                          | C462053-01     | <i>Problem:</i> portions of the city's distribution system are cast iron that is over 50 years old and  | \$538,000        | 2.50%, 30 yrs.            | 2,572       | Yes                 |

| Priority Points | Community/<br>Public Water System                      | Project Number | Project Description   | Est. Loan Amount | Expected Loan Rate & Term | Pop. Served | Dis-advan-<br>taged |
|-----------------|--|----------------|---|------------------|---------------------------|-------------|---------------------|
| 21              | Clay Rural Water System<br>(Distribution Improvements) | C462437-02     | experiencing decreased pressure due to mineral deposits. <i>Project:</i> replace approximately 7,000 feet of 6- and 10-inch cast iron lines with PVC. <i>Problem:</i> growth of the system has resulted in pressure problems. <i>Project:</i> construction of an interconnection to the city of Vermillion, an ion exchange softening facility, and 15 miles of line. | \$600,000        | 3.25%, 20 yrs             | 4,597       |                     |
| 21              | Dell Rapids  | C462064-02     | <i>Problem:</i> water lines are old and in poor condition. <i>Project:</i> replace portions of the water distribution system in conjunction with a street improvement project.  | \$454,000        | 3.25%, 20 yrs             | 2,980       |                     |
| 14              | Humboldt   | C462254-01     | <i>Problem:</i> the pump house is old and in disrepair. <i>Project:</i> construct a new pump house.   | \$100,000        | 3.25%, 20 yrs             | 521         |                     |
| 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        | 3.25%, 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                 |
| 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.  | \$205,800        | 3.25%, 30 yrs.            | 3,632       | Yes                 |
| 10              | Salem  | C462057-02     | <i>Problem:</i> water lines located under Highway 81 and Essex Avenue are old, undersized, and in need of replacement. <i>Project:</i> replace the existing 4-inch cast iron line with 140 feet of 8-inch and 2,050 feet of 6-inch line.  | \$317,500        | 3.25%, 30 yrs.            | 1,371       | Yes                 |

| Priority Points | Community/<br>Public Water System | Project Number | Project Description  | Est. Loan Amount | Expected Loan Rate & Term | Pop. Served | Dis-advan-taged                   |
|-----------------|-----------------------------------|----------------|--|------------------|---------------------------|-------------|-----------------------------------|
| 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        | 3.25%, 20 yrs.            | 676         | No<br>(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 feet of lines to provide looping and serve new users.   | \$450,000        | 3.25%, 30 yrs.            | 780         | Yes                               |
| 9               | Waubay                            | C462025-01     | <i>Problem:</i> the city's distribution system is old and in need of replacement. <i>Project:</i> replace 13,100 feet of line in Phase I and 10,550 feet in Phase II.  | \$650,000        | 2.5%, 30 years            | 662         | Yes                               |
| 8               | Hosmer                            | C462279-01     | <i>Problem:</i> an existing ground storage tank, elevated water tower, water lines throughout the city are old and in need of repair. <i>Project:</i> replace the existing 34,000-gallon ground storage tank with a 54,000-gallon tank, repair and upgrade the elevated storage tank, and replace 350 feet of watermain. | \$160,000        | 2.5%, 30 years            | 287         | Yes                               |
| 6               | Lead                              | C462007-03     | <i>Problem:</i> the city recently annexed areas with residences with private water systems. <i>Project:</i> construct water lines to recently annexed areas.   | \$525,000        | 3.25%, 30 yrs.            | 3,027       | Yes                               |
| 6               | Lead-Deadwood Sanitary District   | C462002-01     | <i>Problem:</i> the district's water supply system was developed by the Homestake Mining Company primarily to deliver raw water to its mining operation, which results in a system that is inefficiently operated for domestic purposes. <i>Project:</i> Re-route raw water supply lines.                                | \$330,000        | 3.25%, 30 yrs.            | 4,556       | Yes                               |
| 6               | Redfield                          | C462182-02     | <i>Problem:</i> numerous breaks have occurred in certain areas within the system. <i>Project:</i> install 2,250 feet of 10-inch PVC pipe to replace lines in the area of concern.  | \$157,000        | 2.5%, 30 years            | 2,897       | Yes                               |
| 5               | Miller                            | C462128-01     | <i>Problem:</i> portions of the distribution system are  | \$100,000        | 3.25%, 30 yrs.            | 1,530       | Yes                               |

| Priority Points | Community/<br>Public Water System           | Project Number | Project Description  | Est. Loan Amount    | Expected Loan Rate & Term | Pop. Served | Dis-advan-<br>tagged |
|-----------------|---|----------------|--|---------------------|---------------------------|-------------|----------------------|
| 3               | Hermosa                                     | C462278-02     | undersized and do not provide reliable service.<br><i>Project:</i> replace the undersized lines with 6-inch PVC lines.<br><i>Problem:</i> the system is served by only one well.<br><i>Project:</i> develop an additional well with the necessary appurtenances (well house, connecting lines, etc).   | \$1,000,000         | 3.25%, 20 yrs.            | 315         |                      |
| 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           | 3.25%, 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.<br><i>Project:</i> replace the existing distribution system with 6-inch lines and construct additional storage to eliminate pressure tanks. | \$180,000           | 3.25%, 20 yrs.            | 50          |                      |
|                 |   |                |  | \$30,592,300<br>.00 |                           |             |                      |

**ATTACHMENT II - LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2005**

| <b>Priority Points</b> | <b>Community/<br/>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         |   |                       |                    |                     |                                |                        |
| 61                     | Kingbrook Rural Water System              | C462432-02            | \$2,115,000        | January 2005        | Leveraged Bonds                | Yes                    |
| 60                     | Brookings-Deuel RWS                       | C462453-01            | \$1,200,000        | January 2005        | Leveraged Bonds                | Yes                    |
| 11                     | Lead                                      | C462007-02            | \$205,800          | January 2005        | Leveraged Bonds                | Yes                    |
| 223                    | Clay Rural Water System                   | C462437-01            | \$3,190,000        | March 2005          | 2005                           | Yes                    |
| 70                     | Milbank                                   | C462023-01            | \$3,700,000        | March 2005          | 2005                           | Yes                    |
| 40                     | Hartford                                  | C462104-03            | \$1,125,000        | March 2005          | 2005                           |                        |
| 6                      | Lead-Deadwood San. Dist.                  | C462002-01            | \$330,000          | March 2005          | 2005                           | Yes                    |
| 21                     | Dell Rapids                               | C462064-02            | \$454,000          | June 2005           | 2005                           |                        |
| 14                     | Humboldt                                  | C462254-01            | \$100,000          | June 2005           | 2005                           |                        |
| 6                      | Redfield                                  | C462182-02            | \$157,000          | June 2005           | 2005                           | Yes                    |
| 58                     | Vermillion                                | C462022-03            | \$2,925,000        | September 2005      | Repayments                     | Yes                    |
| 10                     | Salem                                     | C462057-02            | \$317,500          | September 2005      | 2005                           | Yes                    |
| 9                      | Waubay                                    | C462025-01            | \$650,000          | September 2005      | Leveraged Bonds                | Yes                    |
| 5                      | Miller                                    | C462128-01            | \$100,000          | September 2005      | 2005                           | Yes                    |

**ATTACHMENT III  
PROGRAM FUNDING STATUS**

**Fiscal Years 1997 - 2004**

|  |               |               |
|--|---------------|---------------|
| Capitalization Grants  | \$67,049,700  |               |
| State Match  | \$13,409,940  |               |
| Set-Asides   | (\$3,463,400) |               |
| Transfer of FY 2002 & 2003 Clean Water<br>Capitalization Grant and State Match | \$15,574,320  |               |
| Leveraged Bonds  | \$22,503,662  |               |
| Available to Loan  |               | \$115,074,222 |
| Excess Interest as of September 30, 2004                                       |               | \$1,898,810   |
| Principal Repayments as of September 30, 2004                                  |               | \$11,310,159  |

**Fiscal Year 2005**

|   |             |                            |
|---|-------------|----------------------------|
| Capitalization Grants   | \$8,352,500 |                            |
| State Match   | \$1,670,500 |                            |
| Set-Asides  | (\$501,150) |                            |
| Reversion of FY 2001 Local Assistance<br>Set-Aside  | \$28,794    |                            |
| Available to Loan   |             | <u>\$9,550,644</u>         |
| Total Funds Dedicated to Loan   |             | \$137,833,835              |
| Loans made through September 30, 2004   |             | <u>(\$117,050,191)</u>     |
| Funds Available for Loans   |             | <u><u>\$20,783,644</u></u> |
| Amount of Estimated Loans Identified on Attachment I of<br>Fiscal Year 2005 Intended Use Plan |             | <u><u>\$30,492,300</u></u> |

| <b>Administrative Surcharge Funds Available as of September 30, 2004</b> |             |
|--|-------------|
| Program Income   | \$884,405   |
| Non-Program Income   | \$345,214   |
| Total  | \$1,229,619 |