

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

**FEDERAL FISCAL YEAR 2005
October 1, 2004 - September 30, 2005**



**Department of Environment and Natural Resources
Division of Financial and Technical Assistance
523 East Capitol Avenue
Pierre, South Dakota 57501-3181
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**THE SOUTH DAKOTA CONSERVANCY DISTRICT
BOARD MEMBERS**

BRAD JOHNSON, CHAIRMAN

Watertown

Member since 2003

DON BOLLWEG, VICE-CHAIRMAN

Harrold

Member since 1994

KELLY WHEELER, SECRETARY

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Member since 2005

GENE JONES, JR

Sioux Falls

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Rapid City

Member since 1989

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GREGG GREENFIELD

Sioux Falls

Member 1996-2005

MISSION

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

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FEDERAL FISCAL YEAR

2005

ANNUAL REPORT

INTRODUCTION

The State of South Dakota herewith submits its Annual Report for Federal Fiscal Year (FFY) 2005 (October 1, 2004 through September 30, 2005). 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 2005 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 2005 activities. The next section addresses the *Goals and Environmental Results* the State of South Dakota identified in its 2005 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 2005, 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 2006. 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 \$8,285,500 for FFY 2005. These funds were matched by \$1,657,100 in state issued revenue bonds and were supplemented by accumulated loan repayments, leveraged bonds, and interest earnings.

DRINKING WATER SRF LOANS

The Conservancy District approved 14 loans with 12 communities totaling \$31,047,151. No projects with higher priority points were denied funding in FFY 2005. These projects were bypassed because they were not ready to proceed or had secured other financing. A breakdown of the loans made during FFY 2005 is detailed in Table 1 and Exhibit I. On a cumulative basis, the Board of Water and Natural Resources has obligated a total of 92 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 2005**

Recipient	Project Description	Assistance Amount	Rate/Term
Brookings-Deuel RWS (DW-01)	Water Treatment Plant Expansion	\$1,400,000	3.25%/30
Brookings-Deuel RWS (DW-02)	2005 Water System Improvements/Astoria	\$1,750,000	3.25%/30
Chancellor (DW-01)	Water Distribution System Improvements	\$230,000	3.25%/30
Clay RWS (DW-01)	South Union County Expansion	\$3,631,000	3.25%/30
Hartford (DW-03)	Water Supply Improvements	\$1,123,556	3.25%/20
Kingbrook RWS (DW-02)	2004 Pipeline Improvements	\$2,115,000	3.25%/30
Kingbrook RWS (DW-03)	2005 Added Connections	\$3,324,000	3.25%/20
Lead (DW-02)	Highway 85 Utilities Project	\$205,800	3.25%/30
Milbank (DW-01)	Water Supply Improvements	\$4,741,000	2.50%/30
Redfield (DW-02)	S Main St/6 th Ave Utility Replacement	\$342,755	2.50%/30
Salem (DW-02)	2005 Utility Improvements	\$348,540	3.25%/20
Vermillion (DW-03)	Water Treatment Plant Improvements	\$3,772,500	2.50%/20
West River/Lyman-Jones RWS (DW-02)	North Loop Pipeline Project	\$8,000,000	3.25%/30
Wolsey (DW-01)	Waterline Replacement Project	\$263,000	3.25%/20
TOTAL		\$31,047,151	

Disbursements from the program during FFY 2005 totaled \$23,802,646. This total includes loan disbursements of \$23,415,494 to the various loan recipients with the balance going for set-asides purposes. See Exhibit V for a breakdown of all disbursements during FFY 2005.

Since the program was initiated in 1997, 92 loans have been awarded. The projects associated with 64 loans are fully constructed or essentially complete and in operation. The following ten projects initiated operations this past year:

Centerville (DW-01)	Groton (DW-01)
Kingbrook RWS (DW-02)	Lead (DW-02)
Martin (DW-01)	McLaughlin (DW-01)
Pierre (DW-02)	Platte (DW-01)
Tyndall (DW-02)	Yankton (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.

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

ASSISTANCE TO SMALL SYSTEMS

A requirement of the Drinking Water SRF program is to annually use at least 15 percent of all dollars credited to the Fund to provide loan assistance to small systems that serve fewer than 10,000 persons. In FFY 2005, \$18,885,651 or 60.8 percent of the binding commitments were made to systems serving less than 10,000. Since the Drinking Water SRF program was initiated, \$60,034,183 or 42.1 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 2005. 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.

In September 2004 the board took action to retain the interest rates established in March 2004 for FFY 2005. The base interest rates are 2.50 percent for loans with a term of 10 years or less and 3.25 percent for loans with a term up to 20 years. Additionally, the board retained an interim financing rate of 2.0 percent with a term up to three years.

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

income (MHI) is 80 percent to 100 percent of the statewide MHI. Municipalities, other community water systems, and sanitary districts must have an MHI below 80 percent of the statewide MHI to be eligible for an interest rate of 2.5 percent, and an MHI less than 60 percent of the statewide MHI to be eligible for a loan at zero percent interest. Residential water bills must be at least \$20 for 5,000 gallons usage for municipalities and sanitary districts and \$50 for 7,000 gallons usage for other community water systems.

REPAYMENTS

Fifty-eight loans are currently in repayment, and six loans have been repaid in full. Repayments equaled \$4,855,717 in FFY 2005 and consisted of \$2,845,318 in principal, \$1,523,256 in interest, and \$487,143 in administrative surcharge fees.

BOND ISSUE

In FFY 2005, the South Dakota Conservancy District initiated the process to issue an additional \$51.63 million in tax-exempt revenue bonds. The bonds were sold and the issue closed in October 2005. This issue will be discussed in detail in the FFY 2006 annual report.

FIGURE 1
Drinking Water SRF Loans by Service Population
(\$142.7 Million)

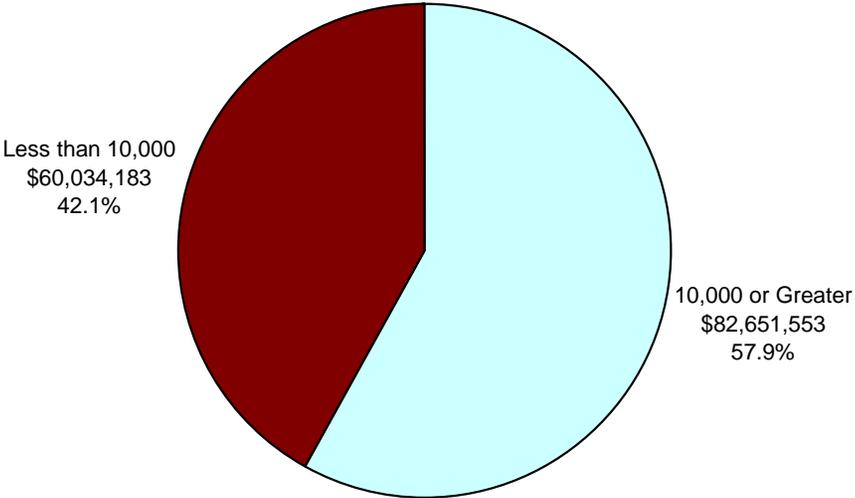
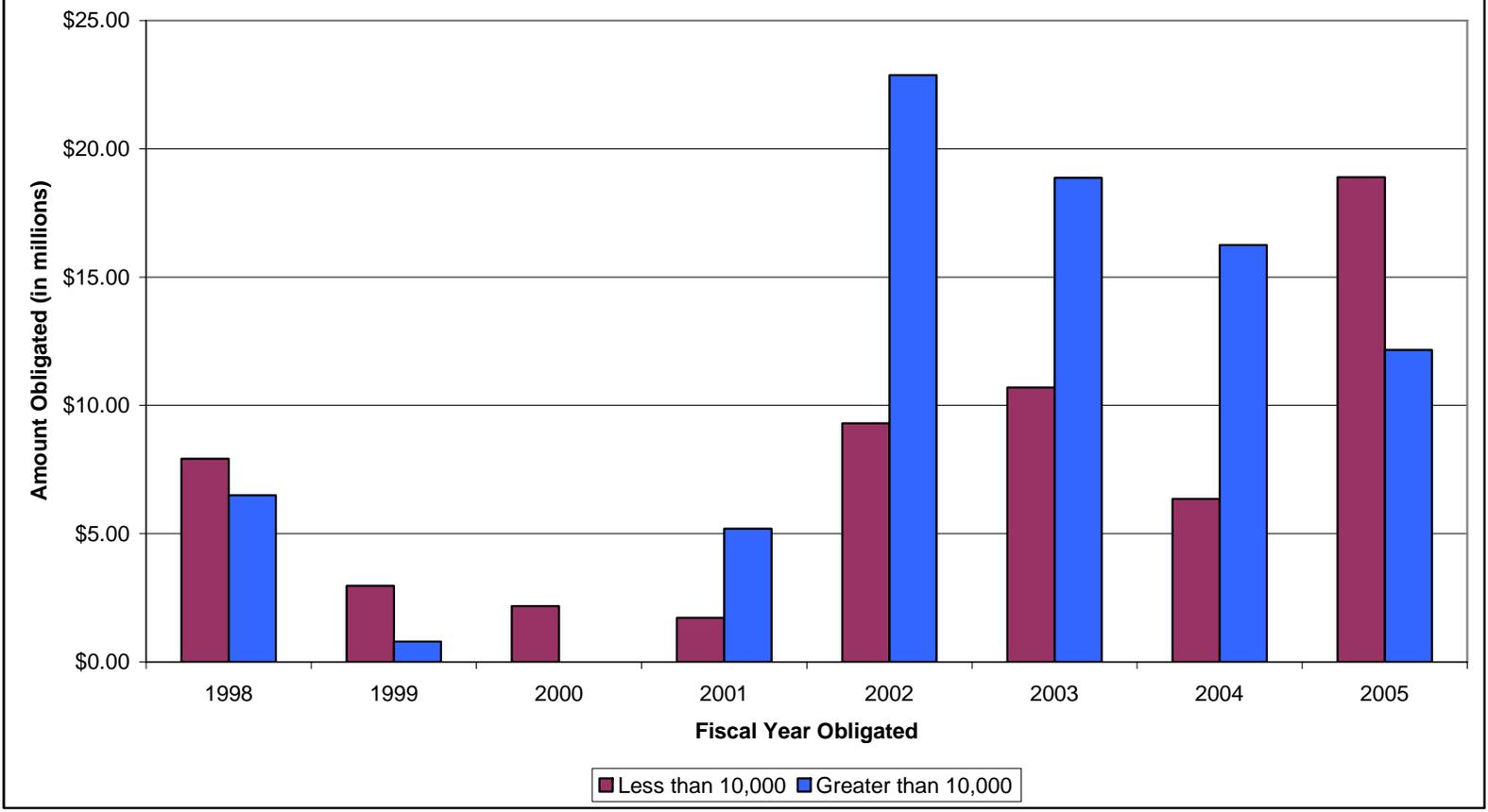


FIGURE 2
Drinking Water SRF Loans Obligated
By Service Population by Year



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 2005 Drinking Water disbursements. Table 2 recaps the cumulative Drinking Water SRF set-aside status.

**Table 2
Drinking Water SRF Set-Aside Status**

Set-Aside	Allotment 1997-2004	Allotment 2005	Transfer to Loan Fund	Obligated 9/30/05	Balance
Administration	\$2,681,988	\$331,420	\$ 0	\$2,248,497	\$764,911
Small System Tech Assistance	727,112	165,710	0	825,582	67,240
State Program Mgmt	20,000	0	15,700	4,300	0
Local Assistance/ Other	1,305,880	0	1,284,674	21,206	0
TOTAL	\$4,734,980	\$497,130	\$1,300,374	\$3,099,585	\$832,151

■ **Administration**

Four percent of the 2005 capitalization grant (\$331,420) 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 2005, \$260,204 was disbursed for administrative expenses.

■ **Small System Technical Assistance**

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

In FFY 2001, the Small Community Planning Grant Program was initiated under a Small System Technical Assistance Set-Aside. This program was established to encourage proactive planning by small communities. Grants were available to

communities of 2,500 or fewer to assist in preparing a water system engineering study. Participating systems are reimbursed 80 percent of the cost of the study, up to a maximum of \$6,000. Additional grants for studies incorporating a rate analysis using Rate Maker software are also available through this program. Reimbursement for performing a rate analysis is 80 percent of costs up to a maximum of \$1,600. Table 3 provides a list of the small community public water systems that received awards in 2005 through the Small Community Planning Grant Program, and Table 4 lists those communities that conducted rate analyses.

The South Dakota Association of Rural Water Systems continues to provide on-site assistance such as leak detection, consumer confidence reports, water audits, board training, treatment plant operations, operator certification, and rate analysis. Through FFY 2005, the Association has provided nearly 6,700 hours of on-site small system technical assistance.

To assure continued technical assistance for South Dakota communities, the maximum allowable allocation of two percent of the capitalization grant was set aside in FFY 2005. This amounted to \$165,710 and is intended to be used for planning grants and Rural Water Association activities as needed.

Table 3
Small System Technical Assistance
Planning Grants
FFY 2005

Sponsor	Amount Obligated	Date Obligated	Project Description
Alcester	\$6,000	9/7/2005	Water System Study
Bowdle	\$3,000	6/21/2005	Water Distribution Study
Cavour	\$4,000	1/10/2005	Drinking Water System Study
Clark	\$5,600	1/3/2005	Water System Study/Rate Analysis
Colman	\$7,600	7/18/2005	Water System Study/Rate Analysis
Corson Village San Dist	\$4,200	1/14/2005	Water System Study
DeSmet	\$5,600	12/10/2004	Water System Study
Edgemont	\$6,000	2/11/2005	Water System Study
Elk Point	\$5,496	7/14/2005	Water Distribution Study
Elk Valley Ranchette Homeowners Assn	\$6,000	8/30/2005	Water System Improvement Study
Estelline	\$6,000	8/30/2005	Drinking Water Source Study
Fairburn Water Assn	\$4,400	12/15/2004	Water System Improvements Study
Faith	\$4,800	7/18/2005	Water Production Study
Hoven	\$6,000	9/7/2005	Water Improvement Study
Hurley	\$4,000	10/18/2004	Water System Improvements
Kimball	\$5,600	2/1/2005	Water System Study
Lesterville	\$4,000	11/15/2004	Water Distribution System Study

Sponsor	Amount Obligated	Date Obligated	Project Description
Marion	\$6,000	6/27/2005	Water System Study
Mellette	\$3,200	7/14/2005	Water System Improvement Study
New Effington	\$4,000	12/10/2004	Water Distribution System Study
Newell	\$2,960	5/13/2005	Water System Study
Roslyn	\$3,000	4/5/2005	Water Distribution System Study
Salem	\$4,000	6/10/2005	Water Treatment Facility Imprv Study
Selby	\$4,000	3/10/2005	Water System Study
Spearfish Meadows Homeowners Assn	\$3,307	2/28/2005	Water Distribution System Study
Tomaha Ridge San/Water Dist	\$6,000	6/21/2005	Water System Study
Viborg	\$4,000	12/13/2004	Water System Study
Woonsocket	\$6,000	4/5/2005	Water System Improvement Study
TOTAL	\$134,763		

**Table 4
Drinking Water Rate Analysis Grants
FFY 2005**

Sponsor	Amount Obligated	Date Obligated
Bridgewater	\$1,600	1/3/2005
Crooks	\$1,600	6/27/2005
Harrisburg	\$1,600	3/25/2005
Hill City	\$1,600	9/15/2005
Humboldt	\$1,600	7/14/2005
Hurley	\$1,600	8/22/2005
Lake Norden	\$1,600	8/17/2005
Salem	\$1,600	1/3/2005
TOTAL	\$12,800	

In FFY 2005 the Board established a new program to provide administrative surcharge funds to planning districts to defray the cost of application preparation and on-going project administration activities. The planning districts may receive up to \$7,500 per loan for application and project administration duties.

Table 5
Technical Assistance Contracts for
SRF Loan Preparation and Oversight
FFY 2005

Sponsor	Amount Obligated
Central SD Enhancement District	\$ 7,500
Northeast Council of Governments	15,000
South Eastern Council of Governments	37,500
Total	\$60,000

- **Operator Certification**

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

- **Local Assistance and other state programs**

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

In FFY 2001, \$50,000 was allocated to develop a Capacity Development Program Set-aside. Prior to FFY 2003, \$1,000 had been expended to complete a rate study for a small community. In FFY 2003, \$26,000 was allocated to the six South Dakota planning districts to be trained in RateMaker software and to then complete water rate analyses in twelve communities interested in using the software. Of the \$26,000 allocated, \$20,206 was expended in FFY 2004. The remaining \$28,794 was transferred to the loan fund in FFY 2005.

GOALS AND ENVIRONMENTAL RESULTS

The following goals were developed for the FFY 2005 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, 2005, South Dakota has made binding commitments equal to \$154,462,159 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 2005 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 92 loans to 67 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 \$892,822 to be used to provide technical assistance to public water systems serving 10,000 people or less. Additionally, \$21,206 has been set aside for capacity development and \$4,300 to supplement the existing operator certification program.

Environmental Results

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

- 1. In fiscal year 2004, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 97 percent, which is above the national average of 83 percent. For fiscal year 2005, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.**

As of September 30, 2005, the state had made loans totaling \$142,685,736. The amount of funds (capitalization grants, state match, leveraged bonds, repayments,

and interest earnings) totaled \$143,001,692. This results in a fund utilization rate of 99.8 percent.

- 2. In fiscal year 2004, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 61 percent. For fiscal year 2005, the goal is to increase this construction pace to 75 percent.**

As of September 30, 2005, \$91,085,872 had been disbursed to loan recipients and loans totaling \$142,685,736 had been awarded. This results in a construction pace of 63.8 percent.

- 3. For fiscal year 2005, the goal of the Drinking Water SRF program is to fund 14 loans, totaling \$17.5 million, and serving a population of 64,800.**

In fiscal year 2005, 14 loans, totaling \$31.0 million, and serving a population of 63,551 were awarded.

- 4. For fiscal year 2005, it is estimated that nine projects will initiate operations.**

Ten projects initiated operation in fiscal year 2005.

- 5. For fiscal year 2005, it is estimated that 16 Small Community Planning Grants will be awarded to small systems to evaluate the system's infrastructure needs.**

In fiscal year 2005, 28 Small Community Planning Grants were awarded to small systems to evaluate infrastructure needs

- 6. For fiscal year 2005, it is estimated that the South Dakota Association of Rural Water Systems will provide 950 hours of technical assistance to small systems.**

The South Dakota Association of Rural Water Systems provided 906 hours of technical assistance to small systems in fiscal year 2005.

DETAILS OF ACTIVITIES

Fund Financial Status

Binding Commitments: In order to provide financial assistance for drinking water projects, the state entered into 14 binding commitments totaling \$31,047,151. Exhibit I details the Drinking Water SRF binding commitments made during FFY 2005.

Sources of Funds: During FFY 2005, the state was awarded a federal capitalization grant totaling \$8,285,500. State match totaling \$1,657,100 was provided. Exhibit III and Figure 3 show the annual allocation and source of Drinking Water SRF funds.

At the beginning of FFY 2005, \$8,480,555 in principal repayments were available for loan, and an additional \$3,335,945 of principal repayments were received in FFY 2005. These funds were fully allocated in FFY 2005.

Leveraged bonds sold in July 2004 amounted to \$22,503,662, and in FFY 2005 these funds were fully allocated.

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 \$4,348,940.03. Fund expenses included administration expenditures, interest payable on bonds, and the amortization of each bond's issuance costs. These expenses totaled \$2,204,018.11. Additionally, \$25,862.79 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 2005.

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 2004 (July 1, 2003, through June 30, 2004). The audit did not contain any written findings or recommendations.

Region VIII conducted its annual oversight review of the South Dakota Drinking Water SRF program. A final report was received in March 2005, and the following observation was made:

1. Provided that the State's plan to commit all CWSRF funds in FY05 is followed through, and that drinking water projects continue to proceed with construction, there are no recommendations for either program as a result of this review.

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

Assistance Activity

Exhibits I through VII illustrate the assistance activity of the Drinking Water SRF in FFY 2005.

- Exhibit I Recipients that received Drinking Water SRF loans during FFY 2005
- 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 2005. The estimated schedule was established by the state and EPA through the annual Capitalization Grant application process.
- Exhibit VII The environmental review and land purchase information for the loans made in FFY 2005.

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 2005 was 7.91 percent MBE and 0.63 percent WBE.

PROGRAM CHANGES

2006 Intended Use Plan

The Annual Report contains the 2006 Intended Use Plan as approved by the Board of Water and Natural Resources on November 4, 2005, and is shown on page A1.

FIGURE 3
Binding Commitments by Year

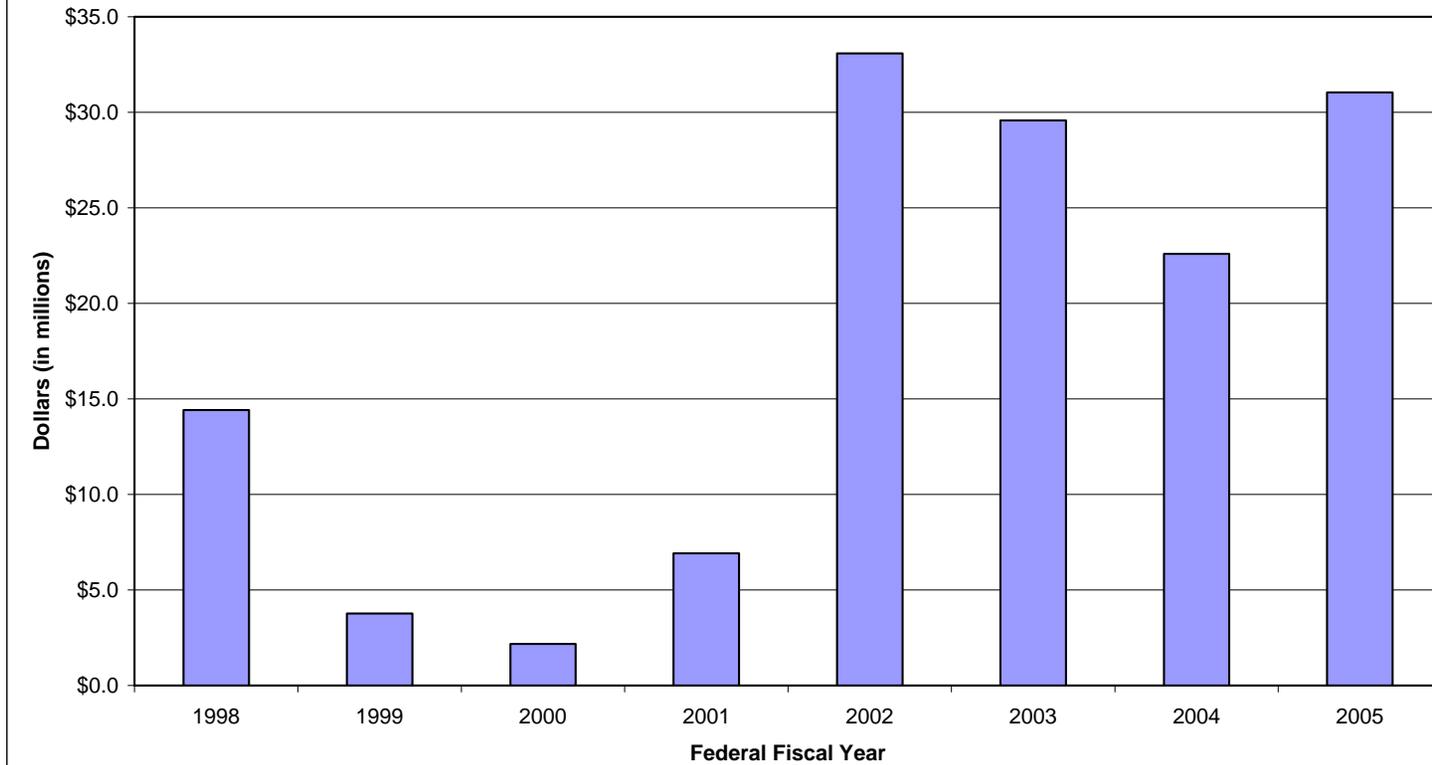
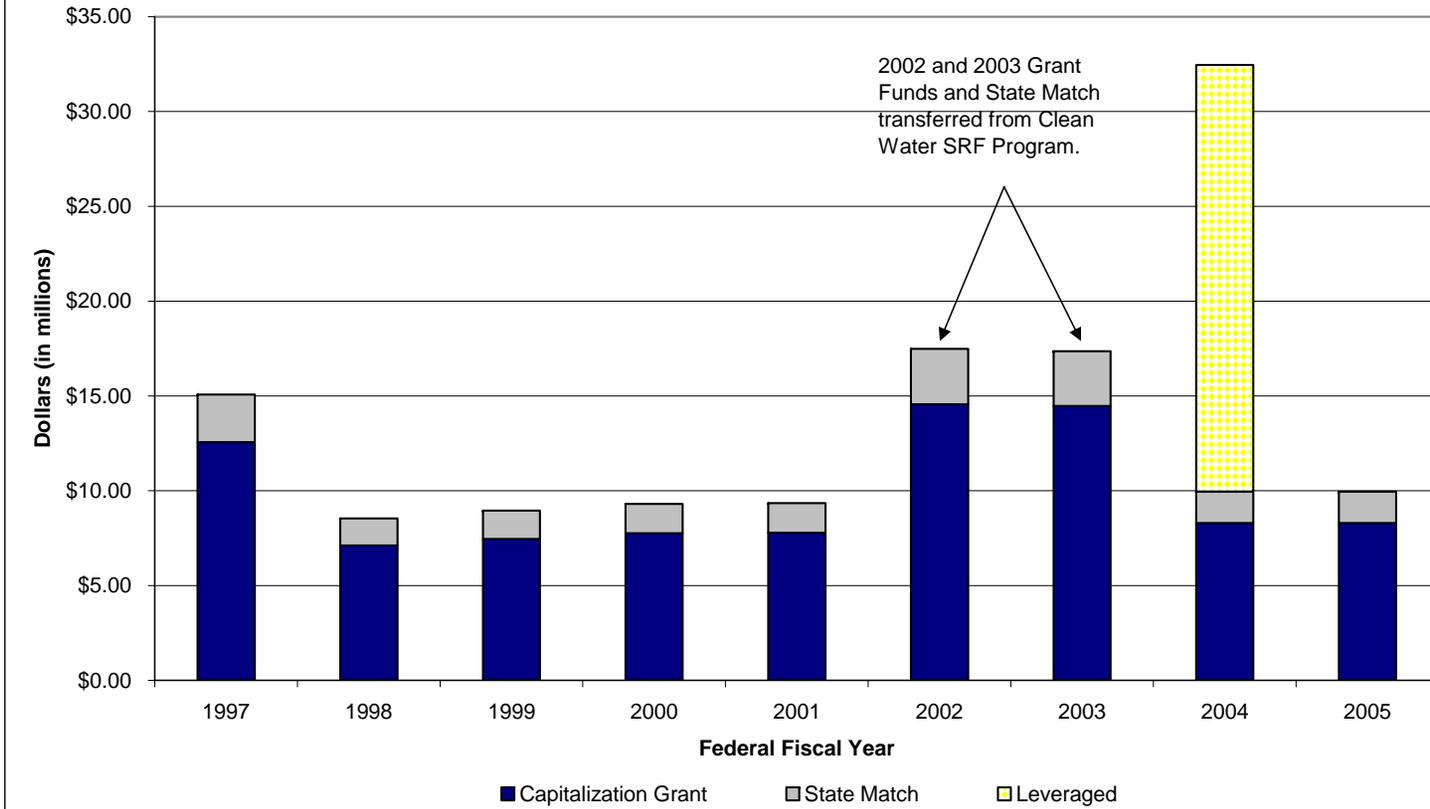


FIGURE 4
Source of State Revolving Funds by Year



SOUTH DAKOTA
DRINKING WATER
STATE REVOLVING FUND
LOAN PROGRAM HISTORY

INITIATION OF THE PROGRAM

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

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

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

CAPITALIZATION GRANT AND STATE MATCHING FUNDS

Since 1997 South Dakota's Drinking Water SRF Program has received federal capitalization grants totaling \$88,313,800. 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 \$17,662,760 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 6
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
TOTAL	\$12,978,600	\$2,595,720	\$15,574,320

The Safe Drinking Water Act amendments allowed states to defer the state match of the 1997 capitalization grant until September 30, 1999. South Dakota deferred its match until program bonds were issued in 1998. For the 1998 capitalization grant, the source of the state

match had to be identified at the time of the grant application in December 1997. The 1997 state appropriation of \$1,424,260 was utilized to match the 1998 capitalization grant.

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

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

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

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

LEVERAGED PROGRAM BONDS

Leveraged funds issued in July 2004 for new loans amounted to \$22,503,662. These program bonds were leveraged to provide additional loan funds to communities.

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 may be provided.

EPA REGION VIII

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

DRINKING WATER
STATE REVOLVING FUND
LOAN PORTFOLIO

Figure 5
Drinking Water State Revolving Fund Loans

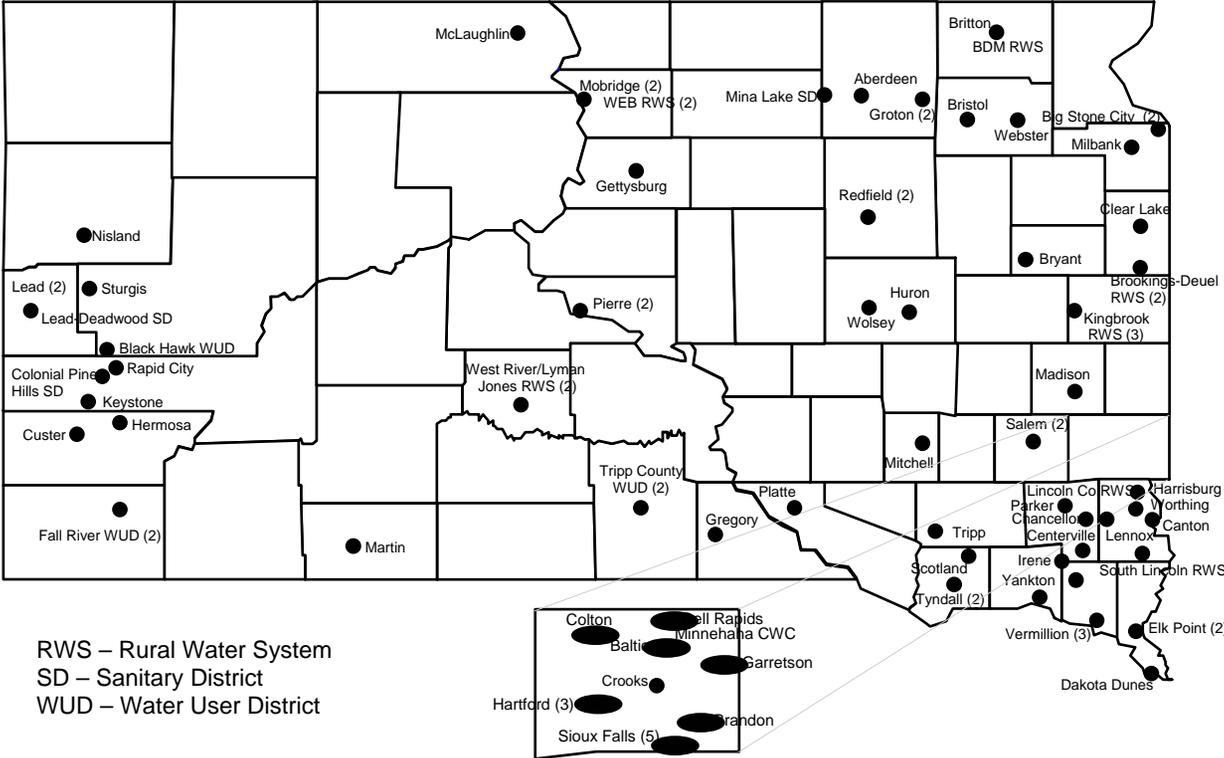


Table 7
State of South Dakota
Drinking Water State Revolving Fund Loan Program

Recipient	Binding Commitment Date	Rate	Term (Years)	Original Binding Commitment Amount	Final Loan Amount
Aberdeen (DW-01)					
Series A	03/28/2003	3.50%	20	\$9,460,000	\$9,460,000
Series B	01/08/2004	3.50%	20	\$7,300,000	\$7,300,000
Baltic (DW-01)	06/27/2002	3.50%	20	\$250,000	\$250,000
BDM RWS (DW-01)	04/12/2002	3.50%	20	\$536,000	\$280,251
Big Stone City (DW-01)	07/22/1998	5.25%	20	\$600,000	\$570,000
Big Stone City (DW-02)	06/26/2003	3.50%	20	\$240,000	\$240,000
Black Hawk WUD (DW-01)	03/26/1998	5.25%	20	\$500,000	\$500,000
Brandon (DW-01)	11/13/1998	4.75%	15	\$1,950,000	\$1,877,375
Bristol (DW-01) ¹	04/25/2001	4.50%	20	\$139,000	\$0
Britton (DW-01)	04/25/2001	4.50%	20	\$320,000	\$320,000
Brookings-Deuel Rural Water System (DW-01)	01/06/2005	3.25%	30	\$1,200,000	\$1,200,000
Brookings-Deuel Rural Water System (DW-02)	06/23/2005	3.25%	30	\$1,750,000	\$1,750,000
Bryant (DW-01)	01/13/2000	3.00%	30	\$142,000	\$142,000
Canton (DW-01)	01/10/2003	3.50%	20	\$420,000	\$500,000
Centerville (DW-01)	03/25/2004	3.25%	30	\$870,000	\$870,000
Chancellor (DW-01)	09/22/2005	3.25%	30	\$230,000	\$230,000
Clay RWS (DW-01)	06/23/2005	3.25%	30	\$3,631,000	\$3,631,000
Clear Lake (DW-01)	12/10/1998	3.00%	30	\$565,000	\$540,637
Colonial Pine Hills Sanitary District (DW-01)	01/31/2002	3.50%	20	\$659,000	\$636,108
Colton (DW-01)	06/27/2002	3.50%	30	\$681,720	\$681,720
Crooks (DW-01)	06/25/2004	3.25%	20	\$302,900	\$302,900
Custer (DW-01)	01/10/2003	3.50%	20	\$800,000	\$800,000
Dakota Dunes CID (DW-01)	06/27/2002	3.50%	20	\$908,000	\$908,000
Dell Rapids (DW-01)	03/28/2003	3.50%	20	\$621,000	\$621,000
Elk Point (DW-01)	01/31/2002	3.50%	20	\$220,000	\$220,000
Elk Point (DW-02)	06/25/2004	3.25%	20	\$570,000	\$570,000
Fall River Water Users District (DW-01)	12/09/1999	3.00%	30	\$759,000	\$759,000
Fall River Water Users District (DW-02)	11/09/2001	2.50%	30	\$400,000	\$260,958
Garretson (DW-01)	06/27/2002	3.50%	30	\$1,261,060	\$1,261,060
Gettysburg (DW-01)	06/14/2001	4.50%	20	\$565,000	\$565,000
Gregory (DW-01)	04/12/2002	2.50%	30	\$380,000	\$347,580
Groton (DW-01)	03/28/2003	3.50%	20	\$440,000	\$440,000
Groton (DW-02)	06/25/2004	3.25%	20	\$365,900	\$365,900
Harrisburg (DW-01)	10/12/2000	5.00%	20	\$525,000	\$525,000

Hartford (DW-01)	04/13/2000	5.00%	20	\$185,000	\$185,000
Hartford (DW-02)	01/10/2003	3.50%	20	\$800,957	\$800,957
Hartford (DW-03)	01/06/2005	3.25%	20	\$1,123,556	\$1,123,556
Hermosa (DW-01)	12/10/1998	5.00%	20	\$300,000	\$300,000
Huron (DW-01)	06/27/2002	3.50%	20	\$4,000,000	\$4,000,000
Irene (DW-01) ²	06/22/2000	5.00%	20	\$145,000	\$127,126
Keystone (DW-01)	03/25/2004	3.25%	20	\$762,000	\$762,000
Kingbrook RWS (DW-01)	04/13/2000	0.00%	30	\$475,000	\$474,204
Kingbrook RWS (DW-02)	01/06/2005	3.25%	30	\$2,115,000	\$2,115,000
Kingbrook RWS (DW-03)	03/30/2005	3.25%	20	\$3,324,000	\$3,324,000
Lead (DW-01)	07/27/2000	4.50%	10	\$192,800	\$192,800
Lead (DW-02)	01/06/2005	3.25%	30	\$205,800	\$205,800
Lead-Deadwood San Dist (DW-01) ²	06/24/1998	5.25%	20	\$2,700,000	\$2,683,957
Lennox (DW-01)	07/16/2004	3.25%	30	\$2,000,000	\$2,000,000
Lincoln County Rural Water (DW-01)	01/31/2002	3.50%	20	\$1,200,000	\$1,079,170
Madison (DW-01) ²	05/14/1998	5.00%	15	\$2,372,000	\$2,372,000
Martin (DW-01)	09/25/2003	2.50%	30	\$920,000	\$920,000
McLaughlin (DW-01)	06/25/2004	2.50%	30	\$350,000	\$350,000
Milbank (DW-01)	09/22/2005	2.50%	30	\$4,741,000	\$4,741,000
Mina Lake San Dist (DW-01)	11/13/1998	5.00%	20	\$255,200	\$255,200
Minnehaha CWC (DW-01)	06/27/2002	3.50%	20	\$6,500,000	\$6,500,000
Mitchell (DW-01)	10/12/2000	4.00%	20	\$6,000,000	\$2,850,115
Mobridge (DW-01) ²	03/26/1998	5.25%	20	\$965,000	\$965,000
Mobridge (DW-02) ²	07/22/1998	5.25%	20	\$355,000	\$352,207
Nisland (DW-01)	12/13/2001	0.00%	30	\$350,000	\$350,000
Parker (DW-01)	09/23/2004	3.25%	20	\$730,000	\$730,000
Pierre (DW-01)	01/31/2002	3.50%	15	\$1,094,200	\$988,188
Pierre (DW-02)	09/25/2003	3.50%	15	\$1,832,900	\$1,832,900
Platte (DW-01)	06/25/2004	2.50%	10	\$400,000	\$400,000
Rapid City (DW-01)	11/14/2003	3.50%	20	\$3,500,000	\$3,500,000
Redfield (DW-01)	04/25/2001	4.50%	20	\$85,000	\$85,000
Redfield (DW-02)	06/23/2005	2.50%	30	\$342,755	\$342,755
Salem (DW-01)	03/28/2003	3.50%	10	\$126,921	\$118,540
Salem (DW-02)	06/23/2005	3.25%	20	\$348,540	\$348,540
Scotland (DW-01)	03/28/2003	2.50%	30	\$340,000	\$340,000
Sioux Falls (DW-01)	07/22/1998	4.50%	10	\$7,022,000	\$6,496,745
Sioux Falls (DW-02)	01/11/2001	4.50%	10	\$2,750,000	\$2,348,168
Sioux Falls (DW-03)	04/12/2002	3.50%	10	\$7,930,000	\$7,930,000
Sioux Falls (DW-04)	01/10/2003	3.50%	10	\$5,279,000	\$279,599
Sioux Falls (DW-05)	07/16/2004	2.50%	10	\$12,749,000	\$12,749,000
South Lincoln RWS (DW-01)	01/10/2003	3.50%	20	\$2,000,000	\$2,000,000

Sturgis (DW-01) ²	01/08/1998	5.00%	15	\$700,000	\$478,377
Tripp (DW-01)	07/26/2001	2.50%	30	\$291,000	\$225,656
Tripp County WUD (DW-01)	11/14/2002	2.50%	30	\$3,500,000	\$3,500,000
Tripp County WUD (DW-02)	11/14/2002	0.00%	30	\$148,000	\$131,469
Tyndall (DW-01)	07/27/2000	2.50%	10	\$300,000	\$300,000
Tyndall (DW-02)	11/09/2001	2.50%	30	\$861,000	\$861,000
Vermillion (DW-01)	05/13/1999	5.00%	20	\$942,000	\$795,338
Vermillion (DW-02)	06/27/2002	3.50%	20	\$1,510,000	\$1,507,552
Vermillion (DW-03)	09/22/2005	2.50%	20	\$3,772,500	\$3,772,500
WEB WDA (DW-01) ³	03/26/1998	5.25%	20	\$1,110,000	\$0
WEB WDA (DW-02) ³	10/11/2001	2.50%	30	\$137,450	\$0
Webster (DW-01)	04/12/2002	3.50%	20	\$330,000	\$318,828
West River/Lyman Jones RWS (DW-01)	10/12/2001	2.50%	30	\$340,000	\$340,000
West River/Lyman Jones RWS (DW-02)	03/30/2005	3.25%	30	\$8,000,000	\$8,000,000
Wolsey (DW-01)	06/23/2005	3.25%	20	\$263,000	\$263,000
Worthing (DW-01)	06/26/2003	3.50%	20	\$288,000	\$288,000
Yankton (DW-01)	11/09/2001	3.50%	20	\$3,460,000	\$3,460,000
TOTAL 92 Loans to 68 Entities				\$154,382,159	\$142,685,736

¹ Deobligated in full

² Loans paid in full

³ Rescinded by BWNR

FIGURE 6
Drinking Water SRF Interest Rates
by Percent of Loan Portfolio
(\$142.7 Million)

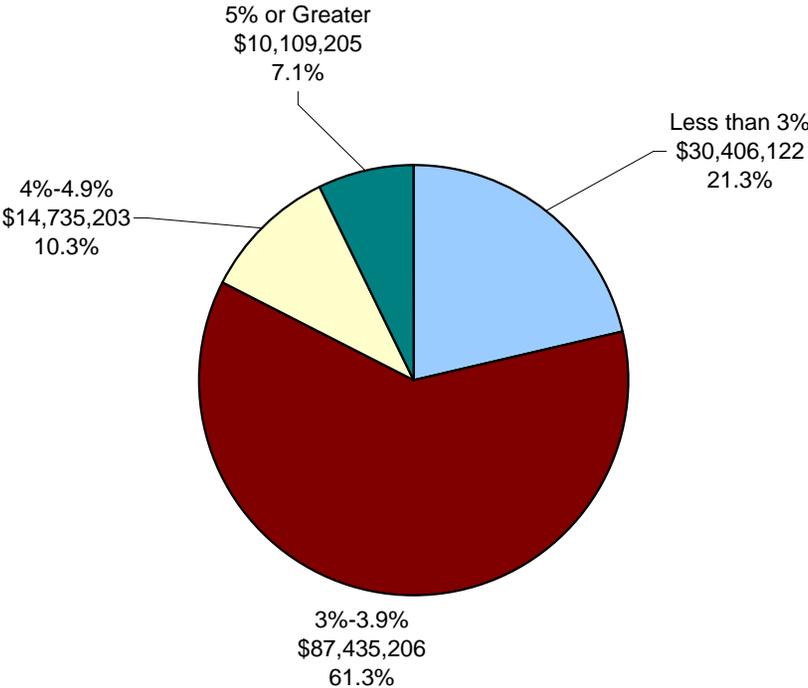
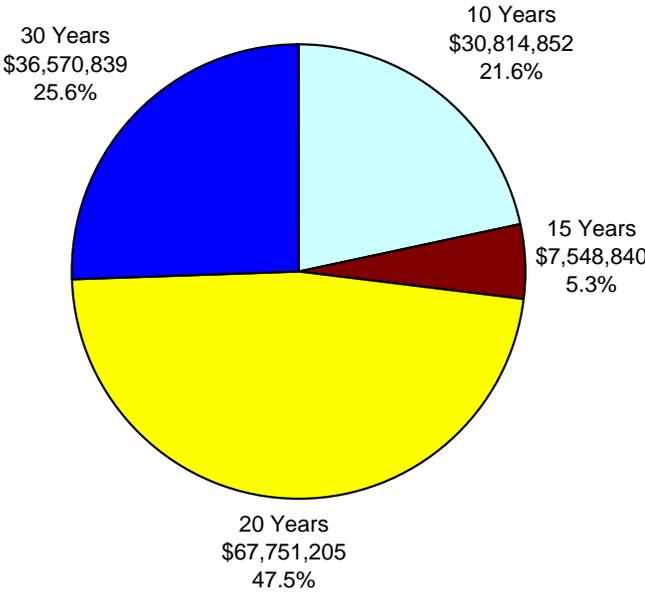


FIGURE 7
Drinking Water SRF Loan Terms
by Percent of Loan Portfolio
(\$142.7 Million)



PROJECT DESCRIPTIONS

**Loans approved during Federal Fiscal Year 2005
are designated with 2005 directly beside the recipient's name
and italic lettering within the paragraph.**

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

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

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

BIG 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.

BROOKINGS-DEUEL RURAL WATER SYSTEM (2005) – *Brookings-Deuel RWS received two Drinking Water SRF loans in FFY 2005. The first loan, in the amount of \$1,200,000 at 3.25 percent for 30 years, increases the treatment capacity of the Bruce water treatment plant. The second loan, in the amount of \$1,750,000 at 3.25 percent for 30 years, makes improvements to the distribution system and extends water to the community of Astoria.*

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

CHANCELLOR (2005) – *Chancellor’s first drinking water SRF loan for \$230,000 at 3.25 percent for 30 years will provide water distribution system improvements.*

CLAY RURAL WATER SYSTEM (2005) – *Clay RWS’s first drinking water SRF loan will expand the system to southern Union County. The loan is for \$3,631,000 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 – 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 – 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 —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 (2005) – 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. *Hartford’s third loan, in the amount of \$1,123,556 at 3.25 percent for 20 years, will improve the water supply by providing a second connection to the Minnehaha Community Water Corporation.*

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 – 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 (2005) – 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. *Kingbrook’s second loan, in the amount of \$2,115,000 at 3.25 percent for 30 years, provided additional capacity within the system and provided service to Ramona and the Badger area. The third loan of \$3,324,000 at 3.25 percent for 20 years expanded the distribution system to allow 250 additional connections to the system.*

LEAD (2005) – 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’s second drinking water SRF loan,*

in the amount of \$205,800 at 3.25 percent for 30 years, will complete water main improvements associated with the Highway 85 project.

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

LENNOX – Lennox’s first loan, in the amount of \$2,000,000 at 3.25 percent for 30 years, 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 –Improvements to McLaughlin’s water distribution system in conjunction with an SDDOT project will be funded with a \$350,000 loan at 2.5 percent for 30 years.

MILBANK (2005) – *Milbank secured a \$4,741,000 loan at 2.5 percent for 30 years to replace raw water transmission lines.*

MINA LAKE SANITARY DISTRICT – Mina Lake Sanitary District received a loan for \$255,200 at an interest rate of 5 percent for 20 years. This loan 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 – 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 – 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 – 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 (2005) – 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. *Redfield received a second loan, in the amount of \$342,755 at 2.5 percent for 30 years, to fund water line replacement on South Main Street and Sixth Avenue.*

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

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

SIOUX FALLS – The city of Sioux Falls received a loan in the amount of \$7,022,000 at an interest rate of 4.5 percent for 10 years to finance central pressure zone improvements. The city’s second loan allowed the city to continue with drinking water facility improvements with a loan for \$2,750,000 at 4.5 percent interest for 10 years. Its third loan, at 3.5 percent for ten years, was in the amount of \$7,930,000 for drinking water facilities improvements and water distribution line replacement. The city’s fourth drinking water loan, \$5,279,000 at 3.5 percent for 10 years, funded the replacement of aging equipment and water main and the improvement of operational efficiency, maintenance space, and pressure zones. Sioux Falls’ fifth drinking water loan is in the amount of \$12,749,000 at 2.5 percent for 10 years. This loan 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 (2005) – 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. *Vermillion's third drinking water SRF loan, in the amount of \$3,772,500 at 2.5 percent for 20 years, will fund phase 3 improvements to the water treatment plant.*

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 (2005) – WR/LJ received a loan in the amount of \$340,000 at 2.5 percent for 30 years to fund water main replacement in the town of Reliance. *WRLJ's second loan, in the amount of \$8,000,000 at 3.25 percent for 30 years, will fund phase 1 of the construction of the north loop pipeline to provide service to Stanley and Haakon counties.*

WOLSEY (2005) – *Wolsey's first drinking water SRF loan, \$263,000 at 3.25 percent for 20 years, will fund a waterline replacement project.*

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

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

EXHIBITS I-VII
DRINKING WATER SRF
STATUS REPORTS

EXHIBIT I
PROJECTS RECEIVING SRF ASSISTANCE
FEDERAL FISCAL YEAR 2005

Recipient	Assistance Amount by Population		Binding Commitment	
	10,000 & Below	10,001 & Above	Date	Rate/Term
Brookings-Deuel RWS (DW-01)		\$1,200,000	6-Jan-05	3.25%/30 yr
Brookings-Deuel RWS (DW-02)		\$1,750,000	23-Jun-05	3.25%/30 yr
Chancellor (DW-01)	\$230,000		22-Sep-05	3.25%/30 yr
Clay RWS (DW-01)	\$3,631,000		23-Jun-05	3.25%/30 yr
Hartford (DW-03)	\$1,123,556		6-Jan-05	3.25%/20 yr
Kingbrook RWS (DW-02)		\$2,115,000	6-Jan-05	3.25%/30 yr
Kingbrook RWS (DW-03)		\$3,324,000	30-Mar-05	3.25%/20 yr
Lead (DW-02)	\$205,800		6-Jan-05	3.25%/30 yr
Milbank (DW-01)	\$4,741,000		22-Sep-05	2.50%/30 yr
Redfield (DW-02)	\$342,755		23-Jun-05	2.50%/30 yr
Salem (DW-02)	\$348,540		23-Jun-05	3.25%/20 yr
Vermillion (DW-03)		\$3,772,500	22-Sep-05	2.50%/20 yr
West River/Lyman-Jones RWS (DW-02)	\$8,000,000		30-Mar-05	3.25%/30 yr
Wolsey (DW-01)	\$263,000		23-Jun-05	3.25%/20 yr
TOTAL		\$18,885,651		\$12,161,500

EXHIBIT II
SRF NEEDS CATEGORIES
FEDERAL FISCAL YEAR 2005

Recipient	I	II	III	IV	V
	Trans/Dist	Treatment	Storage	Source	System Purchase
Brookings-Deuel RWS (DW-01)		\$1,019,000		\$181,000	
Brookings-Deuel RWS (DW-02)	\$1,750,000				
Chancellor (DW-01)	\$230,000				
Clay RWS (DW-01)	\$1,883,000	\$860,000	\$385,000		\$503,000
Hartford (DW-03)	\$1,123,556				
Kingbrook RWS (DW-02)	\$2,115,000				
Kingbrook RWS (DW-03)	\$3,324,000				
Lead (DW-02)	\$205,800				
Milbank (DW-01)	\$4,741,000				
Redfield (DW-02)	\$342,755				
Salem (DW-02)	\$348,540				
Vermillion (DW-03)		\$3,772,500			
West River/Lyman-Jones RWS (DW-02)	\$5,588,000		\$2,412,000		
Wolsey (DW-01)	\$263,000				
TOTAL	\$21,914,651	\$5,651,500	\$2,797,000	\$181,000	\$503,000

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

Fiscal Year	Capitalization Grant Award	State Match	Leveraged Funds	Total
1997	\$12,558,800	\$2,511,760		\$15,070,560
1998	\$7,121,300	\$1,424,260		\$8,545,560
1999	\$7,463,800	\$1,492,760		\$8,956,560
2000	\$7,757,000	\$1,551,400		\$9,308,400
2001	\$7,789,100	\$1,557,820		\$9,346,920
2002	\$14,563,300	\$2,912,660		\$17,475,960
2003	\$14,471,900	\$2,894,380		\$17,366,280
2004	\$8,303,100	\$1,660,620	\$22,503,662	\$32,467,382
2005	\$8,285,500	\$1,657,100		\$9,942,600
TOTAL	\$88,313,800	\$17,662,760	\$22,503,662	\$128,480,222

EXHIBIT IV
OBLIGATIONS FOR FEDERAL FISCAL YEARS 1997-2005
CAPITALIZATION GRANTS, PRINCIPAL REPAYMENTS,
LEVERAGED FUNDS, AND UNRESTRICTED CUMULATIVE EXCESS (UCE) FUNDS

1. PROJECTS UTILIZING 1997 SRF FUNDS

Recipient	Binding Commitment Date	Binding Commitment Amount	Actual Amount	Balance
1997 Capitalization Grant and State Match				\$15,070,560
Set-Asides		\$1,878,232	\$606,652	\$14,463,908
Sturgis (DW-01)	01/08/98	\$700,000	\$478,377	\$13,985,531
Black Hawk WUD (DW-01)	03/26/98	\$500,000	\$500,000	\$13,485,531
Mobridge (DW-01)	03/26/98	\$965,000	\$965,000	\$12,520,531
WEB (DW-01)	03/26/98	\$1,110,000	\$0	\$12,520,531
Madison (DW-01)	05/13/98	\$2,372,000	\$2,372,000	\$10,148,531
Lead-Deadwood (DW-01)	06/24/98	\$2,700,000	\$2,683,957	\$7,464,574
Big Stone City (DW-01)	07/22/98	\$600,000	\$570,000	\$6,894,574
Mobridge (DW-02)	07/22/98	\$355,000	\$352,207	\$6,542,367
Sioux Falls (DW-01)	07/22/98	\$7,022,000	\$6,496,745	\$45,622
Brandon (DW-01) ¹	11/13/98	\$1,950,000	\$45,622	\$0

¹ Balance is from 1998 funds

2. PROJECTS UTILIZING 1998 SRF FUNDS

Recipient	Binding Commitment Date	Binding Commitment Amount	Actual Amount	Balance
1998 Capitalization Grant and State Match				\$8,545,560
Set-Asides		\$309,852	\$309,852	\$8,235,708
Brandon (DW-01) ²	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) ³	05/13/99	\$873,173	\$726,511	\$4,581,607
Fall River WUD (DW-01)	12/09/99	\$759,000	\$759,000	\$3,822,607
Bryant (DW-01)	01/13/00	\$142,000	\$142,000	\$3,680,607
Kingbrook RWS (DW-01)	04/13/00	\$475,000	\$474,204	\$3,206,403
Hartford (DW-01)	04/13/00	\$185,000	\$185,000	\$3,021,403
Irene (DW-01)	06/22/00	\$145,000	\$127,126	\$2,894,277
Lead (DW-01)	07/27/00	\$192,800	\$192,800	\$2,701,477

Tyndall (DW-01)	07/27/00	\$300,000	\$300,000	\$2,401,477
Harrisburg (DW-01)	10/12/00	\$525,000	\$525,000	\$1,876,477
Mitchell (DW-01) ⁴	10/12/00	\$6,000,000	\$1,876,477	\$0

² Balance is from 1997 funds

³ Balance is from repayment funds

⁴ Balance is from 1999 funds

3. PROJECTS UTILIZING 1999 SRF FUNDS

Recipient	Binding Commitment Date	Binding Commitment Amount	Actual Amount	Balance
1999 Capitalization Grant and State Match				\$8,956,560
Set-Asides		\$423,552	\$423,552	\$8,533,008
Mitchell (DW-01) ⁵	10/12/00		\$973,638	\$7,559,370
Sioux Falls (DW-02)	01/11/01	\$2,750,000	\$2,348,168	\$5,211,202
Bristol (DW-01)	04/25/01	\$139,000	\$0	\$5,211,202
Britton (DW-01)	04/25/01	\$320,000	\$320,000	\$4,891,202
Redfield (DW-01)	04/25/01	\$85,000	\$85,000	\$4,806,202
Gettysburg (DW-01)	06/14/01	\$565,000	\$565,000	\$4,241,202
Tripp (DW-01)	07/26/01	\$291,000	\$225,656	\$4,015,546
WEB (DW-02)	10/12/01	\$137,450	\$0	\$4,015,546
West River (DW-01)	10/12/01	\$340,000	\$340,000	\$3,675,546
Fall River WUD (DW-02)	11/09/01	\$400,000	\$260,958	\$3,414,588
Tyndall (DW-02)	11/09/01	\$861,000	\$861,000	\$2,553,588
Yankton (DW-01) ⁶	11/09/01	\$3,460,000	\$2,553,588	\$0

⁵ Balance is from 1998 funds

⁶ Balance is from 2000 funds

4. PROJECTS UTILIZING 2000 SRF FUNDS

Recipient	Binding Commitment Date	Binding Commitment Amount	Actual Amount	Balance
2000 Capitalization Grant and State Match				\$9,308,400
Set-Asides		\$310,280	\$310,280	\$8,998,120
Yankton (DW-01) ⁷	11/09/01		\$906,412	\$8,091,708
Nisland (DW-01)	12/13/01	\$350,000	\$350,000	\$7,741,708
Colonial Pine Hills SD (DW-01)	01/31/02	\$659,000	\$636,108	\$7,105,600
Elk Point (DW-01)	01/31/02	\$220,000	\$220,000	\$6,885,600
Lincoln County RWS (DW-01)	01/31/02	\$1,200,000	\$1,079,170	\$5,806,430
Pierre (DW-01)	01/31/02	\$1,094,200	\$988,188	\$4,818,242

BDM RWS (DW-01)	04/12/02	\$536,000	\$280,251	\$4,537,991
Gregory (DW-01)	04/12/02	\$380,000	\$347,580	\$4,190,411
Sioux Falls (DW-03) ⁸	04/12/02	\$7,930,000	\$4,190,411	\$0

⁷ Balance is from 1999 funds

⁸ Balance is from 2001 funds

5. PROJECTS UTILIZING 2001 SRF FUNDS

Recipient	Binding Commitment Date	Binding Commitment Amount	Actual Amount	Balance
2001 Capitalization Grant and State Match				\$9,346,920
Set-Asides		\$411,564	\$382,770	\$8,964,150
Sioux Falls (DW-03) ⁹	04/12/02		\$3,739,589	\$5,224,561
Webster (DW-01)	04/12/02	\$330,000	\$318,828	\$4,905,733
Baltic (DW-01)	06/27/02	\$250,000	\$250,000	\$4,655,733
Colton (DW-01)	06/28/02	\$681,720	\$681,720	\$3,974,013
Dakota Dunes (DW-01) ¹⁰	06/27/02	\$908,000	\$236,500	\$3,737,513
Garretson (DW-01)	06/27/02	\$1,261,060	\$1,261,060	\$2,476,453
Huron (DW-01) ¹⁰	06/27/02	\$4,000,000	\$734,473	\$1,741,980
Minnehaha CWC (DW-01) ¹¹	06/27/02	\$6,500,000	\$1,741,980	\$0

⁹ Balance is from 2000 funds

¹⁰ Balance is from repayment funds

¹¹ Balance is from 2002 funds

6. PROJECTS UTILIZING 2002 SRF FUNDS

Recipient	Binding Commitment Date	Binding Commitment Amount	Actual Amount	Balance
2002 Capitalization Grant and State Match				\$17,475,960
Set-Asides		\$483,150	\$483,150	\$16,992,810
Minnehaha CWC (DW-01) ¹²	06/27/02		\$4,758,020	\$12,234,790
Vermillion (DW-02)	06/27/02	\$1,510,000	\$1,507,552	\$10,727,238
Tripp County WUD (DW-01)	11/14/02	\$3,500,000	\$3,500,000	\$7,227,238
Tripp County WUD (DW-02)	11/14/02	\$148,000	\$131,469	\$7,095,769
Canton (DW-01)	01/10/03	\$500,000	\$500,000	\$6,595,769
Custer (DW-01) ¹³	01/10/03	\$800,000	\$668,258	\$5,927,511
Hartford (DW-02)	01/10/03	\$800,957	\$800,957	\$5,126,554
Sioux Falls (DW-04)	01/10/03	\$5,279,000	\$279,599	\$4,846,955
South Lincoln RWS (DW-01)	01/10/05	\$2,000,000	\$2,000,000	\$2,846,955

Aberdeen (DW-01A) ¹⁴	03/28/05	\$9,460,000	\$2,846,955	\$0
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¹² Balance is from 2001 funds

¹³ Balance is from repayment funds

¹⁴ Balance is from 2003 and repayment funds

7. PROJECTS UTILIZING 2003 SRF FUNDS

Recipient	Binding Commitment Date	Binding Commitment Amount	Actual Amount	Balance
2003 Capitalization Grant and State Match				\$17,366,280
Set-Asides			\$420,164	\$16,946,116
Aberdeen (DW-01A) ¹⁵	03/28/03		\$3,976,681	\$12,969,435
Dell Rapids (DW-01)	03/28/03	\$621,000	\$621,000	\$12,348,435
Groton (DW-01)	03/28/03	\$440,000	\$440,000	\$11,908,435
Salem (DW-01)	03/28/03	\$126,921	\$118,540	\$11,789,895
Scotland (DW-01)	03/28/03	\$340,000	\$340,000	\$11,449,895
Big Stone City (DW-02)	06/26/03	\$240,000	\$240,000	\$11,209,895
Worthing (DW-01)	06/26/03	\$288,000	\$288,000	\$10,921,895
Martin (DW-01)	09/25/03	\$920,000	\$920,000	\$10,001,895
Pierre (DW-02)	09/25/03	\$1,832,900	\$1,832,900	\$8,168,995
Rapid City (DW-01) ¹⁶	11/14/03	\$3,500,000	\$2,115,000	\$6,053,995
Centerville (DW-01) ¹⁶	03/25/04	\$870,000	\$321,327	\$5,732,668
Keystone (DW-01)	03/25/04	\$762,000	\$762,000	\$4,970,668
Aberdeen (DW-01B) ¹⁷	05/03/04	\$7,300,000	\$2,167,039	\$2,803,629
Crooks (DW-01)	06/25/04	\$302,900	\$302,900	\$2,500,729
Brookings-Deuel RWS (DW-01) ¹⁶	01/06/05	\$1,200,000	\$913,428	\$1,587,301
Hartford (DW-03) ¹⁶	01/06/05	\$1,123,556	\$673,556	\$913,745
West River/Lyman-Jones RWS (DW-02) ¹⁸	03/30/05	\$8,000,000	\$913,745	\$0

¹⁵ Balance is from 2002 and repayment funds

¹⁶ Balance is from repayment funds

¹⁷ Balance is from leveraged funds

¹⁸ Balance is from 2004 funds

8. PROJECTS UTILIZING 2004 SRF FUNDS

Recipient	Binding Commitment Date	Binding Commitment Amount	Actual Amount	Balance
2004 Capitalization Grant and State Match				\$9,963,720
Set-Asides			\$498,186	\$9,465,534
West River/Lyman-Jones RWS (DW-02) ¹⁹	03/30/05		\$7,086,255	\$2,379,279
Kingbrook RWS (DW-03) ²⁰	03/30/05	\$3,324,000	\$718,659	\$1,660,620

Salem (DW-02)	06/23/05	\$348,540	\$348,540	\$1,312,080
Redfield (DW-02)	06/23/05	\$342,755	\$342,755	\$969,325
Wolsey (DW-01)	06/23/05	\$263,000	\$263,000	\$706,325
Milbank (DW-01) ²¹	09/22/05	\$4,741,000	\$706,325	\$0

¹⁹ Balance is from 2003 funds

²⁰ Balance is from 2005 funds

²¹ Balance is from 2005, repayment and UCE funds

9. PROJECTS UTILIZING 2005 SRF FUNDS

Recipient	Binding Commitment Date	Binding Commitment Amount	Actual Amount	Balance
2005 Capitalization Grant and State Match				\$9,942,600
Set-Asides			\$497,130	\$9,445,470
Kingbrook RWS (DW-03) ²²	03/30/05		\$2,605,341	\$6,840,129
Brookings-Deuel RWS (DW-02) ²³	06/23/05		\$1,552,029	\$5,288,100
Clay RWS (DW-01)	06/23/05	\$3,631,000	\$3,631,000	\$1,657,100
Milbank (DW-01) ²⁴	09/22/05		\$1,657,100	\$0

²² Balance is from 2004 funds

²³ Balance is from repayment funds

²⁴ Balance is from 2004, repayment and UCE funds

10. PROJECTS UTILIZING LEVERAGED FUNDS

Recipient	Binding Commitment Date	Binding Commitment Amount	Actual Amount	Balance
Total Leveraged Funds Available				\$22,503,661
Aberdeen (DW-01B) ²⁵	05/03/04		\$5,132,961	\$17,370,700
Elk Point (DW-02)	06/25/04	\$570,000	\$570,000	\$16,800,700
Groton (DW-02)	06/25/04	\$365,900	\$365,900	\$16,434,800
McLaughlin (DW-01)	06/25/04	\$350,000	\$350,000	\$16,084,800
Platte (DW-01)	06/25/04	\$400,000	\$400,000	\$15,684,800
Lennox (DW-01)	07/16/04	\$2,000,000	\$2,000,000	\$13,684,800
Sioux Falls (05)	07/16/04	\$12,749,000	\$12,749,000	\$935,800
Parker (DW-01)	09/23/04	\$730,000	\$730,000	\$205,800
Lead (DW-02)	01/06/05	\$205,800	\$205,800	\$0

²⁵ Balance is from 2004, repayment and UCE funds

11. PROJECTS UTILIZING REPAYMENT FUNDS

Recipient	Binding Commitment Date	Binding Commitment Amount	Actual Amount	Balance
Total Repayments as of 9/30/2005				\$14,155,477
Vermillion (DW-01) ²⁶	05/13/99		\$68,827	\$14,086,650
Dakota Dunes (DW-01) ²⁷	06/27/02		\$671,500	\$13,415,150
Huron (DW-01) ²⁷	06/27/02		\$3,265,527	\$10,149,623
Custer (DW-01) ²⁸	01/10/03		\$131,742	\$10,017,881
Aberdeen (DW-01A)	03/28/03		\$2,636,364	\$7,381,517
Rapid City (DW-01) ²⁹	11/14/03		\$1,385,000	\$5,996,517
Centerville (DW-01) ²⁹	03/25/04		\$548,673	\$5,447,844
Brookings Deuel RWS (DW-01) ²⁹	01/06/05		\$286,572	\$5,161,272
Hartford (DW-03) ²⁹	01/06/05		\$450,000	\$4,711,272
Kingbrook RWS (DW-02)	01/06/05	\$2,115,000	\$2,115,000	\$2,596,272
Brookings Deuel RWS (DW-02) ³⁰	06/23/05		\$197,971	\$2,398,301
Milbank (DW-01) ³¹	09/22/05		\$2,273,543	\$124,758

²⁶ Balance is from 1998 funds

²⁷ Balance is from 2001 funds

²⁸ Balance is from 2002 funds

²⁹ Balance is from 2003 funds

³⁰ Balance is from 2005 funds

³¹ Balance is from 2004, 2005, and UCE funds

12. PROJECTS UTILIZING UNRESTRICTED CUMULATIVE EXCESS FUNDS

Recipient	Binding Commitment Date	Binding Commitment Amount	Actual Amount	Balance
Total UCE as of 9/30/2005				\$4,297,730
Milbank (DW-01) ³²	09/22/05		\$104,032	\$4,193,698
Chancellor (DW-01)	06/22/05	\$230,000	\$230,000	\$3,963,698
Vermillion (DW-01)	09/22/05	\$3,772,500	\$3,772,500	\$191,198

³² Balance is from 2004, 2005, and repayment funds

EXHIBIT V
Drinking Water SRF Disbursements
October 1, 2004 to September 30, 2005

LOAN DISBURSEMENTS

Disburse Number	Date	Payee	Leveraged Funds	Repayment Funds	State Funds	Federal Funds	Total Payment
05-01	10/08/04	Lincoln County (DW-01)	\$0.00	\$0.00	\$0.00	\$8,683.00	\$8,683.00
05-02	10/08/04	Aberdeen (DW-01A)	\$0.00	\$0.00	\$129,275.00	\$547,813.00	\$677,088.00
05-03	10/21/04	Centerville (DW-01)	\$0.00	\$0.00	\$10,541.00	\$50,355.00	\$60,896.00
05-03	10/21/04	Centerville (DW-01)	\$0.00	\$63,176.00	\$0.00	\$0.00	\$63,176.00
05-04	10/22/04	Pierre (DW-02)	\$0.00	\$0.00	\$60,055.00	\$286,885.00	\$346,940.00
05-05	10/28/04	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$0.00	\$1,403.00	\$1,403.00
05-06	10/28/04	South Lincoln (DW-01)	\$0.00	\$0.00	\$0.00	\$29,138.00	\$29,138.00
05-07	10/28/04	Martin (DW-01)	\$0.00	\$0.00	\$35,088.00	\$137,072.00	\$172,160.00
05-08	11/05/04	Huron (DW-01)	\$0.00	\$75,183.00	\$0.00	\$0.00	\$75,183.00
05-09	11/05/04	Hartford (DW-02)	\$0.00	\$0.00	\$3,602.00	\$17,203.00	\$20,805.00
05-10	11/08/04	Tripp County WUD (DW-01)	\$0.00	\$0.00	\$20,976.00	\$100,200.00	\$121,176.00
05-11	11/18/04	Big Stone City (DW-02)	\$0.00	\$0.00	\$85,500.00	\$0.00	\$85,500.00
Adjust	11/18/04	Colton (DW-01)	\$0.00	\$0.00	(\$327,497.00)	\$327,497.00	\$0.00
Adjust	11/18/04	Garretson (DW-01)	\$0.00	\$0.00	(\$624,756.00)	\$624,756.00	\$0.00
05-12	11/19/04	Centerville (DW-01)	\$0.00	\$0.00	\$109,994.00	\$0.00	\$109,994.00
05-12	11/19/04	Centerville (DW-01)	\$0.00	\$41,366.00	\$0.00	\$0.00	\$41,366.00
05-13	11/23/04	Groton (DW-01)	\$0.00	\$0.00	\$184,762.00	\$0.00	\$184,762.00
05-14	11/23/04	Yankton (DW-01)	\$0.00	\$0.00	\$224,983.00	\$0.00	\$224,983.00
05-15	12/03/04	Groton (DW-02)	\$47,533.00	\$0.00	\$0.00	\$0.00	\$47,533.00
05-16	12/03/04	Mitchell (DW-01)	\$0.00	\$0.00	\$55,815.00	\$0.00	\$55,815.00
05-17	12/08/04	Aberdeen (DW-01A)	\$0.00	\$0.00	\$687,066.00	\$947,179.00	\$1,634,245.00
05-17	12/08/04	Aberdeen (DW-01A)	\$0.00	\$0.00	\$0.00	\$53,443.00	\$53,443.00
05-18	12/16/04	South Lincoln (DW-01)	\$0.00	\$0.00	\$0.00	\$4,685.00	\$4,685.00
05-19	12/16/04	Hartford (DW-02)	\$0.00	\$0.00	\$0.00	\$18,060.00	\$18,060.00
05-21	12/21/04	Aberdeen (DW-01A)	\$0.00	\$0.00	\$108,358.00	\$626,522.00	\$734,880.00
05-22	12/21/04	Sioux Falls (DW-05)	\$1,131,346.00	\$0.00	\$0.00	\$0.00	\$1,131,346.00
05-23	12/21/04	Martin (DW-01)	\$0.00	\$0.00	\$7,715.00	\$36,980.00	\$44,695.00
05-20	12/22/04	Centerville (DW-01)	\$0.00	\$86,536.00	\$0.00	\$0.00	\$86,536.00
05-24	01/21/05	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$0.00	\$28,689.00	\$28,689.00
05-25	01/21/05	Colton (DW-01)	\$0.00	\$0.00	\$0.00	\$3,326.00	\$3,326.00
05-26	01/21/05	Garretson (DW-01)	\$0.00	\$0.00	\$0.00	\$7,650.00	\$7,650.00
05-27	01/21/05	Groton (DW-02)	\$55,892.00	\$0.00	\$0.00	\$0.00	\$55,892.00
05-28	02/03/05	South Lincoln (DW-01)	\$0.00	\$0.00	\$0.00	\$28,794.00	\$28,794.00
05-28	02/03/05	South Lincoln (DW-01)	\$0.00	\$0.00	\$0.00	\$42,954.00	\$42,954.00
05-29	02/03/05	Aberdeen (DW-01A)	\$0.00	\$0.00	\$281,804.00	\$1,235,000.00	\$1,516,804.00
05-30	02/03/05	Dell Rapids (DW-01)	\$0.00	\$0.00	\$2,060.00	\$9,026.00	\$11,086.00
05-31	02/09/05	Sioux Falls (DW-05)	\$269,422.00	\$0.00	\$0.00	\$0.00	\$269,422.00
05-32	02/18/05	South Lincoln (DW-01)	\$0.00	\$0.00	\$0.00	\$34,263.00	\$34,263.00
05-33	02/18/05	Canton (DW-01)	\$0.00	\$0.00	\$0.00	\$22,354.00	\$22,354.00
05-33	02/22/05	Canton (DW-01)	\$0.00	\$0.00	\$9,280.00	\$7,908.00	\$17,188.00
05-34	02/22/05	Martin (DW-01)	\$0.00	\$0.00	\$13,074.00	\$42,632.00	\$55,706.00
05-35	02/25/05	Sioux Falls (DW-05)	\$49,737.00	\$0.00	\$0.00	\$0.00	\$49,737.00
05-36	02/25/05	Parker (DW-01)	\$90,242.00	\$0.00	\$0.00	\$0.00	\$90,242.00
05-37	03/03/05	Aberdeen (DW-01A)	\$0.00	\$0.00	\$159,980.00	\$766,904.00	\$926,884.00
05-38	03/03/05	Martin (DW-01)	\$0.00	\$0.00	\$17,855.00	\$85,598.00	\$103,453.00
05-39	03/03/05	Vermillion (DW-02)	\$0.00	\$0.00	\$8,490.00	\$40,702.00	\$49,192.00
05-40	03/24/05	Scotland (DW-01)	\$0.00	\$0.00	\$1,999.00	\$9,585.00	\$11,584.00
05-41	03/24/05	Aberdeen (DW-01A)	\$0.00	\$0.00	\$58,330.00	\$279,617.00	\$337,947.00
05-42	03/28/05	Dakota Dunes (DW-01)	\$0.00	\$0.00	\$15,840.00	\$75,933.00	\$91,773.00
05-43	03/28/05	Keystone (DW-01)	\$0.00	\$0.00	\$14,512.00	\$69,567.00	\$84,079.00
05-44	03/28/05	Vermillion (DW-02)	\$0.00	\$0.00	\$1,049.00	\$5,026.00	\$6,075.00
05-45	03/28/05	Sioux Falls (DW-05)	\$4,300.00	\$0.00	\$0.00	\$0.00	\$4,300.00
05-46	04/07/05	Crooks (DW-01)	\$0.00	\$0.00	\$0.00	\$45,356.00	\$45,356.00
05-47	04/07/05	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$0.00	\$220.00	\$220.00
05-48	04/15/05	Colton (DW-01)	\$0.00	\$0.00	\$0.00	\$372.00	\$372.00
05-49	04/15/05	Garretson (DW-01)	\$0.00	\$0.00	\$0.00	\$847.00	\$847.00
05-50	04/15/05	Martin (DW-01)	\$0.00	\$0.00	\$11,623.00	\$14,249.00	\$25,872.00
05-51	04/21/05	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$0.00	\$35,439.00	\$35,439.00
05-52	04/28/05	Aberdeen (DW-01A)	\$0.00	\$557,491.00	\$0.00	\$0.00	\$557,491.00
05-52	04/28/05	Aberdeen (DW-01A)	\$0.00	\$0.00	\$2,909.00	\$3,800.00	\$6,709.00
05-53	04/28/05	Dakota Dunes (DW-01)	\$0.00	\$43,792.00	\$0.00	\$0.00	\$43,792.00
05-53	04/28/05	Dakota Dunes (DW-01)	\$0.00	\$0.00	\$7,255.00	\$9,478.00	\$16,733.00
05-54	04/28/05	Lead (DW-02)	\$192,549.00	\$0.00	\$0.00	\$0.00	\$192,549.00
05-55	04/28/05	Sioux Falls (DW-05)	\$66,147.00	\$0.00	\$0.00	\$0.00	\$66,147.00
05-56	05/05/05	Hartford (DW-03)	\$0.00	\$0.00	\$3,455.00	\$16,560.00	\$20,015.00

05-57	05/05/05	Martin (DW-01)	\$0.00	\$0.00	\$6,151.00	\$29,489.00	\$35,640.00
05-58	05/18/05	Parker (DW-01)	\$157,212.00	\$0.00	\$0.00	\$0.00	\$157,212.00
05-59	05/18/05	Keystone (DW-01)	\$0.00	\$0.00	\$10,547.00	\$50,559.00	\$61,106.00
05-60	05/26/05	Aberdeen (DW-01A)	\$0.00	\$599,900.00	\$0.00	\$0.00	\$599,900.00
05-60	05/26/05	Aberdeen (DW-01B)	\$572,411.00	\$0.00	\$0.00	\$0.00	\$572,411.00
05-61	05/26/05	Dakota Dunes (DW-01)	\$0.00	\$47,216.00	\$0.00	\$0.00	\$47,216.00
05-62	05/26/05	Martin (DW-01)	\$0.00	\$0.00	\$6,152.00	\$29,488.00	\$35,640.00
05-63	05/26/05	Tyndall (DW-02)	\$0.00	\$0.00	\$103,295.00	\$495,171.00	\$598,466.00
05-66	06/03/05	Crooks (DW-01)	\$0.00	\$0.00	\$0.00	\$8,570.00	\$8,570.00
05-64	06/06/05	Elk Point (DW-02)	\$99,369.00	\$0.00	\$0.00	\$0.00	\$99,369.00
05-65	06/06/05	Sioux Falls (DW-05)	\$141,260.00	\$0.00	\$0.00	\$0.00	\$141,260.00
05-67	06/23/05	Aberdeen (DW-01B)	\$731,582.00	\$0.00	\$0.00	\$0.00	\$731,582.00
05-68	06/23/05	Elk Point (DW-02)	\$41,157.00	\$0.00	\$0.00	\$0.00	\$41,157.00
05-69	06/23/05	Parker (DW-01)	\$215,745.00	\$0.00	\$0.00	\$0.00	\$215,745.00
05-70	06/29/05	Dakota Dunes (DW-01)	\$0.00	\$0.00	\$2,298.00	\$11,018.00	\$13,316.00
05-70	06/29/05	Dakota Dunes (DW-01)	\$0.00	\$46,388.00	\$0.00	\$0.00	\$46,388.00
05-71	06/29/05	Platte (DW-01)	\$49,256.00	\$0.00	\$0.00	\$0.00	\$49,256.00
05-72	06/29/05	Sioux Falls (DW-05)	\$153,595.00	\$0.00	\$0.00	\$0.00	\$153,595.00
05-73	06/29/05	Tyndall (DW-02)	\$0.00	\$0.00	\$38,580.00	\$184,944.00	\$223,524.00
05-74	07/11/05	Martin (DW-01)	\$0.00	\$0.00	\$2,237.00	\$10,723.00	\$12,960.00
05-75	07/11/05	McLaughlin (DW-01)	\$174,389.00	\$0.00	\$0.00	\$0.00	\$174,389.00
05-76	07/13/05	Colton (DW-01)	\$0.00	\$0.00	\$0.00	\$123.00	\$123.00
05-77	07/13/05	McLaughlin (DW-01)	\$170,611.00	\$0.00	\$0.00	\$0.00	\$170,611.00
05-78	07/22/05	Parker (DW-01)	\$113,005.00	\$0.00	\$0.00	\$0.00	\$113,005.00
05-79	07/22/05	Platte (DW-01)	\$47,129.00	\$0.00	\$0.00	\$0.00	\$47,129.00
05-80	07/22/05	Minnehaha CWC (DW-01)	\$0.00	\$0.00	\$0.00	\$1,057.00	\$1,057.00
05-81	07/28/05	Crooks (DW-01)	\$0.00	\$0.00	\$0.00	\$3,733.00	\$3,733.00
05-82	07/28/05	Sioux Falls (DW-05)	\$1,364,074.00	\$0.00	\$0.00	\$0.00	\$1,364,074.00
05-56 adj	07/28/05	Hartford (DW-03)	\$0.00	\$0.00	(\$3,455.00)	\$3,455.00	\$0.00
05-83	08/04/05	Aberdeen (DW-01B)	\$410,094.00	\$0.00	\$0.00	\$0.00	\$410,094.00
05-84	08/04/05	Elk Point (DW-02)	\$56,931.00	\$0.00	\$0.00	\$0.00	\$56,931.00
05-85	08/04/05	Hartford (DW-03)	\$0.00	\$0.00	\$0.00	\$28,756.00	\$28,756.00
05-86	08/10/05	Keystone (DW-01)	\$0.00	\$0.00	\$25,000.00	\$102,696.00	\$127,696.00
05-87	08/10/05	Platte (DW-01)	\$103,062.00	\$0.00	\$0.00	\$0.00	\$103,062.00
05-88	08/18/05	Aberdeen (DW-01B)	\$315,626.00	\$0.00	\$0.00	\$0.00	\$315,626.00
05-89	08/18/05	Groton (DW-02)	\$78,715.00	\$0.00	\$0.00	\$0.00	\$78,715.00
05-90	08/18/05	Worthing (DW-01)	\$0.00	\$0.00	\$11,508.00	\$55,164.00	\$66,672.00
05-91	08/25/05	Kingbrook RWS (DW-02)	\$0.00	\$2,115,000.00	\$0.00	\$0.00	\$2,115,000.00
05-92	08/25/05	Martin (DW-01)	\$0.00	\$0.00	\$6,292.00	\$30,158.00	\$36,450.00
05-93	09/01/05	Elk Point (DW-02)	\$58,726.00	\$0.00	\$0.00	\$0.00	\$58,726.00
05-94	09/01/05	Sioux Falls (DW-05)	\$1,130,574.00	\$0.00	\$0.00	\$0.00	\$1,130,574.00
05-95	09/15/05	Martin (DW-01)	\$0.00	\$0.00	\$14,350.00	\$43,055.00	\$57,405.00
05-96	09/21/05	Platte (DW-01)	\$93,687.00	\$0.00	\$0.00	\$0.00	\$93,687.00
05-97	09/22/05	Pierre (DW-02)	\$0.00	\$0.00	\$87,870.00	\$2,254.00	\$90,124.00
05-98	09/22/05	Kingbrook (DW-03)	\$0.00	\$0.00	\$0.00	\$307,166.00	\$307,166.00
05-99	09/21/05	Keystone (DW-01)	\$0.00	\$0.00	\$126,468.00	\$0.00	\$126,468.00
05-100	09/22/05	Clay RWS (DW-01)	\$0.00	\$0.00	\$0.00	\$718,353.00	\$718,353.00
05-101	09/28/05	Elk Point (DW-02)	\$251,292.00	\$0.00	\$0.00	\$0.00	\$251,292.00
05-102	09/28/05	Kingbrook RWS (DW-03)	\$0.00	\$0.00	\$0.00	\$505,247.00	\$505,247.00
05-103	09/28/05	Worthing (DW-01)	\$0.00	\$0.00	\$50,182.00	\$0.00	\$50,182.00
05-104	09/28/05	Dakota Dunes (DW-01)	\$0.00	\$73,407.00	\$0.00	\$0.00	\$73,407.00
Total Loan Disbursements			\$8,436,670.00	\$3,749,455.00	\$1,868,467.00	\$9,360,902.00	\$23,415,494.00

SET-ASIDE DISBURSEMENTS

Disbur se Numbe r	Date	Payee	Cost of Issuance	Admin Federal	Set-a-side Federal	State Admin Restricted	State Admin Discretionary	Total Payment
05A-01	10/08/04	Image Master	\$2,352.85	\$0.00	\$0.00	\$0.00	\$0.00	\$2,352.85
05A-02	10/28/04	SD - Admin	\$0.00	\$18,500.00	\$0.00	\$0.00	\$0.00	\$18,500.00
05A-02	10/28/04	SD - Tech Assist	\$0.00	\$0.00	\$17,400.00	\$0.00	\$0.00	\$17,400.00
05A-03	11/05/04	PFM *	\$839.52	\$0.00	\$0.00	\$0.00	\$0.00	\$839.52
05A-04	11/23/04	SD - Admin	\$0.00	\$19,300.00	\$0.00	\$0.00	\$0.00	\$19,300.00
05A-04	11/23/04	SD - Tech Assist	\$0.00	\$0.00	\$3,500.00	\$0.00	\$0.00	\$3,500.00
05A-05	12/08/04	FNB **	\$0.00	\$13,230.00	\$0.00	\$0.00	\$0.00	\$13,230.00
05A-06	12/21/04	SD - Admin	\$0.00	\$19,800.00	\$0.00	\$0.00	\$0.00	\$19,800.00
05A-06	12/21/04	SD - Tech Assist	\$0.00	\$0.00	\$9,100.00	\$0.00	\$0.00	\$9,100.00
05A-07	01/27/05	SD - Admin	\$0.00	\$16,000.00	\$0.00	\$0.00	\$0.00	\$16,000.00
05A-07	01/27/05	SD - Tech Assist	\$0.00	\$0.00	\$5,550.00	\$0.00	\$0.00	\$5,550.00
05A-07	01/27/05	SD - Tech Assist	\$0.00	\$0.00	\$900.00	\$0.00	\$0.00	\$900.00
05A-07	01/27/05	SD - Local Assist	\$0.00	\$0.00	\$6.00	\$0.00	\$0.00	\$6.00
05A-08	02/25/05	SD - Admin	\$0.00	\$17,600.00	\$0.00	\$0.00	\$0.00	\$17,600.00
05A-08	02/25/05	SD - Tech Assist	\$0.00	\$0.00	\$4,600.00	\$0.00	\$0.00	\$4,600.00
05A-09	03/23/05	SD - Admin	\$0.00	\$18,600.00	\$0.00	\$0.00	\$0.00	\$18,600.00
05A-10	04/15/05	SD - Admin	\$0.00	\$28,600.00	\$0.00	\$0.00	\$0.00	\$28,600.00
05A-10	04/15/05	SD - Tech Assist	\$0.00	\$0.00	\$10,800.00	\$0.00	\$0.00	\$10,800.00
05A-11	05/26/05	SD - Admin	\$0.00	\$13,519.00	\$0.00	\$0.00	\$0.00	\$13,519.00
05A-11	05/26/05	SD - Admin	\$0.00	\$10,700.00	\$0.00	\$0.00	\$0.00	\$10,700.00
05A-11	05/26/05	SD - Tech Assist	\$0.00	\$0.00	\$6,600.00	\$0.00	\$0.00	\$6,600.00
05A-12	06/16/05	FNB	\$0.00	\$14,955.00	\$0.00	\$0.00	\$0.00	\$14,955.00
05A-13	06/23/05	SD - Admin	\$0.00	\$14,200.00	\$0.00	\$0.00	\$0.00	\$14,200.00
05A-13	06/23/05	SD - Tech Assist	\$0.00	\$0.00	\$19,600.00	\$0.00	\$0.00	\$19,600.00
05A-14	07/26/05	SD - Admin	\$0.00	\$17,500.00	\$0.00	\$0.00	\$0.00	\$17,500.00
05A-14	07/26/05	SD - Tech Assist	\$0.00	\$0.00	\$9,400.00	\$0.00	\$0.00	\$9,400.00
05A-15	08/30/05	SD - Admin	\$0.00	\$20,700.00	\$0.00	\$0.00	\$0.00	\$20,700.00
05A-15	08/30/05	SD - Tech Assist	\$0.00	\$0.00	\$11,600.00	\$0.00	\$0.00	\$11,600.00
05A-15	08/30/05	Planning Districts	\$0.00	\$0.00	\$0.00	\$5,000.00	\$0.00	\$5,000.00
05A-16	09/28/05	SD - Admin	\$0.00	\$17,000.00	\$0.00	\$0.00	\$0.00	\$17,000.00
05A-16	09/28/05	SD - Tech Assist	\$0.00	\$0.00	\$17,200.00	\$0.00	\$0.00	\$17,200.00
05A-16	09/28/05	Planning Districts	\$0.00	\$0.00	\$0.00	\$2,500.00	\$0.00	\$2,500.00
Total Set-Aside Disbursements			\$3,192.37	\$260,204.00	\$116,256.00	\$7,500.00	\$0.00	\$387,152.37

TOTAL OF ALL DWSRF DISBURSEMENTS

\$23,802,646.37

Disbursements to the State of SD reflect reimbursements for disbursements made through the state accounting system. These reimbursements are for payroll expenses, overhead costs, planning grants, sale barn grants, CAFO grants, 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.

* Public Financial Management, Inc.

** First National Bank in Sioux Falls

EXHIBIT VI
Letter of Credit Analysis
Projected Draws vs. Actual Draws
Federal Fiscal Year 2005

Quarter	Projected Draws	Actual Loan Draws	Actual Set-Aside-Draws	Difference
1st	\$1,833,030	\$3,817,874	\$100,830	(\$2,085,674)
2nd	\$1,833,030	\$2,795,528	\$63,256	(\$1,025,754)
3rd	\$2,415,886	\$935,560	\$118,974	\$1,361,352
4th	\$2,204,720	\$1,811,940	\$93,400	\$299,380
	\$8,286,666	\$9,360,902	\$376,460	(\$1,450,696)

Letter of Credit Draws
Federal Fiscal Year 2005

Draw #	Date	Loan	Admin	Tech Asst	Local Asst	Total
0548	10/07/04	\$556,496	\$0	\$0	\$0	\$556,496
0549	10/21/04	\$337,240	\$0	\$0	\$0	\$337,240
0550	10/27/04	\$167,613	\$18,500	\$17,400	\$0	\$203,513
0551	11/05/04	\$117,403	\$0	\$0	\$0	\$117,403
0553	11/17/04	\$952,253	\$0	\$0	\$0	\$952,253
0554	11/22/04	\$0	\$19,300	\$3,500	\$0	\$22,800
0556	12/07/04	\$1,000,622	\$13,230	\$0	\$0	\$1,013,852
0557	12/15/04	\$22,745	\$0	\$0	\$0	\$22,745
0558	12/20/04	\$663,502	\$19,800	\$9,100	\$0	\$692,402
0561	01/20/05	\$39,665	\$0	\$0	\$0	\$39,665
0562	01/26/05	\$0	\$16,000	\$6,450	\$6	\$22,456
0563	02/02/05	\$1,315,774	\$0	\$0	\$0	\$1,315,774
0564	02/17/05	\$56,617	\$0	\$0	\$0	\$56,617
0565	02/18/05	\$50,540	\$0	\$0	\$0	\$50,540
0566	02/24/05	\$0	\$17,600	\$4,600	\$0	\$22,200
0567	03/02/05	\$893,204	\$0	\$0	\$0	\$893,204
0568	03/22/05	\$0	\$18,600	\$0	\$0	\$18,600
0569	03/23/05	\$289,202	\$0	\$0	\$0	\$289,202
0570	03/25/05	\$150,526	\$0	\$0	\$0	\$150,526
0571	04/06/05	\$45,576	\$0	\$0	\$0	\$45,576
0572	04/14/05	\$15,468	\$28,600	\$10,800	\$0	\$54,868
0573	04/19/05	\$35,439	\$0	\$0	\$0	\$35,439
0574	04/27/05	\$13,278	\$0	\$0	\$0	\$13,278
0575	05/04/05	\$46,049	\$0	\$0	\$0	\$46,049
0576	05/17/05	\$50,559	\$0	\$0	\$0	\$50,559
0577	05/25/05	\$524,659	\$24,219	\$6,600	\$0	\$555,478
0578	06/02/05	\$8,570	\$0	\$0	\$0	\$8,570
0579	06/15/05	\$0	\$14,955	\$0	\$0	\$14,955
0580	06/22/05	\$0	\$14,200	\$19,600	\$0	\$33,800
0581	06/28/05	\$195,962	\$0	\$0	\$0	\$195,962
0582	07/08/05	\$10,723	\$0	\$0	\$0	\$10,723
0583	07/12/05	\$123	\$0	\$0	\$0	\$123
0584	07/21/05	\$1,057	\$0	\$0	\$0	\$1,057
0585	07/22/05	\$0	\$17,500	\$9,400	\$0	\$26,900
0586	07/27/05	\$3,455	\$0	\$0	\$0	\$3,455
0587	07/27/05	\$3,733	\$0	\$0	\$0	\$3,733
0588	08/03/05	\$28,756	\$0	\$0	\$0	\$28,756
0589	08/09/05	\$102,696	\$0	\$0	\$0	\$102,696
0590	08/17/05	\$55,164	\$0	\$0	\$0	\$55,164
0591	08/24/05	\$30,158	\$0	\$0	\$0	\$30,158
0592	08/29/05	\$0	\$20,700	\$11,600	\$0	\$32,300
0594	09/14/05	\$43,055	\$0	\$0	\$0	\$43,055
0595	09/21/05	\$1,027,773	\$0	\$0	\$0	\$1,027,773
0596	09/27/05	\$505,247	\$17,000	\$17,200	\$0	\$539,447
		\$9,360,902	\$260,204	\$116,250	\$6	\$9,737,362

EXHIBIT VII
Environmental Review and
Land Purchase Information

Loan Recipient	Environmental Assessment Class	Environmental Assessment Publication Date	Land Purchase w/ SRF?
Brookings-Deuel RWS (DW-01)	FNSI	12/20/04	No
Brookings-Deuel RWS (DW-02)	FNSI	06/13/05	No
Chancellor (DW-01)	CATEX	09/15/05	No
Clay RWS (DW-01)	FNSI	06/23/05	No
Hartford (DW-03)	FNSI	12/25/04	No
Kingbrook RWS (DW-02)	CATEX	09/16/04	No
Kingbrook RWS (DW-03)	FNSI	03/24/05	No
Lead (DW-02)	CATEX	12/03/04	No
Milbank (DW-01)	CATEX	09/14/05	No
Redfield (DW-02)	CATEX	05/11/05	No
Salem (DW-02)	CATEX	05/19/05	No
West River/Lyman-Jones RWS (DW-02)	FNSI	03/30/05	No
Wolsey (DW-01)	CATEX	06/22/05	No
Vermillion (DW-03)	FNSI	09/16/05	No

EXHIBITS VIII -- XII

DRINKING WATER SRF

FINANCIAL STATEMENTS
(Unaudited)

EXHIBIT VIII
DRINKING WATER SRF LOAN PARTICIPANTS
September 30, 2005
(Unaudited)

Borrower Name	Loan Amount	State Advances	Federal Advances	Other Advances	Total Advances	Repayment Amounts	Loan Balances
Aberdeen (DW-01)							
Series A	\$9,460,000	\$1,611,628	\$5,212,008	\$2,636,364	\$9,460,000	\$0.00	\$9,460,000.00
Series B	\$7,300,000	\$0	\$0	\$2,029,713	\$2,029,713	\$0.00	\$2,029,713.00
Baltic (DW-01)	\$250,000	\$75,038	\$174,962	\$0	\$250,000	\$13,313.87	\$236,686.13
BDM RWS (DW-01)	\$280,251	\$0	\$280,251	\$0	\$280,251	\$16,868.36	\$263,382.64
Big Stone City (DW-01)	\$570,000	\$0	\$570,000	\$0	\$570,000	\$116,359.09	\$453,640.91
Big Stone City (DW-02)	\$240,000	\$85,500	\$0	\$0	\$85,500	\$0.00	\$85,500.00
Black Hawk WUD (DW-01)	\$500,000	\$109,624	\$390,376	\$0	\$500,000	\$96,995.82	\$403,004.18
Brandon (DW-01)	\$1,877,375	\$0	\$1,877,375	\$0	\$1,877,375	\$540,245.44	\$1,337,129.56
Bristol (DW-01)	\$0	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Britton (DW-01)	\$320,000	\$2,854	\$317,146	\$0	\$320,000	\$36,932.30	\$283,067.70
Brookings-Deuel (DW-01)	\$1,200,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Brookings-Deuel (DW-02)	\$1,750,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Bryant (DW-01)	\$142,000	\$8,038	\$133,962	\$0	\$142,000	\$11,068.72	\$130,931.28
Canton (DW-01)	\$500,000	\$121,979	\$378,021	\$0	\$500,000	\$12,849.61	\$487,150.39
Centerville (DW-01)	\$870,000	\$146,573	\$174,754	\$543,673	\$865,000	\$12,955.21	\$852,044.79
Chancellor (DW-01)	\$230,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Clay RWS (DW-01)	\$3,631,000	\$0	\$718,353	\$0	\$718,353	\$0.00	\$718,353.00
Clear Lake (DW-01)	\$540,637	\$0	\$540,637	\$0	\$540,637	\$60,832.03	\$479,804.97
Colonial Pine Hills (DW-01)	\$636,108	\$185,726	\$450,382	\$0	\$636,108	\$64,468.98	\$571,639.02
Colton (DW-01)	\$681,720	\$0	\$632,455	\$0	\$632,455	\$16,403.04	\$616,051.96
Crooks (DW-01)	\$302,900	\$0	\$57,659	\$0	\$57,659	\$0.00	\$57,659.00
Custer (DW-01)	\$800,000	\$159,437	\$508,821	\$131,742	\$800,000	\$44,990.12	\$755,009.88
Dakota Dunes (DW-01)	\$908,000	\$25,393	\$96,429	\$255,140	\$376,962	\$1,959.05	\$375,002.95
Dell Rapids (DW-01)	\$621,000	\$150,059	\$470,941	\$0	\$621,000	\$13,537.52	\$607,462.48
Elk Point (DW-01)	\$220,000	\$30,181	\$189,819	\$0	\$220,000	\$19,874.26	\$200,125.74
Elk Point (DW-02)	\$570,000	\$0	\$0	\$507,475	\$507,475	\$0.00	\$507,475.00
Fall River WUD (DW-01)	\$759,000	\$0	\$759,000	\$0	\$759,000	\$66,378.02	\$692,621.98
Fall River WUD (DW-02)	\$260,958	\$24,064	\$236,894	\$0	\$260,958	\$15,085.77	\$245,872.23
Garretson (DW-01)	\$1,261,060	\$0	\$1,102,147	\$0	\$1,102,147	\$22,950.39	\$1,079,196.61
Gettysburg (DW-01)	\$565,000	\$0	\$565,000	\$0	\$565,000	\$51,121.86	\$513,878.14
Gregory (DW-01)	\$347,580	\$35,106	\$312,474	\$0	\$347,580	\$22,035.14	\$325,544.86
Groton (DW-01)	\$440,000	\$228,152	\$211,848	\$0	\$440,000	\$7,675.12	\$432,324.88
Groton (DW-02)	\$365,900	\$0	\$0	\$182,140	\$182,140	\$0.00	\$182,140.00

Harrisburg (DW-01)	\$525,000	\$20,074	\$504,926	\$0	\$525,000	\$63,653.54	\$461,346.46
Hartford (DW-01)	\$185,000	\$0	\$185,000	\$0	\$185,000	\$22,270.84	\$162,729.16
Hartford (DW-02)	\$800,957	\$87,023	\$429,369	\$0	\$516,392	\$28,468.09	\$487,923.91
Hartford (DW-03)	\$1,123,556	\$0	\$48,771	\$0	\$48,771	\$0.00	\$48,771.00
Hermosa (DW-01)	\$300,000	\$0	\$300,000	\$0	\$300,000	\$55,255.71	\$244,744.29
Huron (DW-01)	\$4,000,000	\$0	\$0	\$3,243,765	\$3,243,765	\$139,944.50	\$3,103,820.50
Irene (DW-01)	\$127,126	\$0	\$127,126	\$0	\$127,126	\$127,126.00	\$0.00
Keystone (DW-01)	\$762,000	\$176,527	\$222,822	\$0	\$399,349	\$0.00	\$399,349.00
Kingbrook RWS (DW-01)	\$474,204	\$0	\$474,204	\$0	\$474,204	\$54,063.07	\$420,140.93
Kingbrook RWS (DW-02)	\$2,115,000	\$0	\$0	\$2,115,000	\$2,115,000	\$0.00	\$2,115,000.00
Kingbrook RWS (DW-03)	\$3,324,000	\$0	\$812,413	\$0	\$812,413	\$0.00	\$812,413.00
Lead (DW-01)	\$192,800	\$110,440	\$82,360	\$0	\$192,800	\$44,735.04	\$148,064.96
Lead (DW-02)	\$205,800	\$0	\$0	\$192,549	\$192,549	\$0.00	\$192,549.00
Lead-Deadwood SD (DW-01)	\$2,683,957	\$1,812	\$2,682,145	\$0	\$2,683,957	\$2,683,957.00	\$0.00
Lennox (DW-01)	\$2,000,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Lincoln County RWS (DW-01)	\$1,079,170	\$0	\$1,079,170	\$0	\$1,079,170	\$18,824.47	\$1,060,345.53
Madison (DW-01)	\$2,372,000	\$0	\$2,372,000	\$0	\$2,372,000	\$2,372,000.00	\$0.00
Martin (DW-01)	\$920,000	\$180,708	\$705,896	\$0	\$886,604	\$0.00	\$886,604.00
McLaughlin (DW-01)	\$350,000	\$0	\$0	\$345,000	\$345,000	\$0.00	\$345,000.00
Milbank (DW-01)	\$4,741,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Mina Lake SD (DW-01)	\$255,200	\$110,253	\$144,947	\$0	\$255,200	\$42,301.76	\$212,898.24
Minnehaha CWC (DW-01)	\$6,500,000	\$0	\$6,022,816	\$0	\$6,022,816	\$218,522.52	\$5,804,293.48
Mitchell (DW-01)	\$2,850,115	\$603,583	\$2,246,532	\$0	\$2,850,115	\$119,025.24	\$2,731,089.76
Mobridge (DW-01)	\$965,000	\$0	\$965,000	\$0	\$965,000	\$965,000.00	\$0.00
Mobridge (DW-02)	\$352,207	\$0	\$352,207	\$0	\$352,207	\$352,207.00	\$0.00
Nisland (DW-01)	\$350,000	\$170,757	\$179,243	\$0	\$350,000	\$20,416.69	\$329,583.31
Parker (DW-01)	\$730,000	\$0	\$0	\$576,204	\$576,204	\$0.00	\$576,204.00
Pierre (DW-01)	\$988,188	\$130,882	\$857,306	\$0	\$988,188	\$147,439.89	\$840,748.11
Pierre (DW-02)	\$1,832,900	\$380,409	\$1,452,491	\$0	\$1,832,900	\$0.00	\$1,832,900.00
Platte (DW-01)	\$400,000	\$0	\$0	\$293,134	\$293,134	\$0.00	\$293,134.00
Rapid City (DW-01)	\$3,500,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Redfield (DW-01)	\$85,000	\$85,000	\$0	\$0	\$85,000	\$15,224.43	\$69,775.57
Redfield (DW-02)	\$342,755	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Salem (DW-01)	\$118,540	\$46,420	\$72,120	\$0	\$118,540	\$10,082.96	\$108,457.04
Salem (DW-02)	\$348,540	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Scotland (DW-01)	\$340,000	\$106,542	\$128,630	\$0	\$235,172	\$1,321.71	\$233,850.29
Sioux Falls (DW-01)	\$6,496,745	\$3,879,001	\$2,617,744	\$0	\$6,496,745	\$2,877,153.77	\$3,619,591.23
Sioux Falls (DW-02)	\$2,348,168	\$6,101	\$2,342,067	\$0	\$2,348,168	\$492,493.01	\$1,855,674.99
Sioux Falls (DW-03)	\$7,930,000	\$1,333,874	\$6,596,126	\$0	\$7,930,000	\$883,721.19	\$7,046,278.81
Sioux Falls (DW-04)	\$279,599	\$48,399	\$231,200	\$0	\$279,599	\$12,123.23	\$267,475.77
Sioux Falls (DW-05)	\$12,749,000	\$0	\$0	\$4,310,455	\$4,310,455	\$0.00	\$4,310,455.00

South Lincoln RWS (DW-01)	\$2,000,000	\$0	\$717,692	\$0	\$717,692	\$11,402.46	\$706,289.54
Sturgis (DW-01)	\$478,377	\$0	\$478,377	\$0	\$478,377	\$478,377.00	\$0.00
Tripp (DW-01)	\$225,656	\$15,391	\$210,265	\$0	\$225,656	\$11,703.63	\$213,952.37
Tripp County WUD (DW-01)	\$3,500,000	\$648,794	\$2,846,206	\$0	\$3,495,000	\$73,523.13	\$3,421,476.87
Tripp County WUD (DW-02)	\$131,469	\$38,286	\$93,183	\$0	\$131,469	\$3,286.74	\$128,182.26
Tyndall (DW-01)	\$300,000	\$0	\$300,000	\$0	\$300,000	\$111,113.48	\$188,886.52
Tyndall (DW-02)	\$861,000	\$141,875	\$680,115	\$0	\$821,990	\$0.00	\$821,990.00
Vermillion (DW-01)	\$795,338	\$0	\$726,511	\$68,827	\$795,338	\$131,834.70	\$663,503.30
Vermillion (DW-02)	\$1,507,552	\$305,729	\$1,201,823	\$0	\$1,507,552	\$54,514.76	\$1,453,037.24
Vermillion (DW-03)	\$3,772,500	\$0	\$0	\$0	\$0	\$0.00	\$0.00
WEB RWS (DW-01)	\$0	\$0	\$0	\$0	\$0	\$0.00	\$0.00
WEB RWS (DW-02)	\$0	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Webster (DW-01)	\$318,828	\$122,503	\$196,325	\$0	\$318,828	\$22,846.11	\$295,981.89
WR/LJ RWS (DW-01)	\$340,000	\$59,092	\$280,908	\$0	\$340,000	\$19,655.09	\$320,344.91
WR/LJ RWS (DW-02)	\$8,000,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Wolsey (DW-01)	\$263,000	\$0	\$0	\$0	\$0	\$0.00	\$0.00
Worthing (DW-01)	\$288,000	\$114,535	\$116,579	\$0	\$231,114	\$3,372.94	\$227,741.06
Yankton (DW-01)	\$3,460,000	\$740,361	\$2,546,639	\$0	\$3,287,000	\$201,615.25	\$3,085,384.75
total - 91 loans	\$142,685,736	\$12,663,723	\$60,990,968	\$17,431,181	\$91,085,872	\$14,155,476.67	\$76,930,395.33

EXHIBIT IX
Projected Cash Flow Worksheet
for 10/01/05 through 09/30/06
Unaudited

Borrower	Principal	Interest	Administrative Surcharge	Total
Aberdeen (DW-01)				
Series A	\$82,148	\$375,125	\$150,040	\$607,313
Series B	\$23,534	\$57,491	\$22,995	\$104,019
Baltic (DW-01)	\$9,270	\$5,831	\$2,332	\$17,434
BDM (DW-01)	\$10,316	\$6,489	\$2,595	\$19,400
Big Stone City (DW-01)	\$16,827	\$14,284	\$3,359	\$34,470
Big Stone City (DW-02)	\$3,009	\$2,110	\$844	\$5,962
Black Hawk WUD (DW-01)	\$14,579	\$12,693	\$2,985	\$30,258
Brandon (DW-01)	\$114,208	\$48,554	\$12,946	\$175,708
Britton (DW-01)	\$8,657	\$7,356	\$2,101	\$18,114
Bryant (DW-01)	\$2,491	\$2,927	\$0	\$5,419
Canton (DW-01)	\$18,074	\$12,011	\$4,804	\$34,888
Centerville (DW-01)	\$13,274	\$15,895	\$4,767	\$33,935
Clear Lake (DW-01)	\$9,789	\$10,723	\$0	\$20,512
Colonial Pine Hills (DW-01)	\$18,367	\$10,604	\$4,241	\$33,212
Colton (DW-01)	\$9,464	\$11,490	\$4,596	\$25,550
Crooks (DW-01)	\$1,948	\$1,330	\$399	\$3,677
Custer (DW-01)	\$29,725	\$18,537	\$7,414	\$55,676
Dakota Dunes (DW-01)	\$1,630	\$1,044	\$418	\$3,092
Dell Rapids (DW-01)	\$22,141	\$14,981	\$5,992	\$43,113
Elk Point (DW-01)	\$8,447	\$4,925	\$1,970	\$15,342
Elk Point (DW-02)	\$0	\$11,588	\$3,475	\$15,063
Fall River (DW-01)	\$13,361	\$15,484	\$0	\$28,845
Fall River (DW-02)	\$4,712	\$4,581	\$0	\$9,293
Garretson (DW-01)	\$21,904	\$26,777	\$10,710	\$59,390
Gettysburg (DW-01)	\$20,206	\$17,724	\$5,063	\$42,992
Gregory (DW-01)	\$6,318	\$6,065	\$0	\$12,383
Groton (DW-01)	\$15,757	\$11,483	\$3,443	\$30,683
Groton (DW-02)	\$1,625	\$5,819	\$1,745	\$9,190
Harrisburg (DW-01)	\$14,102	\$13,701	\$3,425	\$31,228
Hartford (DW-01)	\$6,974	\$4,833	\$1,208	\$13,015
Hartford (DW-02)	\$14,536	\$9,058	\$3,623	\$27,218
Hermosa (DW-01)	\$11,813	\$9,614	\$2,404	\$23,831
Huron (DW-01)	\$119,372	\$76,486	\$30,592	\$226,451

Keystone (DW-01)	\$4,506	\$10,793	\$3,237	\$18,536
Kingbrook RWS (DW-01)	\$11,891	\$0	\$0	\$11,891
Kingbrook RWS (DW-02)	\$31,677	\$39,463	\$11,834	\$82,974
Lead (DW-01)	\$13,187	\$3,772	\$1,078	\$18,037
Lead (DW-02)	\$2,884	\$3,593	\$1,077	\$7,554
Lincoln County RWS (DW-01)	\$38,647	\$26,149	\$10,459	\$75,256
Martin (DW-01)	\$15,042	\$34,160	\$0	\$49,202
McLaughlin (DW-01)	\$0	\$6,611	\$0	\$6,611
Mina Lake San Dist (DW-01)	\$7,301	\$6,315	\$1,579	\$15,194
Minnehaha CWC (DW-01)	\$219,193	\$143,044	\$57,213	\$419,450
Mitchell (DW-01)	\$99,982	\$80,817	\$26,939	\$207,739
Nisland (DW-01)	\$8,750	\$0	\$0	\$8,750
Pierre (DW-01)	\$41,811	\$15,505	\$6,201	\$63,517
Pierre (DW-02)	\$94,667	\$44,942	\$17,976	\$157,585
Platte (DW-01)	\$12,987	\$5,417	\$1,354	\$19,759
Redfield (DW-01)	\$2,524	\$1,810	\$517	\$4,851
Salem (DW-01)	\$10,441	\$2,614	\$1,046	\$14,100
Scotland (DW-01)	\$5,370	\$5,796	\$0	\$11,166
Sioux Falls (DW-01)	\$660,620	\$118,099	\$33,738	\$812,458
Sioux Falls (DW-02)	\$212,951	\$62,181	\$17,764	\$292,896
Sioux Falls (DW-03)	\$700,886	\$169,637	\$67,850	\$938,374
Sioux Falls (DW-04)	\$24,170	\$6,462	\$2,585	\$33,217
Sioux Falls (DW-05)	\$0	\$95,754	\$23,939	\$119,693
South Lincoln RWS (DW-01)	\$25,743	\$17,418	\$6,967	\$50,127
Tripp (DW-01)	\$5,416	\$5,298	\$0	\$10,714
Tripp County WUD (DW-01)	\$80,472	\$84,786	\$0	\$165,258
Tripp County WUD (DW-02)	\$4,382	\$0	\$0	\$4,382
Tyndall (DW-01)	\$22,095	\$3,404	\$0	\$25,499
Tyndall (DW-02)	\$13,946	\$23,775	\$0	\$37,721
Vermillion (DW-01)	\$30,530	\$26,087	\$6,522	\$63,139
Vermillion (DW-02)	\$54,882	\$35,816	\$14,325	\$105,024
Webster(DW-01)	\$12,030	\$7,288	\$2,915	\$22,233
W. River/Lyman Jones (DW-01)	\$8,211	\$7,932	\$0	\$16,143
Worthing (DW-01)	\$4,833	\$3,299	\$1,320	\$9,451
Yankton (DW-01)	\$93,644	\$57,270	\$22,906	\$173,821
Total FFY05	\$3,244,251	\$2,002,921	\$641,827	\$5,888,999

EXHIBIT X
DENR DRINKING WATER STATE REVOLVING FUND
BALANCE SHEET
9/30/2005

	SETASIDES					ADMIN SURCHARGE	LOANS	TOTAL
	STATE ADMIN	TECHNICAL ASSISTANCE	OPERATOR TRAINING	LOCAL ASSISTANCE	TOTAL SETASIDES			
ASSETS:								
Cash	(\$26,930.94)	(\$7,112.38)		\$0.39	(\$34,042.93)	\$1,784,387.30	\$1,662,068.89	\$3,412,413.26
Investments					\$0.00		\$29,584,942.73	\$29,584,942.73
Loans Receivable					\$0.00		\$76,930,395.33	\$76,930,395.33
Federal LOC Commitment less Cash Draws	\$888,653.00	\$351,072.00		\$0.00	\$1,239,725.00		\$23,391,096.00	\$24,630,821.00
Accrued Interest Receivable	\$0.08				\$0.08	\$4,854.30	\$809,720.38	\$814,574.76
Due from Other Governments					\$0.00	\$173,081.94		\$173,081.94
Deferred Charges	\$190,781.47				\$190,781.47		\$395,813.95	\$586,595.42
TOTAL ASSETS	\$1,052,503.61	\$343,959.62	\$0.00	\$0.39	\$1,396,463.62	\$1,962,323.54	\$132,774,037.28	\$136,132,824.44
LIABILITIES AND FUND EQUITY:								
Liabilities:								
Accounts Payable	\$82,135.00	\$15,236.69			\$97,371.69	\$0.00	\$0.00	\$97,371.69
Bonds Payable					\$0.00		\$36,890,000.00	\$36,890,000.00
Wages Payable	\$3,033.60				\$3,033.60			\$3,033.60
Accrued Employee Benefits	\$714.67				\$714.67			\$714.67
Accrued Interest Payable					\$0.00		\$287,254.79	\$287,254.79
Deferred Revenue					\$0.00		\$676,643.36	\$676,643.36
Total Liabilities	\$85,883.27	\$15,236.69	\$0.00	\$0.00	\$101,119.96	\$0.00	\$37,853,898.15	\$37,955,018.11
Fund Equity:								
Contributions from EPA	\$3,013,408.00	\$892,822.00	\$4,300.00	\$21,206.00	\$3,931,736.00		\$84,382,064.00	\$88,313,800.00
Retained Earnings	(\$2,046,787.66)	(\$564,099.07)	(\$4,300.00)	(\$21,205.61)	(\$2,636,392.34)	\$1,962,323.54	\$9,113,815.13	\$8,439,746.33
Contributed Capital					\$0.00		\$1,424,260.00	\$1,424,260.00
Total Fund Equity	\$966,620.34	\$328,722.93	\$0.00	\$0.39	\$1,295,343.66	\$1,962,323.54	\$94,920,139.13	\$98,177,806.33
TOTAL LIABILITIES AND FUND EQUITY	\$1,052,503.61	\$343,959.62	\$0.00	\$0.39	\$1,396,463.62	\$1,962,323.54	\$132,774,037.28	\$136,132,824.44

EXHIBIT XI
DENR DRINKING WATER STATE REVOLVING FUND
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Fiscal Year Ended September 30, 2005

	SETASIDES					ADMIN SURCHARGE	LOANS	TOTAL
	STATE ADMIN	TECHNICAL ASSISTANCE	OPERATOR TRAINING	LOCAL ASSISTANCE	TOTAL SETASIDES			
Operating Revenues:								
Interest Income					\$0.00		\$1,743,133.65	\$1,743,133.65
Investment Income	\$0.72				\$0.72	\$38,831.72	\$1,969,172.78	\$2,008,005.22
Other Income					\$0.00	\$561,778.07	\$36,023.09	\$597,801.16
Total Operating Revenue	\$0.72	\$0.00	\$0.00	\$0.00	\$0.72	\$600,609.79	\$3,748,329.52	\$4,348,940.03
Operating Expenses:								
Administrative Expenses	\$285,445.64	\$117,639.09			\$403,084.73	\$22,500.00	\$0.00	\$425,584.73
Interest Expense					\$0.00		\$1,741,005.41	\$1,741,005.41
Bond Issuance Expense	\$9,981.24				\$9,981.24		\$20,589.13	\$30,570.37
Bond Discount Expense	\$5,080.55				\$5,080.55		\$1,777.05	\$6,857.60
Refund of Prior Year Revenue								\$0.00
Total Operating Expenses	\$300,507.43	\$117,639.09	\$0.00	\$0.00	\$418,146.52	\$22,500.00	\$1,763,371.59	\$2,204,018.11
Operating Income (Loss)	(\$300,506.71)	(\$117,639.09)	\$0.00	\$0.00	(\$418,145.80)	\$578,109.79	\$1,984,957.93	\$2,144,921.92
Operating Transfers:								
Operating Transfer In								\$0.00
Operating Transfer Out	(\$25,862.79)				(\$25,862.79)			(\$25,862.79)
Net Transfers	(\$25,862.79)	\$0.00	\$0.00	\$0.00	(\$25,862.79)	\$0.00	\$0.00	(\$25,862.79)
Net Income (Loss)	(\$326,369.50)	(\$117,639.09)	\$0.00	\$0.00	(\$444,008.59)	\$578,109.79	\$1,984,957.93	\$2,119,059.13
Fund Equity, Beginning	(\$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
RETAINED EARNINGS, ENDING	(\$2,046,787.66)	(\$564,099.07)	(\$4,300.00)	(\$21,205.61)	(\$2,636,392.34)	\$1,962,323.54	\$9,113,815.13	\$8,439,746.33

EXHIBIT XII
DENR DRINKING WATER STATE REVOLVING FUND
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2005

	SETASIDES				TOTAL SETASIDES	ADMIN SURCHARGE	LOANS	TOTAL
	STATE ADMIN	TECHNICAL ASSISTANCE	OPERATOR TRAINING	LOCAL ASSISTANCE				
Cash flows from operating activities:								
Net Income	(\$300,506.71)	(\$117,639.09)	\$0.00	\$0.00	(\$418,145.80)	\$578,109.79	\$1,984,957.93	\$2,144,921.92
Adjustments to reconcile net income to net cash provided (used) by operating activities:								
Investment Income	(\$0.77)	\$0.00	\$0.00	\$0.00	(\$0.77)	(\$42,301.93)	(\$1,861,113.78)	(\$1,903,416.48)
Interest Expense							\$1,741,005.41	\$1,741,005.41
Amortization of bond issuance cost	\$9,981.24				\$9,981.24		\$32,164.43	\$42,145.67
Amortization of bond discount	\$5,080.55				\$5,080.55		\$1,777.05	\$6,857.60
Amortization of bond premium					\$0.00		(\$36,023.09)	(\$36,023.09)
Assets: (Increase)/Decrease								
Loans Receivable					\$0.00		(\$20,570,176.19)	(\$20,570,176.19)
Accrued Interest Receivable on Loans					\$0.00		(\$219,877.85)	(\$219,877.85)
Federal LOC Commitment less Cash Draws	(\$71,216.00)	(\$49,460.00)		\$28,800.00	(\$91,876.00)		\$1,543,738.00	\$1,451,862.00
Due from Other Governments					\$0.00	(\$74,634.63)		(\$74,634.63)
Liabilities: Increase/(Decrease)								
Accounts Payable	\$49,062.38	\$11,751.69			\$60,814.07			\$60,814.07
Bond Issuance								\$0.00
Due to Other Governments							(\$14,767.67)	(\$14,767.67)
Cost of Issuance Payable								(\$1,172.56)
Accrued Employee Benefits	(\$1,172.56)				(\$1,172.56)			(\$1,172.56)
Wages Payable	(\$5,204.87)				(\$5,204.87)			(\$5,204.87)
Net cash provided by operations	(\$313,976.74)	(\$155,347.40)	\$0.00	\$28,800.00	(\$440,524.14)	\$461,173.23	(\$17,398,315.76)	(\$17,377,666.67)
Cash flows from noncapital financing activities:								
Operating Transfers Out	(\$25,862.79)				(\$25,862.79)			(\$25,862.79)
Operating Transfer In								\$0.00
Unamortized Bond Issuance Costs								\$0.00
Unamortized Bond Premium Revenue								\$0.00
Bonds Payable					\$0.00		(\$440,000.00)	(\$440,000.00)
Bond Issue								\$0.00
Interest Payment on Bonds and Notes							(\$1,804,661.33)	(\$1,804,661.33)
Contributions from EPA	\$331,420.00	\$165,710.00		(\$28,794.00)	\$468,336.00		\$7,817,164.00	\$8,285,500.00
Net cash provided by noncapital financing activities	\$305,557.21	\$165,710.00	\$0.00	(\$28,794.00)	\$442,473.21	\$0.00	\$5,572,502.67	\$6,014,975.88
Cash Flows from Investing Activities:								
Interest on Investments	\$0.72				\$0.72	\$38,831.72	\$1,969,172.78	\$2,008,005.22
Purchase of Investment Securities							(\$6,834,704.25)	(\$6,834,704.25)
Proceeds from Sale of Investment Securities					\$0.00		\$15,482,501.86	\$15,482,501.86
Increase in Investments	\$0.72	\$0.00	\$0.00	\$0.00	\$0.72	\$38,831.72	\$10,616,970.39	\$10,655,802.83
Net Decrease in cash and cash equivalents	(\$8,418.81)	\$10,362.60	\$0.00	\$6.00	\$1,949.79	\$500,004.95	(\$1,208,842.70)	(\$706,887.96)
Cash and cash equivalents at beginning of year	(\$18,512.13)	(\$17,474.98)	\$0.00	(\$5.61)	(\$35,992.72)	\$1,284,382.35	\$2,870,911.59	\$4,119,301.22
Cash and cash equivalents at year end	(\$26,930.94)	(\$7,112.38)	\$0.00	\$0.39	(\$34,042.93)	\$1,784,387.30	\$1,662,068.89	\$3,412,413.26

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

DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

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 2.45% for the year ending September 30, 2005.
6. Investments consist of an Investment Agreement at 5.56% with CDC Funding Corporation due August 1, 2008 totaling \$4,877,079. Agreement also at 5.07% with AIG Matched Funding Corp due August 1, 2025 totaling \$23,774,114.
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 \$419,250.

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	5,080,000		265,000
Interest		123,423	123,423
Series 2001 Bonds			
Principal	4,740,000		190,000
Interest		113,216	113,216
Series 2004 Bonds			
Principal	27,070,000		905,000
Interest		625,126	625,126
Total	<u>36,890,000</u>	<u>861,765</u>	<u>2,221,765</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
2005	8,285,500
Total	<u>88,313,800</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 09/30/05
State of South Dakota Admin.	208,784
Loan Application and Oversight	22,500
Technical Assistance	117,639
Trustee	37,622
Bond Council	35,625
Financial Advisor	3,415
Total	<u>425,585</u>

ADDENDUM I
FEDERAL FISCAL YEAR 2006
INTENDED USE PLAN

**SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FISCAL YEAR 2006 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 2006 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 4, 2005, to review the 2006 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.

GOALS, OBJECTIVES, AND ENVIRONMENTAL RESULTS

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

The specific long-term objectives of the program are:

1. To maintain a permanent, self-sustaining SRF program that will serve in perpetuity as a financing source for drinking water projects and source water quality protection measures. This will necessitate that the amount of capitalization grant funds for non-Drinking Water SRF activities are reviewed annually 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.

Environmental Results

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

For fiscal year 2006, the specific measures are:

1. In fiscal year 2005, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 99.8 percent, which is above the national average of 83 percent. For fiscal year 2006, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.
2. In fiscal year 2005, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 64.5 percent. For fiscal year 2006, the goal is to increase this construction pace to 75 percent.

3. For fiscal year 2006, the goal of the Drinking Water SRF program is to fund 14 loans, totaling \$19.0 million.
4. For fiscal year 2006, it is estimated that ten projects will initiate operations.
5. For fiscal year 2006, it is estimated that 20 Small Community Planning Grants will be awarded to small systems to evaluate the system's infrastructure needs.
6. For fiscal year 2006, it is estimated that the South Dakota Association of Rural Water Systems will provide 950 hours of technical assistance to small systems.

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 2005 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

	Up to 3 Yrs	Up to 10 Yrs	Up to 20 Yrs	Up to 30 Yrs
<u>Interim Rate</u>				
Interest Rate	2.00%			
Admin. Surcharge	<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 MHI</u>				
Interest Rate				2.50%
Admin. Surcharge				<u>0.75%</u>
Total				3.25%
<u>Disadvantaged Rate - 80% of MHI</u>				
Interest Rate				2.00%
Admin. Surcharge				<u>0.50%</u>
Total				2.50%
<u>Disadvantaged Rate - 60% of MHI</u>				
Interest Rate				0.00%
Admin. Surcharge				<u>0.00%</u>
Total				0.00%

purposes after the state ceases to receive capitalization grants. The administrative surcharge is also available for other purposes,

as determined eligible by EPA and at the discretion of the Board of Water and Natural Resources and department. As of September 30, 2005, \$1.63 million of administrative surcharge funds are available.

Beginning in fiscal year 2005, administrative surcharge funds were provided to the planning districts to defray expenses resulting from SRF application preparation and project administration. Reimbursement is \$7,500 per approved loan with payments made in \$2,500 increments as certain milestones are met. Based on recent loan demand, \$150,000 will be obligated for this purpose in fiscal year 2006.

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, \$60.0 million has been obligated to systems meeting this population threshold, or 42.1 percent of the \$143.0 million of total funds available for loan. With over \$6.2 million identified for systems serving fewer than 10,000 persons on Attachment II – List of Projects to be funded in Fiscal Year 2006, the state expects to continue to exceed the 15 percent threshold.

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

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

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

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

South Dakota transferred \$15,574,320 from the Clean Water SRF program in past years. Table 2 (page 8) itemizes the amount of funds transferred to the Drinking Water SRF program. No transfers have been made from the Drinking Water Program to the Clean Water SRF program. With the 2006 capitalization grants, the ability exists to transfer up to \$12,042,621 from the Clean Water SRF program to the Drinking Water SRF program. Up to \$27.6 million could be transferred from the Drinking Water Program to the Clean Water SRF program.

Transfers from the Clean Water SRF program may be necessary to address high demand on the Drinking Water SRF program from private, non-profit regional water systems. These borrowers can not utilize bond proceeds, leaving capitalization grants as the primary source of funds available for this purpose. Should a transfer be necessary, it will be in an amount equal to the 2006 Clean Water capitalization grant. An equal amount of bond proceeds from the Drinking Water SRF program will be transferred back to the Clean Water program. Although excessive demand from private, non-profit borrowers has not been identified for fiscal year 2006, this option may be needed at a later date.

FINANCIAL STATUS

It is expected that the fiscal year 2006 capitalization grant will be \$8,352,500. 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, 2005, ninety-two loans totaling \$142,685,736 have been made.

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

Administration	\$334,100
Small System Technical Assistance	\$167,050
Wellhead Protection Support	<u>\$200,000</u>
Total for set-asides	\$701,150

The program has received nine previous capitalization grants totaling \$75,335,200 and has provided the required state match of \$15,067,040. Of this amount, \$3,931,736 was allocated to set-aside activities as follows: \$3,013,408 for administration, \$892,822 for small system technical assistance, \$4,300 for state program management – operator certification, and \$21,206 for capacity development.

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. Additional (leveraged) bonds above that required for state match were issued in

fiscal years 2004 and 2006 in amounts of \$22.5 million and \$14.5 million, respectively.

At the beginning of fiscal year 2006, \$316,000 is available for loan. The attached project priority list identifies \$42.1 million in potential loans. With the 2006 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, approximately \$29.1 million will be available to loan. 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 (\$334,100) will be allocated to administer the Drinking Water SRF program. This is the maximum allowed for this purpose.

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

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

Small system technical assistance. Two percent of the capitalization grant (\$167,050) 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 \$473,500 in set-aside funds. The Rural Water Association provides such on-site assistance as leak detection, consumer confidence reports, water audits, board oversight and review, treatment plant operations, operator certification, and rate analysis. Contracts to date have provided nearly 6,700 hours of on-site small system technical assistance.

To promote proactive planning within small communities, the Small Community Planning Grant program was initiated in fiscal year 2001. The systems are reimbursed 80 percent of the cost of an engineering study, with the maximum grant amount for any project being \$6,000. Eighty-six grants have been made for this purpose, totaling \$312,565 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. Nine grants, totaling \$13,600, have been awarded for rate analyses.

Unused funds from previous years' set-aside for small system technical assistance are banked for use in future years. Currently, \$68,840 remains from previous years' allocation to be used for the purposes described above.

To assure available funds to support the existing small system technical assistance

endeavors, \$167,050 from the fiscal year 2006 capitalization grant will be allocated to this set-aside. Specific use of funds will be on an as-needed basis.

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

No funds will be set-aside for these activities in federal fiscal year 2006.

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. In fiscal year 2006, \$200,000 will be allocated for a project to characterize the impacts of decentralized wastewater treatment systems overlying fractured or solution enhanced aquifers and watersheds in the

Rapid City area. Information gathered from this study may provide the basis for establishing and implementing ground water protection programs in areas with high concentrations of decentralized wastewater treatment systems.

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-	\$2,463,054
2000	\$7,757,000	\$2,559,810	\$11,517,297	-0-	\$2,559,810
2001	\$7,789,100	\$2,570,403	\$14,087,700	-0-	\$2,570,403
2002	\$8,052,500	\$2,657,325	\$16,745,025	\$7,812,960	\$1,486,620
2003	\$8,004,100	\$2,641,353	\$19,386,378	\$7,761,360	
2004	\$8,303,100	\$2,740,023	\$22,126,401	-0-	
2005	\$8,352,500	\$2,756,325	\$24,882,726	-0-	
2006 (est.)	\$8,352,500	\$2,756,325	\$27,616,941	-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 2006.

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
152	West River/Lyman-Jones Rural Water System	C462446-03	<i>Problem:</i> Rural residents in Stanley and Haakon County have inadequate sources of water with marginal water quality. <i>Project:</i> the second phase of a two-phase project to extend pipeline from the Mni Wiconi water treatment plant in Fort Pierre to Philip.	\$8,700,000	3.25%, 30 yrs	4,968	Yes
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.	\$1,325,000	3.25%, 20 yrs	5,256	
133	Tripp County Water Users District	C462434-03	<i>Problem:</i> the wells and springs on which homes in the Clearfield area rely for domestic water cannot provide adequate water - either in quality or quantity - due to drought. <i>Project:</i> construction of approximately 72 miles of various sized water line, meters, pump station, and a 50,000-gallon reservoir.	\$900,000	2.50%, 30 yrs	2,338	Yes
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/ 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. <i>Project:</i> construct approximately 48 miles of variously sized water mains to serve new users in Fall River and Custer Counties.				
88	Sioux Falls	C462232-06	<i>Problem:</i> portions of the city's distribution system are old and in need of repair, newer areas lack connectivity between pressure zones, and equipment at the treatment plant is aging. <i>Project</i> replace distribution lines throughout the city, install new lines to improve system reliability through line looping, and upgrade systems at the treatment plant (SCADA, backwash water equalization basin, filters, solid contact units, and sludge handling system.	\$10,255,400	2.5%, 10 yrs	123,975	
83	B-Y Rural Water System	C462431-02	<i>Problem:</i> vulnerability assessments indicate that disruption of one of the two remote intake sites would limit the ability to provide a safe reliable drinking water supply <i>Project:</i> construct a new raw water intake.	\$3,000,000	3.25%, 30 yrs	15,000	Yes
80	Wagner	C462209-01	<i>Problem:</i> the existing water tower is over 60 years old and is in disrepair. <i>Project:</i> construct a new 400,000-gallon water tower.	\$450,000	0%, 30 yrs	1,675	Yes
58	Green Valley Sanitary District	C462251-01	<i>Problem:</i> most residences in the district are served by individual shallow wells for water use and septic systems for wastewater treatment. High groundwater levels and poorly operating septic tanks have led to water quality problems. <i>Project:</i> construct a distribution system and connect to the Rapid City system.	\$500,000	3.25%, 20 yrs	768	
57	Rapid Valley Sanitary District	C462013-01	<i>Problem:</i> the existing treatment plant will not be able to meet future turbidity standards required by the Enhanced Surface Water Treatment Rule. <i>Project:</i> construct a new water	\$2,600,000	3.25%, 20 yrs.	7,043	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
53	Stagebarn Sanitary District	C462451-01	treatment plant consisting of an Actifloc clarification process, gravity filters and ultraviolet radiation for disinfection. <i>Problem:</i> the system lacks adequate storage and an upcoming highway project will require relocation or elimination of two pump houses. <i>Project:</i> install approximately 5,500 feet of 6-inch, 8-inch, and 10-inch water mains to connect to the Black Hawk Water Users District.	\$100,000	3.25%, 20 yrs.	320	
34	Parker	C462026-02	<i>Problem:</i> the existing water distribution system consists largely of 4-inch lines and is experiencing substantial water loss. <i>Project:</i> construct phases 3 and 4 of a seven-phase project to replace most of the water distribution system.	\$1,400,000	3.25%, 20 yrs	1,031	
31	Sisseton	C462053-01	<i>Problem:</i> portions of the city's distribution system are cast iron that is over 50 years old and 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.	\$538,000	2.50%, 30 yrs.	2,572	Yes
21	Box Elder	C462003-01	<i>Problem:</i> the city's three wells are unable to meet peak domestic demand and portions of the distribution system are asbestos-cement and undersized PVC pipe. <i>Project:</i> develop two additional wells and replace the asbestos-cement and undersized PVC pipe within the distribution system.	\$3,300,000	3.25%, 30 yrs	2,841	Yes
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.	\$162,300	3.25%, 20 yrs	2,980	
16	Big Sioux Community Water System	C462439-01	<i>Problem:</i> the Lake Madison service area experiences low pressure during periods of peak demand. <i>Project:</i> construct approximately six	\$880,000	3.25%, 20 yrs.	2,597	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
16	Mobridge	C462016-03	miles of 10-inch, 8-inch, and 6-inch watermain from the Ethanol Tower to Lake Madison. <i>Problem:</i> dead-end lines exist in the southeast corner of the city. <i>Project:</i> install approximately 6,300 feet of water line to loop the system and provide service to homes within the area not currently being served by the city.	\$100,000	3.25%, 20 yrs.	3,574	
14	Humboldt	C462254-01	<i>Problem:</i> the pump house and ground storage reservoirs are old and in disrepair. <i>Project:</i> construct a new interconnection to the Minnehaha Community water system through a new 2.5-mile, 6-inch water main and pump station which would eliminate the pump house and ground storage reservoirs.	\$250,000	3.25%, 30 yrs	521	Yes
13	Mellette	C462363-01	<i>Problem:</i> low pressure is being experienced in parts of the community due to undersized lines and inadequate looping. <i>Project:</i> install nine blocks of new water main, gate valves and hydrants.	\$110,000	3.25%, 30 yrs	248	Yes
13	Tyndall	C462131-03	<i>Problem:</i> portions of the distribution system consist of asbestos cement pipe that is over 50 years old and undersized. <i>Project:</i> replace approximately 2,800 feet of asbestos cement water line with PVC.	\$300,000	2.5%, 30 yrs.	1,239	Yes
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.	\$115,600	2.5%, 30 yrs.	676	Yes
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

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
9	Selby	C462137-01	<i>Problem:</i> the city's distribution system is old, undersized and in need of replacement. <i>Project:</i> install approximately 17,000 feet of PVC pipe to replace existing cast iron and asbestos cement water lines.	\$650,000	2.5%, 30 years		Yes
9	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
9	Woonsocket	C462138-01	<i>Problem:</i> a portion of the city's distribution system is old and experiencing unacceptable leakage. <i>Project:</i> replace approximately 4,460 feet of asbestos cement pipe and 700 feet of cast iron pipe with PVC to complete a total replacement of the distribution system.	\$345,000	3.25%, 20 yrs	720	
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
8	South Lincoln Rural Water System	C462441-02	<i>Problem:</i> a 25-year old pumping station is aging and in need of repair, the telemetry system hardware and software is outdated causing reliability concerns, and increased demand is straining the existing supply. <i>Project:</i> upgrade the existing pump station and SCADA system, and develop a new well.	\$800,000	3.25%, 20 yrs	13,013	
7	Kingbrook Rural Water System	C462432-05	<i>Problem:</i> portions of the City of Winfred's distribution system are cast iron lines that need to be replaced. <i>Project:</i> make improvements to the distribution system to allow individual service from the Kingbrook Rural Water	\$100,000	2.5%, 20 years	176	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
3	Hermosa	C462278-02	System. <i>Problem:</i> the system is served by only one well. <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	Hitchcock	C462349-01	<i>Problem:</i> the water tower is old and in disrepair. <i>Project:</i> make the necessary repairs to the tower.	\$100,000	3.25%, 30 yrs.	108	Yes
2	Ponderosa Park Development Association	C462450-01	<i>Problem:</i> the 2-inch water lines are susceptible to freezing due to insufficient burial depth, and the existing storage facility does not provide sufficient pressure throughout the system. <i>Project:</i> replace the existing distribution system with 6-inch lines and construct additional storage to eliminate pressure tanks.	\$180,000	3.25%, 20 yrs.	50	

ATTACHMENT II - LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2006

Priority Points	Community/ Public Water System	Project Number	Loan Amount	Funding Date	Expected Funding Source	Dis-advantaged?
LOANS EXPECTED						
21	Dell Rapids	C462064-02	\$162,300	January 2006	Leveraged Bonds	
9	Burke	C462225-01	\$115,600	January 2006	Leveraged Bonds	Yes
88	Sioux Falls	C462232-06	\$10,255,400	March 2006	Leveraged Bonds	
80	Wagner	C462209-01	\$450,000	March 2006	FY 2006	Yes
9	Waubay	C462025-01	\$650,000	March 2006	Leveraged Bonds	Yes
83	B-Y Rural Water System	C462431-02	\$3,000,000	June 2006	Leveraged Bonds	Yes
16	Big Sioux Community Water System	C462439-01	\$880,000	June 2006	FY 2006	
14	Humboldt	C462254-01	\$250,000	June 2006	Principal Repayments	
8	South Lincoln Rural Water System	C462441-02	\$800,000	June 2006	FY 2006	
152	West River/Lyman-Jones RWS	C462446-03	\$8,700,000	September 2006	FY 2006	
141	T-M Water District	C462429-01	\$1,325,000	September 2006	Principal Repayments	
57	Rapid Valley Sanitary District	C462013-01	\$2,000,000	September 2006	Unrestricted Interest Earnings	
34	Parker	C462026-02	\$1,400,000	September 2006	Principal Repayments	
13	Mellette	C462363-01	\$110,000	September 2006	FY 2006	Yes

**ATTACHMENT III
PROGRAM FUNDING STATUS**

Fiscal Years 1997 - 2005

Capitalization Grants	\$75,335,200
State Match	\$15,067,040
Set-Asides	(\$3,931,736)
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	\$15,574,320
Leveraged Bonds	\$22,503,662
Excess Interest as of September 30, 2005	\$4,297,730
Principal Repayments as of Sept. 30, 2005	\$14,155,476
 Total Funds Dedicated to Loan	 \$143,001,692
 Loans made through September 30, 2005	 <u>(\$142,685,736)</u>
 Balance of funds as of September 30, 2005	 \$315,956

Fiscal Year 2006

Capitalization Grants	\$8,352,500
State Match	\$1,670,500
Set-Asides	(\$701,150)
Leveraged Bond Proceeds	\$14,500,413
Projected Principal Repayments	\$3,000,000
Projected Unrestricted Interest Earnings	\$2,000,000
 Projected Fiscal Year 2006 Sub-total	 <u>\$28,822,263</u>
 Total Funds Available for Loans	 <u><u>\$29,138,219</u></u>
 Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2006	 <u><u>\$30,098,300</u></u>

Administrative Surcharge Funds Available as of September 30, 2005	
Program Income	\$987,969
Non-Program Income	\$643,374
Total	\$1,631,343