

**DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM  
STATE OF MISSISSIPPI**

**ANNUAL REPORT  
FOR  
FEDERAL FISCAL YEAR 2013  
(10/01/12 through 09/30/13)  
(Revised 2/12/14)**



**Prepared for U.S. Environmental Protection Agency, Region IV**

**by**



**MISSISSIPPI STATE DEPARTMENT OF HEALTH**

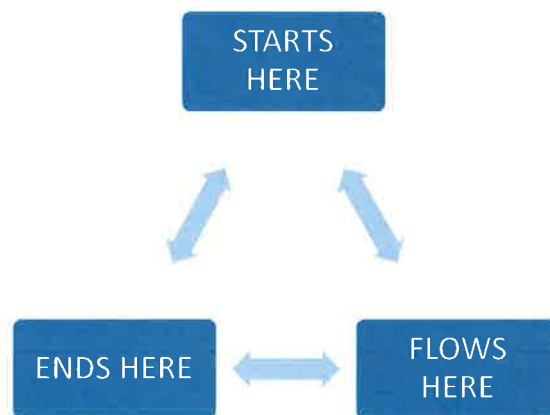
**and the**

**Local Governments and Rural Water Systems**

**Improvements Board**

**P. O. Box 1700, Suite U-232**

**Jackson, Mississippi 39215-1700**



## **Table of Contents**

|                                                                               |           |
|-------------------------------------------------------------------------------|-----------|
| <b>I. INTRODUCTION</b>                                                        | <b>5</b>  |
| <b>II. EXECUTIVE SUMMARY</b>                                                  | <b>5</b>  |
| <b>III. GOALS AND ACCOMPLISHMENTS</b>                                         | <b>7</b>  |
| <b>A. Basic DWSIRLF Program Goals</b>                                         | <b>7</b>  |
| <b>B. Long-Term DWSIRLF Program Goals</b>                                     | <b>10</b> |
| <b>C. Short-Term DWSIRLF Program Goals</b>                                    | <b>11</b> |
| <b>D. Appropriation Provisions Goals</b>                                      | <b>12</b> |
| <b>IV. DWSIRLF Loan and Set-Aside Activities</b>                              | <b>13</b> |
| <b>A. Sources of DWSIRLF Funding</b>                                          | <b>13</b> |
| 1. Capitalization Grant                                                       |           |
| 2. State Match                                                                |           |
| 3. Interest Earnings                                                          |           |
| 4. Repayments                                                                 |           |
| 5. Administrative Fees Received and Disbursed                                 |           |
| <b>B. Uses of DWSRF Funds</b>                                                 | <b>14</b> |
| 1. Loan Assistance Status                                                     |           |
| 2. Binding Commitments                                                        |           |
| 3. Set-Aside Activity Status                                                  |           |
| <b>V. FINANCIAL SUMMARY</b>                                                   | <b>21</b> |
| <b>A. Loan Completion Status</b>                                              | <b>21</b> |
| <b>B. Loan Disbursements/Cash Draw Proportionality</b>                        | <b>21</b> |
| <b>C. Administrative Disbursements</b>                                        | <b>22</b> |
| <b>D. Annual Repayments</b>                                                   | <b>22</b> |
| <b>E. Loan Portfolio Analysis</b>                                             | <b>22</b> |
| <b>F. Investments</b>                                                         | <b>22</b> |
| <b>G. Audits/Financial Statements</b>                                         | <b>22</b> |
| <b>VI. OPERATING AGREEMENT PROVISIONS AND CAPITALIZATION GRANT CONDITIONS</b> | <b>23</b> |
| <b>A. Provide a State Match</b>                                               | <b>23</b> |

|                                                                                  |           |
|----------------------------------------------------------------------------------|-----------|
| <b>B. Binding Commitments within One Year</b>                                    | <b>23</b> |
| <b>C. Expeditionary Construction and Timely Disbursements</b>                    | <b>24</b> |
| <b>D. MBE/WBE Participation</b>                                                  | <b>24</b> |
| <b>E. Assurances of Compliance/ Compliance with OMB Circulars A-87 and A-133</b> | <b>24</b> |
| <b>F. State Environmental Review Process</b>                                     | <b>24</b> |
| <b>G. Eligible Activities of the DWSIRLF</b>                                     | <b>25</b> |
| <b>H. Compliance with Federal Cross-Cutters</b>                                  | <b>25</b> |
| <b>I. Other Federal Authorities</b>                                              | <b>25</b> |
| <b>J. Cash Draw Process</b>                                                      | <b>25</b> |
| <b>K. Disbursement Schedule/Commitment</b>                                       | <b>25</b> |
| <b>L. State's Attorney General Certification</b>                                 | <b>25</b> |
| <b>M. Administration Funding</b>                                                 | <b>25</b> |
| <b>N. Attendance at EPA Approved/Sponsored Seminars</b>                          | <b>26</b> |
| <b>O. Annual Audit</b>                                                           | <b>26</b> |
| <b>P. Procedures to Assure Borrowers Have Dedicated Source of Revenue</b>        | <b>26</b> |

**TABLES:**

|                 |                                                                          |
|-----------------|--------------------------------------------------------------------------|
| <b>Table 1:</b> | <b>Projects Funded in FFY 2013 (all projects are Cap Grant projects)</b> |
| <b>Table 2:</b> | <b>Summary of Revenues and Commitments</b>                               |
| <b>Table 3:</b> | <b>DWSIRLF Administrative Expenses</b>                                   |
| <b>Table 4:</b> | <b>Disbursements and Cash Balances</b>                                   |
| <b>Table 5:</b> | <b>Source and Use of Funds</b>                                           |
| <b>Table 6:</b> | <b>DWSIRLF Set-Aside Expenses for FFY-2013</b>                           |
| <b>Table 7:</b> | <b>Binding Commitments and Federal Payments to the LOC</b>               |

**Appendix A: Audited DWSIRLF Financial Statement**

# **DRINKING WATER STATE REVOLVING FUND**

## **ANNUAL REPORT**

### **Federal Fiscal Year (FFY) 2013**

## **I. Introduction**

The State of Mississippi is pleased to submit the Annual Report on the Drinking Water Systems Improvements Revolving Loan Fund (DWSIRLF) for the Federal Fiscal Year (FFY) 2013. The report outlines the operation of the DWSIRLF during the time period from October 1, 2012, through September 30, 2013.

This report outlines the accomplishments of the DWSIRLF as related to the goals and objectives set forth in the FFY-2013 Intended Use Plan (IUP). Provided herein are the details regarding the short-term and long-term goals of the program, funding sources, financial stability, and compliance with Federal Drinking Water State Revolving Fund requirements.

## **II. Executive Summary**

The Safe Drinking Water Act Amendments of 1996 (SDWA) established the national Drinking Water State Revolving Fund (DWSRF) Program. The DWSRF Program allows the Environmental Protection Agency (EPA) to make capitalization (Cap) grants to states, which in turn provide low cost loans to public water systems to help them achieve or maintain compliance with SDWA requirements. Accordingly, the Mississippi State Legislature (through Section 41-3-16, MS Code of 1972 Annotated) created what is now called the Drinking Water Systems Improvements Revolving Loan Fund (DWSIRLF) Program to receive the federal DWSRF Cap grants from EPA and in turn provide low cost loans to the state's public water systems for financing needed water infrastructure improvements. The Mississippi State Department of Health (MSDH), as the State's Drinking Water primacy agency, supplies the staff and facilities necessary to administer the DWSIRLF Program.

The state legislation also created the "Local Governments and Rural Water Systems Improvements Board" (Board) to oversee the administration of the DWSIRLF Program. The Board is composed of the following nine (9) members:

- The State Health Officer (who serves as the chairman of the Board)
- The Executive Director of the Mississippi Development Authority (MDA)
- The Executive Director of the Department of Environmental Quality (DEQ)
- The Executive Director of the Department of Finance and Administration (DFA)
- The Executive Director of the Mississippi Association of Supervisors (MAS)
- The Executive Director of the Mississippi Municipal League (MML)

- The Executive Director of the American Council of Engineering Companies of Mississippi (ACEC)
- The State Director of the United States Department of Agriculture - Rural Development (USDA-RD)
- A manager of a rural water system (RWSM)

It was the intent of the Legislature that the Board endeavor to ensure that the cost of administering the DWSIRLF Program be as low as possible in order to provide the water consumers of Mississippi safe drinking water at affordable prices. As a condition of receiving the EPA Cap grants, the SDWA requires that each state annually prepare an Intended Use Plan (IUP). The IUP is designed to outline how a state will utilize DWSIRLF funds to assist in protecting public health. The DWSIRLF consists of both state and federal funds. Federal funds are provided to the states in the form of an awarded Cap grant. Each state's allotment of grant funds is based on EPA's Needs Survey that is performed every four years. State matching funds totaling 20% of the federal grant amount are required to be deposited into a fund to draw down the Federal Cap grant funds; historically Mississippi's match funds have been provided through the issuance of bonds by the State of Mississippi.

The purpose of an IUP is to convey Mississippi's DWSIRLF plan to EPA, other agencies, the state's public water supplies, and the general public. The FFY-2013 IUP and any amendments describe how the State of Mississippi will obligate the FFY-2013 DWSIRLF Cap grant allotment. When the FFY-2013 IUP was developed the anticipated allotment for FFY-2013 was projected to be \$9,341,000; however, the actual amount of the FFY-2013 Cap grant received was \$8,764,000. The IUP for FFY-2013 showed the following:

- The programmatic goals (both long-term and short-term)
- The structure and financial status of the loan program
- The role of the set-aside funded activities within the state
- The distribution of funds toward public water system improvement projects and the criteria used for determining rankings within the priority system

Loans made to public water supplies are first based on the expressed need of the system; public water supplies needing loan(s) for the primary purpose of protecting the public health and compliance with the SDWA are given first priority. The criteria used for ranking projects within each ranking category are intended to give priority to projects that:

- Benefit the most people per dollar expended
- Assist systems most in need on a per household affordability basis as required by the SDWA
- Consolidate with other systems to correct existing deficiencies and improve management

### **III. Goals and Accomplishments**

The Board established certain goals for the DWSIRLF Program with the objective of improving the Program on an ongoing basis. The goals were classified into three categories that include basic, long-term, and short-term. These goals were developed to address the necessary requirements of federal and state regulations, as well as the state's need and desire to maintain and enhance the Program. Congress and the State of Mississippi have placed particular emphasis on assisting smaller drinking water systems under the DWSIRLF to ensure that these systems have adequate technical, managerial, and financial resources to achieve or maintain compliance and provide safe drinking water.

#### **A. Basic DWSIRLF Program Goals:**

1. Maintain a financially sound DWSIRLF program in perpetuity.
2. Meet a portion of the drinking water needs each year in the State and within a reasonable period of time, correct problems identified.
3. Fund projects in order of public health importance.
4. Determine the interest rate and loan repayment term which will generate sufficient fund income to meet the State's needs within a reasonable period of time.

The State of Mississippi again met the established Basic Goals for FFY-2013. This was accomplished by continuing to operate the DWSIRLF Program with the approach which has proven successful in previous years. Interest rates were reviewed and adjusted (if necessary) to assure both the competitiveness and long-term financial stability of the Fund. Standard financial reports were produced, reviewed for accuracy, and reconciled on a monthly basis. During preparation of the annual IUP, a determination was made that adequate funding would be available from the federal payment schedules, state match, scheduled repayments and projected interest earnings for all projects on the fundable portion of the priority list. Each community's financial capability summary and user charge system were reviewed and approved prior to loan award (to insure the community could afford the project; that funds were adequate to repay the loan, as well as operate/maintain the project). The pro-active public information program was continued to assure public awareness of the DWSIRLF. The Priority System utilized is designed to assure that the most urgent needs are met first and to give priority to projects that:

- a. Address the most serious risks to public health,
- b. Are necessary to bring existing drinking water facilities into compliance with national primary drinking water standards,
- c. Assist systems most in need on a per household affordability basis
- d. Meet appropriation requirements.

The Priority System may be updated each year (as needed) to account for needs that have been met and for new public health concerns.

The low interest rate for all FFY-2013 loans, 1.95%, has kept the demand for Program funds high. The State legislature did not appropriate all the necessary State match funds for the FFY-2013 Cap grant and the appropriated funds were not available until after the end of the FFY-2013 reporting period; therefore, funds available for projects during the FFY-2013 reporting period were limited. However, during the FFY-2013 reporting period all projects “ready to proceed” were funded.

As an incentive for loan recipients “Principal Forgiveness” (PF) was determined for eligible recipients at the time of loan award. The amount of PF which a loan recipient may receive is based on a loan recipient’s “Median Household Income” (MHI), in the service area of the water supply, as compared to the MHI of the State of Mississippi. Generally this enables the Program to give PF to most loan recipients. However, PF funds were limited during the FFY-2013 reporting period, due to the following factors: The state legislature did not appropriate State match funds for the FFY-2012 Cap Grant and only a portion needed for the FFY-2013 Cap Grant; and the FFY-2013 Cap Grant funds were not available until after the close of the reporting period. Some potential loan recipients chose not to execute their awarded loan agreements, possibly due to the current economic climate or the lack of availability of PF.

The total revenue received by the DWSIRLF during FFY-2013 was \$22,531,445, which is the total of “Interest Earned on State Funds” (\$559,924), “Loan Repayments” (\$21,141,645), and “Loan Decreases” (\$829,876) as shown in Table 3. State funds deposited into the DWSIRLF fund of \$1,620,000 (Table 3) were not available until after the reporting period. The FFY-2013 Cap grant which totaled \$8,764,000 was received on September 26, 2013.

Set-aside funding for all programs for FFY-2013 was \$2,991,667 which included funds remaining from prior years’ Cap grant set-asides carried over into FFY-2013.

For FFY-2013, the cost of administering the DWSIRLF Program was \$611,358 (Table 7) and includes both Federal and State funds.

## **FFY 2013 OVERVIEW DWSIRLF PROGRAM FOR MISSISSIPPI**

**Total Federal Investment: \$178.4 million (Table 4)**

**New Construction Projects (Executed Assistance Agreements): 11 (Table 1)**

**New Project Funding (Executed Assistance Agreements): \$15.7 million (Table 1)**

**Total Population Served (New Construction Projects): 104,224 (Table 1)**

**Interest Rate for All Projects: 1.95 percent (Table 1)**

**Repayment Period for Standard Loans: 20 years**

**Repayment Period for Disadvantaged Assistance Loans: 30 years**

**Small Systems Funded: 8 systems for a total of \$8.8 million (Table 1)**

**Disadvantaged Community Funding: 6 systems for a total of \$5.1 million (Table 1)**

**Total Cumulative Set-Aside Assistance: \$23.4 million (Table 4)**

**Cumulative Assistance to Projects as a % of funds available: 86% (Table 4)**

**Cumulative Assistance to Projects as a % of total Federal Grant funds received: 143% (Table 4)**

## **B. Long-Term DWSIRLF Goals:**

### **1. Enhance and/or improve loan application and repayment procedures.**

During FFY-2013 the Mississippi State Department of Health (MSDH) evaluated existing Program requirements along with state requirements. Procedures were established to streamline the DWSIRLF Program so that application and repayment procedures are more user-friendly, attractive and beneficial, in addition to ensuring continued compliance with all federal and state regulations and requirements.

### **2. Create Universal Web-based Ranking Form for all Funding Agencies within the State.**

The Program staff has continued to explore the feasibility of creating a universal web-based ranking form for all lending agencies within the state. If successful this could help potential loan recipients find the program that is right for their water utility needs.

### **3. Use Set-Asides to Fund Abandonment and Plugging of Inactive Wells.**

The Program is using the “Local Assistance and Other State Programs” set-aside to properly abandon inactive wells and open holes around the state. These inactive wells and open holes are potential avenues of contamination to the state’s source water aquifers and a danger to human health. The “Well Abandonment Program” has been a great success. The annual sanitary surveys prepared by the MSDH Bureau of Public Water Supply regional engineers have identified many wells with significant deficiencies. Through the “Well Abandonment Program”, many of the wells identified have been properly abandoned, allowing those water systems to regain compliance with the federal “Groundwater Rule”.

### **4. Develop a tracking system to manage program documents and disbursements.**

Documents of closed-out projects generated by the program are currently being electronically scanned and coded. In the future, the Program intends to scan all documents during the life cycle of a project standard operating procedure. Full migration to this goal will take some time; however, when completed the tracking system will provide DWSIRLF loan recipients and their representatives an opportunity to view the status and/or location of documents mailed to the Program for review and/or processing. The system will provide verification that a project has been received and where it is in the review process. This tracking system will also assist DWSIRLF staff in tracking/monitoring program documentation reviews as well as disbursements.

## **5. Develop a Comprehensive Engineering Project Manager (PM) Manual.**

Progress toward this goal has been slow. While the DWSIRLF Program is now fully staffed, the new staff personnel must be trained in the Program regulations before a project manual can be completed. A comprehensive manual for project management will help ensure new Project Managers (PM) will have at their disposal all the necessary tools, reference materials, and procedures to handle both daily and special situations and thus ensure that an ongoing project will flow uninterrupted. Since regulations change periodically, once the manual is completed it will be maintained by assigned staff to keep it current.

## **C. Short-Term DWSIRLF Goals:**

### **1. Enhance and/or improve the DWSIRLF Loan Program by making it more attractive to public water systems**

Progress in this goal has been slowed. The State legislature did not appropriate State match funds for the FFY-2012 Cap grant and only appropriated a portion (\$1,000,000) of the funds needed for the State match for the FFY-2013 Cap grant. The FFY-2013 State match bonds were not sold and the resulting match funds were not available until after the close of the FFY-2013 reporting period. This resulted in only a limited amount of PF being available for projects receiving loan awards during the FFY-2013 reporting period since the Federal funds which would be used to provide PF come from the FFY-2012 Cap grant and the FFY-2013 Cap grant.

Outreach and improved application processing has enhanced the DWSIRLF Program. Based on input received from visits by DWSIRLF staff at engineering firms, town conferences, and general feedback obtained from loan recipients and consulting engineers during the loan process, the DWSIRLF Loan Program will continue to improve.

### **2. Explore the possibility of developing web-based checklists and forms to electronically store and provide project management information.**

Progress has been made toward this goal but progress has slowed due to the time and effort needed to train new staff members. Once the web-based checklists and forms are completed, information will be stored electronically and provide project management information in a more efficient manner.

### **3. Assist applicants in addressing “Capacity Assessment Deficiencies” by using technical solutions afforded by the technical assistance set-aside contractors.**

Progress continues to be made on this short-term goal. DWSIRLF loan applicants are required to address capacity assessment deficiencies during the facilities planning phase of their projects. Free assistance is available to applicants through technical assistance contracts funded with the capitalization grant set-asides (as

described in the “Set-Aside Activity Status” section). Applicants are encouraged to use this free technical assistance by receiving additional priority ranking points for participation in the technical assistance program and additional points for implementing any resulting recommendations.

**4. Train new staff members using available training sessions offered and provided by EPA**

The DWSIRLF staff has attended and participated in all available training sessions provided by EPA Region IV staff and/or conference calls, as well as those made available by other training providers; this will continue in the future.

**5. Meet Special Funding Goals set forth in the Federal Appropriations**

Progress in this goal has been slowed. The State legislature did not appropriate State match funds for the FFY-2012 Cap grant and only appropriated a portion (\$1,000,000) of the funds needed for the State match for the FFY-2013 Cap grant. The FFY-2013 State match bonds were not sold and the resulting match funds were not available until after the close of the FFY-2013 reporting period. This resulted in only a limited amount of PF being available for projects receiving loan awards during the FFY-2013 reporting period since the Federal funds which would be used to provide PF come from the FFY-2012 Cap grant and the FFY-2013 Cap grant.

**6. Implement an Automatic Repayment Collection System**

The Program is instituting a payment requirement which will ensure a more timely receipt of monthly repayments as well as make the repayment process much more convenient and attractive for our loan recipients. This repayment collection system is not in place at this time, due to difficulties the state is encountering with the soon-to-be implemented state-wide financial accounting system.

**D. Appropriation Provision Goals**

**1. Green Project Reserve**

The FFY-2013 federal appropriation did not require that 20% of the funds appropriated for the Revolving Funds be designated for projects that exhibit the elements of green infrastructure, water efficiency improvements, energy efficiency improvements or other environmentally innovative projects. However, projects that wished to be classified with these elements could be reported as green infrastructure to the EPA through its “Project and Benefits Report Database” and noted in the FFY-2013 Annual Report. For FFY-2013 no recipient in Mississippi chose to have their project classified as a project that exhibited the elements of green infrastructure, water efficiency improvements, energy efficiency improvements or other environmentally innovative projects.

## **2. Principal Forgiveness**

As required by the FFY-2012 Cap Grant agreement, a minimum of 20% of the appropriation and as much as 30% of the appropriation could be provided in the form of additional subsidization to LR.

This additional subsidization could be provided by either a negative interest rate, principal forgiveness or a combination of the two. For FFY-2013, those loan recipients eligible for PF were notified in the loan award correspondence that they were eligible to receive a reduction in a portion of their loan principal based on their median household income; however, due to the fact that the State legislature did not appropriate State match funds for the FFY-2012 Cap Grant and only appropriated a portion (\$1,000,000) of the required match funds needed for the FFY-2013 Cap Grant, PF would only be available to their projects (if the project was still under development or construction) when the Federal funds became available. State match funds did not become available until after the FFY- 2013 reporting period closed, therefore, no PF was awarded.

## **IV. DWSIRLF Revolving Fund Financial Information:**

This section includes details concerning the sources of DWSIRLF funding and the use of the funds both within the loan program and the State set-asides. Table 3 provides a breakdown of FFY-2013 DWSIRLF funding sources and related uses.

### **A. Sources of DWSIRLF Funding**

Each year, the State of Mississippi applies for a Cap grant from the Environmental Protection Agency (EPA) in accordance with Section 1452 of the Federal Safe Drinking Water Act. The State's annual allotment is based on the EPA Drinking Water Needs Survey that is performed every four years. Since the Program's inception, Cap grants totaling \$178,409,565 (Table 4) have been received. The FFY-2013 Cap grant in the amount of \$8,764,000 (Table 4) became available in the 1<sup>st</sup> Quarter of FFY-2014.

Current revenues for the reporting period are shown in Table 5; the State legislature did not appropriate any State match funds for the FFY-2012 Capitalization grant and only appropriated a portion (\$1,000,000) of the funds needed for the State match for the FFY-2013 Cap grant. Funds available for projects in the reporting period were drawn from the balance of the FFY-2011 Cap grant (\$2,757,203). Funds available from a previous bond issuance (\$655,509) were available to draw down a portion of the FFY-2012 Cap grant (\$1,367,150). Other available sources of funds for the reporting period were Repayments (\$21,141,645) (Table 5) and interest earned on state funds deposited into the Fund (\$559,924) (Table 5).

In addition to the sources of funds just mentioned, \$829,876 (Table 2) was available as a result of decreases to previously funded projects and the DWSIRLF started the fiscal year with a balance of \$19,270,545 (Table 3).

### **1. State Match**

Since the Program's inception, the State of Mississippi has provided the required 20% match through the sale of state general obligation bonds totaling \$30,463,000 (Table 3). Further state match details are outlined in Table 3 and Table 4. The additional State Program Management Set-aside 1:1 match for Public Water Systems Supervision (PWSS) assistance was provided by the laboratory fees charged by the MSDH Bureau of Public Water Supply.

### **2. Interest Earnings**

Since the Program's inception, the DWSIRLF has received interest on deposits totaling \$12,246,092 (Table 3). During FFY-2013, interest on deposits totaled \$559,924 (Table 3).

### **3. Repayments**

Since the Program's inception, the DWSIRLF has received repayments totaling \$98,799,781 (Table 3 & Table 5). During FFY-2013, the repayments received totaled \$21,141,645 (Table 3). The amount of repayments received during FFY-2013 was above the normal due to 17 loan recipients making lump sum principal payments to pay off their indebtedness.

Available funding for projects since the DWSIRLF inception totals \$296.5 million (this includes the special ARRA appropriation as shown in Table 4). The various sources of funding for the DWSIRLF program includes Cap Grants, state match, interest on deposits, special appropriations and repayments. The State of Mississippi does not utilize leveraging in funding the SRF Program. Further details of these funding sources are provided below and in Table 4.

### **4. Administrative Fees Received and Disbursed**

During FFY-2013 the Administrative Fee fund receipts totaled \$376,205 and disbursements were \$2,259,327.

## **B. Uses of DWSIRLF Funds**

The set-asides utilized by DWSIRLF fund the administration of the DWSRF program, technical assistance to small public water systems, and state program management (Source Water Protection and PWSS programs). Details of each of these uses are provided in Section IV.B.2.

From the FFY-2013 Cap grant, \$6.8 Million (Table 4) was available (at the end of the reporting period) in FFY-2013 for loans to public water systems after \$1.902 Million (Table 4) was set-aside for small system technical assistance, program administration, state program management and local assistance and other state programs. The total funds available for projects in FFY-2013 from all sources were \$50,283,750. This amount is based on total current year revenues of \$30,183,329 (Table 4), plus loan Total Net Adjustments (decreases) to previous agreements of \$829,876 (Table 2), plus the beginning balance from the previous year of \$19,270,545 (Table 3).

## **1. Binding Commitments**

Table 1 provides details on the projects receiving assistance during FFY-2013; during the FFY-2013 reporting period, DWSIRLF awarded 11 loans totaling approximately \$15.7 million. Loans made during the FFY-2013 reporting period had an interest rate of 1.95% with a 20-year repayment period, and the individual loan amounts ranged in size from \$147,000 to \$3,448,382. A combined population of 104,224 received the benefit of these loans. Individual populations affected by each loan ranged from 770 to 34,500; see Table 1 for further information.

### **Bypassed Projects**

During FFY-2013 no projects were bypassed due to lack of funding.

### **Small Systems**

During FFY-2013 approximately \$8.7 million (Table 1) in DWSIRLF loans were awarded to small water systems, serving populations of 10,000 or less. Of the \$8.7 million, approximately \$5.5 million (Table 1) was awarded to “extra small” water systems, serving populations of 5,000 or less. The State of Mississippi tracks the funding to the extra small systems since the smaller water systems make up a majority of the systems throughout rural Mississippi.

In FFY-2013, 56% (Table 1) of all available DWSIRLF funds were awarded to small communities with populations less than 10,000. Additionally, 32.3% (Table 1) of available funds were awarded to very small communities with populations less than 5,000.

### **Disadvantaged Community Systems**

During FFY-2013 no “Principal Forgiveness” (PF) was awarded as assistance to financially disadvantaged communities. This was due to the State match for the FFY-2013 Cap Grant funds not being available until after the FFY-2013 reporting period. In the future PF will be awarded in amounts which will equal 20% to 30% of the year’s Cap Grant.

The amount of PF is determined by comparing the “median household income” (MHI) of the potential loan recipient (LR) to the MHI of the State of Mississippi (\$36,311). Based on the percentage calculated for the LR’s MHI, the amount of subsidy is determined as follows:

|                     |                           |
|---------------------|---------------------------|
| 90% < LR MHI < 100% | 15% Principal Forgiveness |
| 80% < LR MHI < 90%  | 25% Principal Forgiveness |
| 70% < LR MHI < 80%  | 35% Principal Forgiveness |
| LR MHI < 70%        | 45% Principal Forgiveness |

“Principal Forgiveness” will be extended to projects until all mandated subsidy funds are obligated. “Principal Forgiveness” will be assigned at loan award and will not change after the project is bid. The maximum amount of PF which a loan recipient may receive for a project is set at \$500,000; once subsidy funds are depleted only standard DWSIRLF loan funds will be available for use.

The MHI used for a potential loan recipient are those displayed in the publication “The Sourcebook of Zip Code Demographics”, Twenty-third Edition. Where a community covers more than one zip code area the community’s MHI is calculated by determining the percentage of the communities population in each zip code area and then calculating an average. In the event that an awarded loan recipient elects to decline their loan which includes PF funds, the PF funds will be reallocated to other awarded projects that are eligible for PF; PF funds will be awarded to loan recipients which did not receive PF or which did not receive their full amount of PF or the PF funds will be carried over to the next funding year.

## **2. Set-Aside Activity Status**

During the FFY-2013 reporting period, the DWSIRLF program utilized the available set-asides as outlined below to provide funds and services needed to help maintain safe drinking water for the citizens of the State of Mississippi.

### **Administration Set-Aside (4% of each Capitalization Grant)**

In FFY-2013 the state was not able to use any of the FFY-2013 Cap grant Administrative Set-aside since the State match was not available until after the FFY-2013 reporting period. During the FFY-2013 reporting period the Administrative Set-aside funds from the FFY-2012 Cap grant were drawn down with the remainder of a previous state bond issue. In the FFY-2012 Cap grant application, the state did not use or reserve to be used at a later date the 4% Administrative Set-aside from the FFY-2012 Cap grant. Instead, the state used the previously reserved FFY-2003 (\$322,100) Administrative set-aside amount by taking an equal amount from the FFY-2012 Cap grant for

administrative purposes. In addition to the Administrative set-aside, Mississippi is currently charging a 5% Administrative fee based on the LR's initial loan amount. Charging an administrative fee throughout the life of the Program will minimize the administrative fees that will have to be assessed after Cap grants end. For loans executed from the Program's inception through FFY-2009, the 5% Administrative fee was added to the loan amount, processed in the first payment request (PR) received from the loan recipient (LR) and deposited directly into an administrative fee account. Currently, the 5% administrative fee is collected from the loan repayments of each loan.

During the FFY-2013 reporting period, \$610,679 was disbursed for program administration (see Table 7 for a detailed breakdown of the administrative expenses).

#### **Small Systems Technical Assistance Set-Aside (2% of each Capitalization Grant)**

The State set aside for the Small Systems Technical Assistance (Tech Assist) in the FFY -2013 Cap grant was \$175,280 (Table 4); however, in the FFY-2013 reporting period the state was not able to use any of the Tech Assist Set-aside, since the state match for the FFY -2013 Cap Grant did not become available until after the end of the FFY-2013 reporting period. During the FFY-2013 reporting period the Tech Assist Set-aside funds from the FFY-2012 Cap Grant were drawn down with the remainder of a previous state bond issue. The funds expended during FFY-2013 totaled \$263,387 (Tables 8 & 8a). Of this total, \$102,784 (Table 8a) was expended from the ARRA Tech Assist Set-aside.

Contracts for the Small Systems Technical Assistance operated on the State Fiscal Year (SFY-2013 - July 1, 2012 through June 30, 2013).

The Tech Assist Set-aside activity, provided through contractual agreements, target technical assistance to the State's public water systems. The technical assistance includes Comprehensive and Intermediate Technical Assistance; Hands-On Operator Training; Coordination of Board Management Training; and the Peer Review Program.

During FFY-2013, the Local Governments and Rural Water System Improvement Board (Board) advertised for new "Requested-For-Proposals" (RFPs) for technical assistance to small water systems. The work plan objectives for the State Fiscal Year (SFY) 2013 (July 1, 2012, through June 30, 2013) and actual accomplishments are summarized below.

##### **a. Special Assistance to Referred Systems.**

Objective: The objective of this contract is to provide on-site technical support to systems which have technical problems and deficiencies, and

which are referred to the contractor by the Mississippi State Department of Health (MSDH).

Since this contract is based on the SFY, the information listed for the reporting period will be separated into two different time periods. For the period of October 1, 2012, through June 30, 2013, (the last two-thirds of the SFY-2013 contract period), the contract required that a total 20 long-term assistance projects would be performed with a minimum of at least 10 long-term assistance projects being performed, all chosen from a list of troubled small water systems provided by MSDH. (The contractor could elect to substitute intermediate projects for long-term assistance projects at a ratio of 2 intermediate projects to 1 long-term project.) For the period July 1, 2013, through September 30, 2013, (the beginning period of a new contract year with the same contractor), the contract required that a total of an equivalent of a least 16 long-term assistance projects be performed with a minimum of at least 8 long-term assistance projects being performed, all chosen from a list of troubled small water systems provided by MSDH. The contractor could elect to substitute intermediate projects for long-term assistance projects at a ratio of 2 intermediate projects to 1 long-term project. Short-term or unplanned projects were still performed as needed.

Accomplishments: From October 1, 2012 to June 30, 2013, long-term technical assistance was provided under contract by Community Resources Group, Inc. (CRG) to 13 small community public water systems referred by MSDH. Intermediate assistance was provided to 10 public water systems. During the period of July 1, 2013, through September 30, 2013, long term assistance was begun for 9 systems selected for long-term assistance. Monthly reports submitted by the contractor were used by MSDH to evaluate contractor activity and monitor progress made in attaining and maintaining essential technical capabilities of referred systems.

b. Coordination of Board Management Training for Water System Officials.

Objective: Contractual activities involve coordinating the Board Management Training (BMT) for Public Water System Officials. State law requires that board management training be provided to all newly elected board members of private, non-profit water supplies, to inform them of their duties. The state law also requires the training for officials of municipal systems with a population of 10,000 and less. The contractor, along with the selected training partners, provides training throughout the state for system officials. The contractor coordinates the training, gathers the training data and maintains an up-to-date database of the individuals who received the training. The objective for the period of October 1, 2012, through September 30, 2013, was for the contractor to attend a minimum of two training sessions per training provider to ensure that basic water system operation and management for governing boards

and managers of small community water systems is provided according to MSDH's approved training manual. The training sessions must be conducted by approved organizations using training materials approved by the MSDH. This contract follows the state fiscal year and therefore the information shown here will span two different state fiscal years; the information will be separated into two different time periods.

Accomplishments: During the period between October 1, 2012, and June 30, 2013, Mississippi State University Extension Service, the chosen contractor, successfully administrated the completion of 11 sessions to train 187 board members and managers in various technical and management skills necessary to effectively fulfill their duties. The accomplishments during the period between July 1, 2013, and September 30, 2013, include the completion of 5 sessions to train 116 board members and managers. Additional accomplishments included, but were not limited to, related activities such as: the establishment, distribution, and maintenance of a master calendar of training dates; the preparation and delivery of training material and notebooks in a timely manner to the training organization(s); the preparation of meeting facilities; providing qualified instructors and instruction as needed; the preparation and distribution of evaluation forms by attendees; random attendance at meetings to evaluate instructor(s) and material presented; the maintenance of a computerized database that tracks the attendance of each board member attending any board member training session(s); the preparation and distribution of reports for each training event and quarterly reports to both MSDH and Board members; and other related duties.

c. Hands-On Operator Training for Small Systems.

Objective: The Hands-On Operator Training Program is designed to train existing certified operators for small systems through "hands-on" instruction of equipment and real water supply examples. Using training materials approved by MSDH, for the contract year 2013 (July 1, 2012, through June 30, 2013) the contractor was to perform a minimum of 20 "Hands-On Operator Training" sessions; for the contract year 2014 (July 1, 2013, through June 30, 2014) the contractor was to perform a minimum of 16 "Hands-On Operator Training" sessions. This contract follows the state fiscal year and therefore the information shown will span two state fiscal years.

Accomplishments: The Hands-On Operator Training program for the period between October 1, 2012, and June 30, 2013, provided 16 training sessions attended by 332 licensed water operators representing 165 different water supplies. From July 1, 2013, to September 30, 2013, four (4) training sessions were conducted which were attended by 66 licensed water operators representing 32 different water supplies.

d. Peer Review Program.

Objectives: The objective of the Peer Review Program is designed to train experienced operators and managers to perform a peer review, advertise the Peer Review Program and conduct the Peer Reviews. For the contract year 2013 (July 1, 2012, through June 30, 2013) the contractor was to schedule a minimum of 20 "Peer Reviews"; for the contract year 2014 (July 1, 2013, through June 30, 2014) the contractor was to schedule a minimum of 16 "Peer Reviews". This contract follows the state fiscal year and therefore the information will span two different state fiscal years.

Accomplishments: For the period between October 1, 2012, and June 30, 2012, the Peer Review Program, trained new team members and conducted 17 Peer reviews; during the period from July 1, 2013, to September 30, 2013, two (2) PEER Review were performed. Reports are compiled and distributed to both MSDH and the Drinking Water SRF Board members.

**State Program Management Set-Aside (10% of each Capitalization Grant)**

The State Program Management Set-aside for the FFY -2013 Cap Grant was \$876,400 (Table 4); however, in the FFY-2013 reporting period the state was not able to use any of the FFY-2013 Cap Grant State Program Management Set-aside funds, since the state match for the FFY -2013 Cap Grant did not become available until after the end of the FFY-2013 reporting period. During the FFY-2013 reporting period, remaining FFY-2012 Cap Grant State Program Management Set-aside funds were drawn down with the remainder of a previous state bond issue. Disbursements during FFY-2013 for State Program Management were \$1,388,466 (Table 8).

The State Program Management set-aside is used to support the Public Water Supply Supervision (PWSS) and Capacity Assessment Program activities of the MSDH Bureau of Public Water Supply. Additional information for the two programs is further detailed below.

PWSS Program activities include:

1. State Primacy Requirements
2. Non-primacy Requirements
3. Auxiliary Services

In FFY-2013, the State Program Management set-aside funded 14 FTEs which included the salaries, fringe benefits, and indirect costs associated with the operation of this program.

## Capacity Assessment Program Actives:

The Capacity Assessment Program, which began in July 1, 2000, took the form of an assessment of the technical, managerial and financial capacities of a system and was performed during the water supply's annual inspection. Each year the program undergoes a review by stakeholders and departmental staff to determine its effectiveness and whether changes are needed. Costs associated with the annual report preparation, mailings to the general public and program planning are funded through the State Program Management set-aside.

## **Local Assistance and Other State Programs Set-Aside (Maximum 15% of each Capitalization Grant)**

The Local Assistance and Other State Programs set-aside, set at \$500,000 (5.71%) of the FFY-2013 Cap Grant (Table 4), were used for wellhead protection throughout the state. Two contracts for the Well Decommissioning Program were executed for the proper decommissioning and abandonment of inactive wells that posed risks to the state's existing active public water supply source water wells. During FFY-2013 disbursements for Local Assistance and Other State Programs totaled \$465,543 (Table 8).

## **V. Financial Summary**

This section provides additional details on the financial management activities in the DWSIRLF.

### **A. Loan Completion Status**

Since the Program's inception 251 DWSIRF projects totaling \$254.5 million have been completed (Table 3). As of September 30, 2013, the DWSIRLF has closed \$15,684,144 in loans during FFY-2013 reporting period (Table 1). Table 3 provides a summary of the source and use of the DWSIRLF project funds since program inception. Table 1 shows the status of all DWSIRLF project assistance provided during the FFY-2013 reporting period. Information provided includes the total loan amount, interest rate, binding commitment date, population served, principal forgiveness and community type.

### **B. Loan Disbursements/Cash Draw Proportionality**

Table 5 lists the total disbursements, cash draw totals, and fund balances since the inception of the DWSIRLF program.

During the FFY-2013 reporting period, disbursements from the DWSIRLF to the various loan recipients totaled \$13,747,267 (Table 5). Of these disbursements, \$4,124,353 (Table 5) was made from Federal funds and \$9,622,914 was disbursed

from State funds. Mississippi has disbursed \$228,614,191 (Table 5) since the Program's inception.

Approximately \$4.1 million (Table 5) in Cap grant moneys were drawn from the Automated Clearing House (ACH) during the FFY-2013 reporting period to pay the Federal share of project cost disbursements. The ACH draws reimburse the DWSIRLF for the Federal share of disbursements for project costs and are distinguished from other funds. In FFY-2013 the federal percentage of total disbursements was approximately 30% (calculated using Table 5); due to the delay in the Program's receipt of the state match funds with which the federal funds could be drawn.

### **C. Administrative Disbursements**

Table 8 provides a listing of the related administrative expenses for each DWSRF Set-aside during the FFY-2013 reporting period. Disbursements for administration costs from the Federal Cap grant Administrative Set-aside for the DWSIRLF Program during the FFY-2013 reporting period totaled \$322,100 (Table 8). Total DWSRF Administrative Expenditures for the FFY-2013 reporting period totaled \$610,679 (Table 7). DWSIRLF Program expenses which were recouped from loan repayments during the FFY-2013 reporting period totaled \$288,579.

### **D. Annual Repayments**

Table 3 shows that the DWSIRLF Program has received \$98,799,781 in loan repayments (principal and interest only) through the end of the FFY-2013 reporting period, of which, \$21,141,645 was received in FFY-2013.

### **E. Loan Portfolio Analysis**

The State of Mississippi does not perform a credit rating of Drinking Water SRF loan applicants at this time. For municipalities, the program managers check the applicant's records to confirm that enough sales tax revenue is generated to cover the estimated amount of monthly and semi-annual repayments which will be withheld by the State Department of Revenue. Loans are not made to municipalities which do not meet the State's funding criteria.

For other loan recipients, a financial capability analysis is performed during the facilities planning phase to verify that enough revenue is generated by the sale of water to cover the amount of estimated monthly repayments; if the analysis shows that there will be a short fall in revenue, the loan recipient must enter into an agreement to increase their rates to cover the necessary repayments. Loans are not made to systems that do not meet the State's funding criteria.

## **F. Investments**

As outlined in the FFY-2013 IUP, the Mississippi State Treasurer manages the DWSIRLF funds in compliance with State investment practices. The DWSIRLF Program staff monitors the DWSIRLF investments monthly to confirm that the Treasurer credits interest to the DWSIRLF account in a timely fashion.

Interest accrued in the DWSRF Fund through the end of the FFY-2013 totaled \$12,246,092 (Table 3) of which, \$559,924 (Table 3) was received in FFY-2013. The Mississippi Department of Finance and Administration manages these funds in compliance with state investment regulations.

## **G. Audits/Financial Statements**

A financial statement audit and a single audit of the DWSIRLF Program were performed for SFY-2013 (July 1, 2012 through June 30, 2013) by a contracted auditor. The auditor, Windham and Lacy, PLLC, is a local CPA firm. The Audit Report, which revealed “No Findings”, is included as Appendix A. The audited financial statements are current through SFY-2013 with comparative data from SFY-2012. The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances are included and shown on pages 4 and 5, respectively.

# **VI. Operating Agreement Provisions and Capitalization Grant Conditions**

In the Intended Use Plan (IUP) and the Operating Agreement, the state has made a number of assurances and has also accepted certain conditions in the Cap Grant Agreement. Some of the more important assurances are discussed below.

## **A. Provide a State Match**

As shown in Table 1, the State of Mississippi, as a condition for operating the Program, has provided matching funds for the EPA’s Cap grants. The State deposited \$10,000,000 into the DWSIRLF for state match funds in SFY-1997; \$5,000,000 in SFY-2001; \$1,740,000 in SFY-2005; \$4,003,000 in SFY-2006; \$4,000,000 in SFY-2008; and \$4,100,000 in SFY-2011. This total captures all the Cap grant funds through FFY-2011. A remaining portion of the previous State matching funds (\$655,509) captured a portion of the FFY-2012 total Cap Grant which was \$9,341,000. The State legislature did not provide any additional State match funds to capture the remainder of the FFY-2012 Cap grant.

The 2013 State Legislature authorized \$1,000,000 in additional spending authority for the sale of bonds to be used by the DWSIRLF Program as match for federal funds. These funds, in addition to funds from the State Emergency Loan Fund, will be used to capture the remainder of the FFY-2012 Cap grant and the Set-aside amount in the FFY-2013 Cap Grant. However, in the FFY-2013 reporting period the DWSIRLF

Program was not able to use any of the State match funds for the FFY-2013 Cap grant, due to the delay in the sale of bonds until after the end of the FFY-2013 reporting period. During the FFY-2013 reporting period, the remainder of the FFY-2012 Cap grant funds was drawn down with the remainder of a previous state bond issue funds and funds designated from other state funds.

The State legislature will be requested to provide the necessary additional match funds to fully capture the remainder of the FFY-2013 Cap grant, as well as the future FFY-2014 Cap grant.

#### **B. Binding Commitments within One Year**

Federal regulations require the State to make binding commitments in an amount equal to 120% of each quarterly Cap Grant payment within one year of the payment. The State of Mississippi has entered into binding commitments to provide assistance from the DWSIRLF in amounts substantially exceeding the required 120% of each quarterly grant payment within the one year time frame. Table 6 lists Federal letter of credit (LOC) payments received by quarter and the cumulative binding commitments. Cumulative payments to the Federal LOC at the end of the reporting period totaled \$161,984,084, including ARRA with the state shown as having made \$285,262,116 in binding commitments; thus exceeding the 120% binding commitment requirement of \$193,960,702 (Table 6).

#### **C. Expeditious Construction and Timely Disbursements**

The State of Mississippi has disbursed DWSIRLF funds in a timely and expeditious manner. During FFY-2013 disbursements totaling \$13,747,267 (Table 5) were provided to loan recipients.

When a loan is executed, the date is set for the first repayment based on the scheduled completion date contained in the project agreement. Program staff monitors construction to insure timely expenditure of funds and to ensure that projects are moving in an expeditious and timely manner from the start of construction so that the project is completed within the loan agreement schedule.

#### **D. MBE/WBE Participation**

The State of Mississippi is committed to the fair share objectives for MBE/WBE participation in projects financed by the State Revolving Fund; due to the limitations of available MBE/WBE contractors within the state the fair share objectives for Mississippi were negotiated to 3.1% for MBE and 1.1% for WBE. These goals were included as a condition in the FFY-2013 DWSRF Cap grant.

As calculated from the contract amounts found in this report on the “MBE/WBE Utilization Under Federal Grants, Cooperative Agreements, and Interagency Agreements” for projects funded during this reporting period, the MBE participation achieved was 6.1% and the WBE participation achieved was 1.7%.

**E. Assurances of Compliance/ Compliance with OMB Circulars A-87 and A-133**

Mississippi continues to comply with the requirements of these circulars and the Single Audit Act Amendments of 1996 by having a Program Audit conducted each year. We are also insuring compliance of loan recipients by reviewing the single audit reports of any loan recipient who is subject to a single audit.

**F. State Environmental Review Process (SERP)**

Environmental reviews, similar to reviews required for projects under the National Environmental Protection Act, are conducted for all construction projects. During FFY-2013 the State of Mississippi conducted environmental reviews on all funded projects in accordance with the SERP. The staff determined that no Environmental Impact Statements were necessary. The State has issued either an Environmental Assessment and a Finding of No Significant Impact or a Categorical Exclusion for each construction project.

**G. Eligible Activities of the DWSIRLF**

Eligible Activities of the DWSIRLF are described in Section III of the IUP.

**H. Compliance with Federal Cross-Cutters**

All FFY-2013 projects met the requirements of the federal cross-cutting laws and authorities. It is the intent of the State to require all projects to meet the cross-cutting requirements and thus bank the loan award amounts in excess of the federal Cap Grants toward meeting equivalency requirements as soon as possible.

**I. Other Federal Authorities**

The State of Mississippi and all recipients of DWSIRLF funds have complied with applicable federal authorities. Recipients of DWSIRLF assistance must agree to this condition as set forth in the loan agreement between the recipient and the State of Mississippi.

**J. Cash Draw Procedures**

The State has drawn cash from Federal Cap Grants in a manner consistent with the Cap Grant Agreements. In FFY-2013, \$4,124,353 (Table 5) was drawn from the ACH for project funding and a total of \$322,100 (Table 8) was disbursed from Administrative set-aside funds. Table 5 and Table 8 provide additional information regarding the DWSIRLF ACH payment schedule and disbursements.

#### **K. Disbursement Schedule/Commitment**

Table 6 compares the actual Federal LOC disbursements made in FFY-2013 to the disbursement projections submitted to EPA in the FFY-2013 IUP.

#### **L. State's Attorney General Certification**

During FFY-2013 the State submitted the Attorney General's Certification with the FFY-2013 Capitalization Grant Application.

#### **M. Administration Funding**

Table 4 identifies the portion of the FFY-2013 DWSIRLF Cap grant (\$350,560) which was set-aside to fund administration costs; however, in the FFY-2013 reporting period the state was not able to use any of the Administration Set-aside, since the state match for the FFY -2013 Cap Grant did not become available until after the end of the FFY-2013 reporting period. During the FFY-2013 reporting period administration costs were covered by Administration Set-aside funds from the FFY-2012 Cap Grant which were drawn down with the remainder of a previous state bond issue. Administrative fees received from loans in FFY-2013 totaled \$376,205; these funds were captured via the Program's Administrative Fee capture method.

#### **N. Attendance at EPA Approved/Sponsored Seminars**

DWSIRLF staff members attended all EPA approved/sponsored seminars, workshops, conferences, etc., which were determined to be useful by the State.

#### **O. Annual Audit**

A financial audit of the DWSIRLF Program was performed for State Fiscal Year (SFY-2013); see Appendix A.

#### **P. Procedures to Assure Borrowers Have a Dedicated Source of Revenue**

The State of Mississippi agrees that it shall determine whether or not an applicant has the ability to repay a loan, according to its terms and conditions, prior to making that loan. The State has developed EPA-approved criteria to evaluate an applicant's financial ability to repay the loan, in addition to paying for operation and maintenance costs, and other necessary expenses.

## Tables

**TABLE 1: PROJECTS FUNDED IN FFY-2013**

| NO.                                                                                                          | PROJECT NAME<br>COMMUNITIES SERVED | LOAN<br>NUMBER - DWI- | TOTAL<br>ASSISTANCE<br>AMOUNT | BINDING<br>COMMITMENT<br>DATE | *<br>AGREE<br>TYPE | SMALL<br>COMMUNITY | INTEREST<br>RATE | POPULATION<br>SERVED | ELIGIBLE<br>PRINCIPAL<br>FORGIVENESS | AWARDED**<br>PRINCIPAL<br>FORGIVENESS |
|--------------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------|-------------------------------|-------------------------------|--------------------|--------------------|------------------|----------------------|--------------------------------------|---------------------------------------|
| 1                                                                                                            | BALDWIN, TOWN OF                   | L590001-01            | \$1,938,518                   | 3/1/2013                      | L/SUB              | YES                | 1.95%            | 3,325                | \$290,778                            | \$0                                   |
| 2                                                                                                            | CENTER WATER ASSOCIATION           | L550001-01            | \$1,372,950                   | 6/14/2013                     | L/SUB              | YES                | 1.95%            | 8,800                | \$0                                  | \$0                                   |
| 3                                                                                                            | TROY WATER ASSOCIATION             | L580010-01            | \$533,000                     | 6/14/2013                     | L/SUB              | YES                | 1.95%            | 1,650                | \$0                                  | \$0                                   |
| 4                                                                                                            | CLINTON, CITY OF                   | L250003-03            | \$1,909,855                   | 7/1/2013                      | L/SUB              | NO                 | 1.95%            | 26,000               | \$0                                  | \$0                                   |
| 5                                                                                                            | TUPELO, CITY OF                    | L410015-03            | \$3,448,382                   | 7/30/2013                     | L/SUB              | NO                 | 1.95%            | 34,500               | \$0                                  | \$0                                   |
| 6                                                                                                            | CENTRAL RANKIN WATER ASSOCIATION   | L610081-02            | \$835,000                     | 8/16/2013                     | L/SUB              | YES                | 1.95%            | 3,400                | \$0                                  | \$0                                   |
| 7                                                                                                            | HILLDALE WATER DISTRICT            | L750005-07            | \$2,346,769                   | 9/3/2013                      | L/SUB              | YES                | 1.95%            | 5,400                | \$0                                  | \$0                                   |
| 8                                                                                                            | NEW HOPE WATER ASSOCIATION         | L640008-04            | \$147,000                     | 9/3/2013                      | L/SUB              | YES                | 1.95%            | 2,874                | \$36,750                             | \$0                                   |
| 9                                                                                                            | GUNTOWN, TOWN OF                   | L410006-01            | \$975,200                     | 9/30/2013                     | L/SUB              | YES                | 1.95%            | 2,960                | \$0                                  | \$0                                   |
| 10                                                                                                           | HORN LAKE, CITY OF                 | L170022-03            | \$1,542,470                   | 9/30/2013                     | L/SUB              | NO                 | 1.95%            | 14,545               | \$0                                  | \$0                                   |
| 11                                                                                                           | UNION WATER ASSOCIATION            | L610030-02            | \$635,000                     | 9/30/2013                     | L/SUB              | YES                | 1.95%            | 770                  | \$0                                  | \$0                                   |
| <b>\$15,684,144</b>                                                                                          |                                    |                       |                               |                               |                    |                    |                  |                      | <b>\$327,528</b>                     | <b>\$0</b>                            |
| <b>Total Funding for Loans \$15,684,144</b>                                                                  |                                    |                       |                               |                               |                    |                    |                  |                      |                                      |                                       |
| <b>Net Funding for Loans \$14,854,268 (Includes decrease to projects listed in Table 2)</b>                  |                                    |                       |                               |                               |                    |                    |                  |                      |                                      |                                       |
| <b>Large Communities - Total Funding for Communities with Populations Greater than 10,000 \$6,900,707</b>    |                                    |                       |                               |                               |                    |                    |                  |                      |                                      |                                       |
| <b>Small Communities - Total Funding for Communities with Populations of 10,000 or Less \$8,783,437</b>      |                                    |                       |                               |                               |                    |                    |                  |                      |                                      |                                       |
| <b>Extra Small Communities - Total Funding for Communities with Populations of 5,000 or Less \$5,063,718</b> |                                    |                       |                               |                               |                    |                    |                  |                      |                                      |                                       |
| <b>Funds for Small Communities &gt; 10,000 as a % of Binding Commitments 56.00%</b>                          |                                    |                       |                               |                               |                    |                    |                  |                      |                                      |                                       |
| <b>Funds for Extra Small Communities &gt; 5,000 as a % of Binding Commitments 32.29%</b>                     |                                    |                       |                               |                               |                    |                    |                  |                      |                                      |                                       |

\* Codes for Assistance Type: L - Loan; Sub - Subsidy

\*\* Amount of Principal Forgiveness received by the Loan Recipient

TABLE 2: LOAN AMENDMENTS FOR FFY-2013

| NO.                              | *LOAN<br>RECIPIENT | PROJECT<br>NUMBER<br>DWI- | SMALL<br>COMMUNITY | ARRA | LOAN<br>AMOUNT | AMENDMENT<br>DATE | TOTAL<br>DECREASE | NET<br>Loan<br>Amount |
|----------------------------------|--------------------|---------------------------|--------------------|------|----------------|-------------------|-------------------|-----------------------|
| 9                                | Beaver Meadow      | L310004-01                | Yes                | No   | \$751,714      | 12/28/12          | (\$49,341)        | \$702,373             |
| 1                                | Hernando, City of  | L170009-04                | No                 | No   | \$2,380,000    | 1/23/13           | (\$54,153)        | \$2,325,847           |
| 2                                | Jeff Davis W/A     | L810005-01                | Yes                | No   | \$153,000      | 4/4/13            | (\$6,494)         | \$146,506             |
| 3                                | Tunica, Town of    | L720004-01                | Yes                | No   | \$985,945      | 5/24/13           | (\$54,560)        | \$931,385             |
| 4                                | Young's W/S        | L220065-01                | Yes                | No   | \$610,300      | 5/24/13           | (\$21,705)        | \$588,595             |
| 5                                | Biloxi, City of    | L240001-01                | No                 | No   | \$1,096,173    | 5/29/13           | (\$112,537)       | \$983,636             |
| 6                                | Good Hope W/A      | L330004-01                | Yes                | No   | \$2,023,352    | 6/28/13           | (\$157,835)       | \$1,865,517           |
| 7                                | Taylorsville W/A   | L610028-01                | Yes                | No   | \$948,144      | 7/29/13           | (\$22,720)        | \$925,424             |
| 8                                | Wiggins, City of   | L660005-01                | Yes                | No   | \$1,996,353    | 8/16/13           | (\$350,531)       | \$1,645,822           |
| TOTAL AMOUNT OF CHANGES (+ OR -) |                    |                           |                    |      | \$10,944,981   |                   | (\$829,876)       | \$10,115,105          |

\* LIST SORTED BY AMENDMENT DATE

TABLE 3: SOURCE AND USE OF FUNDS

| Federal Fiscal Year<br>A | DWSRF Program Funds by Fiscal Year |                       |                     |                              |                     | DWSRF Project Loans by Fiscal Year |                       |                      |                      |                            |                             |
|--------------------------|------------------------------------|-----------------------|---------------------|------------------------------|---------------------|------------------------------------|-----------------------|----------------------|----------------------|----------------------------|-----------------------------|
|                          | ***Balance Forward<br>B            | *Federal Capital<br>C | State Approps.<br>D | Interest Earned on Fund<br>E | Repayments<br>F     | Initial Loan Awards<br>G           | Loan Decreases<br>H   | Net Loan Awards<br>I | Number of Loans<br>J | Population Benefiting<br>K | Fund Balance<br>B+C+D+E+F-I |
| 1997                     | \$0                                | \$1,505,152           | \$10,000,000        | \$0                          | \$0                 | \$10,297,670                       | \$0                   | \$10,297,670         | 17                   | 92,886                     | \$1,207,482                 |
| 1998                     | \$1,207,482                        | \$8,240,000           | \$0                 | \$541,668                    | \$27,708            | \$5,502,190                        | (\$774,742)           | \$4,727,448          | 9                    | 122,033                    | \$5,289,410                 |
| 1999                     | \$5,289,410                        | \$8,501,874           | \$0                 | \$593,954                    | \$425,450           | \$8,614,140                        | (\$1,085,309)         | \$7,528,831          | 14                   | 172,635                    | \$7,281,857                 |
| 2000                     | \$7,281,857                        | \$7,631,094           | \$0                 | \$807,675                    | \$1,037,720         | \$12,327,484                       | (\$1,168,746)         | \$11,158,738         | 17                   | 181,210                    | \$5,599,607                 |
| 2001                     | \$5,599,607                        | \$7,893,500           | \$5,000,000         | \$782,161                    | \$1,620,836         | \$22,365,070                       | (\$986,752)           | \$21,378,318         | 28                   | 203,830                    | (\$482,214)                 |
| 2002                     | (\$482,214)                        | \$15,694,350          | \$0                 | \$450,125                    | \$3,856,538         | \$20,820,563                       | (\$3,033,337)         | \$17,787,226         | 24                   | 193,183                    | \$1,731,572                 |
| 2003                     | \$1,731,572                        | \$3,802,418           | \$0                 | \$258,188                    | \$3,097,324         | \$13,055,216                       | (\$1,177,146)         | \$11,878,070         | 12                   | 179,365                    | (\$2,988,568)               |
| 2004                     | (\$2,988,568)                      | \$7,989,100           | \$0                 | \$173,422                    | \$5,228,781         | \$10,132,582                       | (\$1,725,679)         | \$8,406,903          | 11                   | 144,040                    | \$1,995,832                 |
| 2005                     | \$1,995,832                        | \$13,567,084          | \$1,740,000         | \$420,431                    | \$5,455,940         | \$8,333,321                        | (\$429,107)           | \$7,904,214          | 11                   | 60,817                     | \$15,275,073                |
| 2006                     | \$15,275,073                       | \$416,600             | \$4,003,000         | \$830,827                    | \$5,434,026         | \$11,766,802                       | (\$1,814,627)         | \$9,952,175          | 13                   | 110,559                    | \$16,007,351                |
| 2007                     | \$16,007,351                       | \$8,395,972           | \$0                 | \$1,580,179                  | \$6,047,052         | \$15,888,454                       | (\$1,632,273)         | \$14,256,181         | 17                   | 160,392                    | \$17,774,373                |
| 2008                     | \$17,774,373                       | \$6,325,640           | \$4,000,000         | \$1,665,021                  | \$7,291,214         | \$33,569,703                       | (\$1,791,356)         | \$31,778,347         | 11                   | 130,170                    | \$5,277,901                 |
| **2009                   | \$5,277,901                        | \$12,490,140          | \$0                 | \$1,561,383                  | \$7,667,390         | \$37,475,118                       | (\$3,521,678)         | \$33,953,440         | 21                   | 150,864                    | (\$6,956,626)               |
| 2010                     | (\$6,956,626)                      | \$28,815,980          | \$1,400,000         | \$965,854                    | \$8,341,654         | \$14,994,884                       | (\$6,456,640)         | \$8,538,244          | 15                   | 68,475                     | \$24,028,618                |
| 2011                     | \$24,028,618                       | \$4,323,760           | \$2,700,000         | \$645,318                    | \$10,093,087        | \$20,169,446                       | (\$1,914,716)         | \$18,254,730         | 10                   | 130,256                    | \$23,536,054                |
| 2012                     | \$23,536,054                       | \$5,158,980           | \$0                 | \$409,962                    | \$12,033,417        | \$24,265,329                       | (\$2,397,461)         | \$21,867,868         | 10                   | 78,611                     | \$19,270,545                |
| 2013                     | \$19,270,545                       | \$350,166             | \$1,620,000         | \$559,924                    | \$21,141,845        | \$15,684,144                       | (\$829,876)           | \$14,854,268         | 11                   | 104,224                    | \$28,088,012                |
| <b>TOTALS</b>            |                                    | <b>\$141,101,810</b>  | <b>\$30,463,000</b> | <b>\$12,246,092</b>          | <b>\$98,799,781</b> | <b>\$285,262,116</b>               | <b>(\$30,739,445)</b> | <b>\$254,522,671</b> | <b>251</b>           | <b>2,283,550</b>           |                             |

State Appropriations Less Current Year:

\$28,843,000

\* Federal Capital is based on the fiscal year in which ACH/ASAP deposit was made and is the project portion only, not the actual cap grant amount.

\*\* ARRA - FFY-2009 Cap Grant Total: \$19,500,000

\*\*\* Fund Balance From Previous Year

**TABLE 4: SUMMARY OF REVENUE AND COMMITMENTS**

| FEDERAL<br>FISCAL<br>YEAR | CAP GRANT<br>TOTALS | Set-Asides*   |                                                 |                                                 |                          | Funds Available for Projects     |                                                       |                           |                           |                             |                                              |                           |                                        |                                                  |
|---------------------------|---------------------|---------------|-------------------------------------------------|-------------------------------------------------|--------------------------|----------------------------------|-------------------------------------------------------|---------------------------|---------------------------|-----------------------------|----------------------------------------------|---------------------------|----------------------------------------|--------------------------------------------------|
|                           |                     | ADMIN.<br>(B) | SMALL<br>SYSTEMS<br>TECHNICAL<br>ASSIST.<br>(C) | SOURCE<br>WATER &<br>LOCAL<br>ASSISTANCE<br>(D) | STATE<br>PROGRAMS<br>(F) | TOTAL<br>SET ASIDES<br>(B+C+D+F) | TOTAL FUNDS<br>IN CAP GRANT<br>FOR<br>PROJECTS<br>(A) | INTEREST<br>INCOME<br>(G) | LOAN<br>REPAYMENTS<br>(H) | TOTAL<br>STATE MATCH<br>(I) | TOTAL<br>PROJECT<br>REVENUE<br>(A + G + H+I) | NET<br>LOAN<br>AGREEMENTS | BALANCE<br>FUNDS AVAIL<br>FOR PROJECTS | TOTAL<br>PROGRAM<br>REVENUE<br>(Cap + G + H + I) |
| 1997                      | \$16,474,200        | \$658,968     | \$329,484                                       | \$827,630                                       | \$0                      | \$1,816,082                      | \$14,658,118                                          | \$0                       | \$0                       | \$10,000,000                | \$24,658,118                                 | 10,297,670                | \$14,360,448                           | 26,474,200                                       |
| 1998                      | \$8,271,700         | \$330,868     | \$165,434                                       | \$0                                             | \$0                      | \$496,302                        | \$7,775,398                                           | \$541,668                 | \$27,708                  | \$0                         | \$8,344,774                                  | 4,727,448                 | \$17,977,774                           | 8,841,076                                        |
| 1999                      | \$8,669,500         | \$346,780     | \$173,390                                       | \$0                                             | \$268,156                | \$788,326                        | \$7,881,174                                           | \$593,954                 | \$425,450                 | \$0                         | \$8,900,578                                  | 7,528,831                 | \$19,349,521                           | 9,688,904                                        |
| 2000                      | \$9,010,100         | \$360,404     | \$180,202                                       | \$0                                             | \$300,000                | \$840,606                        | \$8,169,494                                           | \$807,675                 | \$1,037,720               | \$0                         | \$10,014,889                                 | 11,158,738                | \$18,205,671                           | 10,855,495                                       |
| 2001                      | \$9,047,400         | \$361,896     | \$180,948                                       | \$0                                             | \$350,000                | \$892,844                        | \$8,154,556                                           | \$782,161                 | \$1,620,836               | \$5,000,000                 | \$15,557,552                                 | 21,378,318                | \$12,384,906                           | 16,450,396                                       |
| 2002                      | \$8,052,500         | \$322,100     | \$161,050                                       | \$0                                             | \$400,000                | \$883,150                        | \$7,169,350                                           | \$450,125                 | \$3,866,538               | \$0                         | \$11,476,012                                 | 17,787,226                | \$6,073,692                            | 12,359,162                                       |
| 2003                      | \$8,004,100         | \$0           | \$160,062                                       | \$0                                             | \$600,000                | \$760,082                        | \$7,244,018                                           | \$258,188                 | \$3,097,324               | \$0                         | \$10,599,530                                 | 11,878,070                | \$4,795,152                            | 11,359,612                                       |
| 2004                      | \$8,303,100         | \$0           | \$166,062                                       | \$0                                             | \$830,310                | \$996,372                        | \$7,306,728                                           | \$173,422                 | \$5,228,781               | \$0                         | \$12,708,931                                 | 8,406,903                 | \$9,097,180                            | 13,705,303                                       |
| 2005                      | \$8,285,500         | \$331,420     | \$165,710                                       | \$0                                             | \$828,550                | \$1,325,680                      | \$6,959,820                                           | \$420,431                 | \$5,455,940               | \$1,740,000                 | \$14,576,191                                 | 7,904,214                 | \$15,769,157                           | 15,901,871                                       |
| 2006                      | \$8,229,300         | \$329,172     | \$164,586                                       | \$0                                             | \$822,930                | \$1,316,688                      | \$6,912,612                                           | \$830,827                 | \$5,434,026               | \$4,003,000                 | \$17,180,465                                 | 9,952,175                 | \$22,997,447                           | 18,497,153                                       |
| 2007                      | \$8,229,000         | \$329,160     | \$164,580                                       | \$0                                             | \$822,900                | \$1,316,640                      | \$6,912,360                                           | \$1,580,179               | \$6,047,052               | \$0                         | \$14,538,591                                 | 14,256,181                | \$23,280,857                           | 15,856,231                                       |
| 2008                      | \$8,146,000         | \$325,840     | \$162,920                                       | \$0                                             | \$814,600                | \$1,303,360                      | \$6,842,640                                           | \$1,665,021               | \$7,291,214               | \$4,000,000                 | \$19,798,875                                 | 31,778,347                | \$11,301,385                           | 21,102,235                                       |
| 2009                      | \$8,146,000         | \$0           | \$162,920                                       | \$0                                             | \$814,600                | \$977,520                        | \$7,168,480                                           | \$1,561,383               | \$7,667,390               | \$0                         | \$16,397,253                                 | 33,953,440                | (\$6,254,802)                          | 17,374,773                                       |
| 2009<br>ARRA              | \$19,500,000        | \$300,000     | \$390,000                                       | \$0                                             | \$1,462,500              | \$2,152,500                      | \$17,347,500                                          | \$0                       | \$0                       | \$0                         | \$17,347,500                                 |                           | \$2,554,454                            | 19,500,000                                       |
| 2010                      | \$14,125,000        | \$282,500     | \$282,500                                       | \$0                                             | \$1,412,500              | \$1,977,500                      | \$12,147,500                                          | \$965,854                 | \$8,341,654               | \$1,400,000                 | \$22,855,008                                 | 8,538,244                 | \$7,154,732                            | 24,832,508                                       |
| 2011                      | \$9,811,165         | \$0           | \$196,040                                       | \$500,000                                       | \$980,200                | \$1,676,240                      | \$8,134,925                                           | \$645,318                 | \$10,093,087              | \$2,700,000                 | \$21,573,330                                 | 18,254,730                | \$6,860,195                            | 23,249,570                                       |
| 2012                      | \$9,341,000         | \$322,100     | \$186,820                                       | \$500,000                                       | \$934,100                | \$1,943,020                      | \$7,397,980                                           | \$409,962                 | \$12,033,417              | \$0                         | \$19,841,359                                 | 21,867,868                | \$11,847,286                           | 21,784,379                                       |
| 2013                      | \$8,764,000         | \$350,560     | \$175,280                                       | \$500,000                                       | \$876,400                | \$1,902,240                      | \$6,861,760                                           | \$559,924                 | \$21,141,645              | \$1,620,000                 | \$30,183,329                                 | 14,854,268                | \$27,176,347                           | 32,085,569                                       |
| TOTALS                    | \$178,409,565       | \$4,951,768   | \$3,568,008                                     | \$2,327,630                                     | \$12,517,746             | \$23,365,152                     | \$155,044,413                                         | \$12,246,092              | \$98,799,781              | \$30,463,000                | \$296,553,286                                | 254,522,671               |                                        | 319,918,438                                      |

Total Cumulative Revenue Available for Projects Since Beginning of Program: **\$296,553,286**

Total Cumulative Net Loan Obligations for Projects Since Beginning of Program: **\$254,522,671**

Balance: **\$42,030,615**

Total Cumulative Assistance as a % of Total Cumulative Available Funds for Projects: **86%**

Total Cumulative Assistance Provided as a % of Total Federal Grant Funds Provided for Projects **143%**

**TABLE 5: FFY-2013 DISBURSEMENTS / CASH BALANCE**

| <b>Federal<br/>Fiscal<br/>Year</b> | <b>Deposits of<br/>State Match<br/>A</b> | <b>ACH<br/>Draw<br/>Projects<br/>B</b> | <b>Disbursed<br/>To<br/>Projects<br/>C</b> | <b>Interest<br/>Earned on<br/>Account<br/>D</b> | <b>Repayment<br/>Deposits<br/>E</b> | <b>Year's<br/>Balance<br/>(A+B+D+E) - C</b> | <b>Cumulative<br/>Balance</b> |
|------------------------------------|------------------------------------------|----------------------------------------|--------------------------------------------|-------------------------------------------------|-------------------------------------|---------------------------------------------|-------------------------------|
| 1997                               | \$10,000,000                             | \$0                                    | \$441,669                                  | \$0                                             | \$0                                 | \$9,558,331                                 | \$9,558,331                   |
| 1998                               | \$0                                      | \$6,048,786                            | \$7,443,882                                | \$541,668                                       | \$27,708                            | (\$825,720)                                 | \$8,732,611                   |
| 1999                               | \$0                                      | \$5,024,163                            | \$6,124,876                                | \$593,954                                       | \$425,450                           | (\$81,309)                                  | \$8,651,302                   |
| 2000                               | \$0                                      | \$7,971,833                            | \$9,436,490                                | \$807,675                                       | \$1,037,720                         | \$380,738                                   | \$9,032,039                   |
| 2001                               | \$5,000,000                              | \$8,498,589                            | \$10,349,303                               | \$782,161                                       | \$1,620,836                         | \$5,552,282                                 | \$14,584,322                  |
| 2002                               | \$0                                      | \$13,592,430                           | \$16,593,795                               | \$450,125                                       | \$3,856,538                         | \$1,305,297                                 | \$15,889,619                  |
| 2003                               | \$0                                      | \$15,845,693                           | \$19,502,287                               | \$258,188                                       | \$3,097,324                         | (\$301,082)                                 | \$15,588,537                  |
| 2004                               | \$0                                      | \$3,383,013                            | \$10,302,333                               | \$173,422                                       | \$5,228,781                         | (\$1,517,117)                               | \$14,071,420                  |
| 2005                               | \$1,740,000                              | \$5,771,303                            | \$5,984,665                                | \$420,431                                       | \$5,455,940                         | \$7,403,009                                 | \$21,474,429                  |
| 2006                               | \$4,003,000                              | \$7,541,353                            | \$9,056,139                                | \$830,827                                       | \$5,434,026                         | \$8,753,067                                 | \$30,227,496                  |
| 2007                               | \$0                                      | \$6,443,789                            | \$9,509,832                                | \$1,580,179                                     | \$6,047,052                         | \$4,561,188                                 | \$34,788,684                  |
| 2008                               | \$4,000,000                              | \$7,342,052                            | \$12,458,165                               | \$1,665,021                                     | \$7,291,214                         | \$7,840,122                                 | \$42,628,806                  |
| 2009                               | \$0                                      | \$7,018,243                            | \$15,758,218                               | \$1,561,383                                     | \$7,667,390                         | \$488,798                                   | \$43,117,604                  |
| 2010                               | \$1,400,000                              | \$19,239,171                           | \$34,967,414                               | \$965,854                                       | \$8,341,654                         | (\$5,020,735)                               | \$38,096,869                  |
| 2011                               | \$2,700,000                              | \$25,856,165                           | \$31,466,489                               | \$645,318                                       | \$10,093,087                        | \$7,828,081                                 | \$45,924,951                  |
| 2012                               | \$0                                      | \$5,746,527                            | \$15,471,367                               | \$409,962                                       | \$12,033,417                        | \$2,718,539                                 | \$48,643,490                  |
| 2013*                              | \$0                                      | \$4,124,353                            | \$13,747,267                               | \$559,924                                       | \$21,141,645                        | \$12,078,655                                | \$60,722,145                  |
| <b>FFY-2013 TOTALS</b>             | <b>\$28,843,000</b>                      | <b>\$149,447,463</b>                   | <b>\$228,614,191</b>                       | <b>\$12,246,092</b>                             | <b>\$98,799,781</b>                 | <b>\$60,722,145</b>                         |                               |

\*FFY-2013 State Match did not become available until after the FFY-2013 reporting period

Table 6: Binding Commitments and Federal Payment to the LOC

| Capitalization Grant Payments into ACH |         |                    |                    |                    |                    |                    |               |                    |                    |                    |                    |                              |                              |                          |                                       |
|----------------------------------------|---------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------|--------------------|--------------------|--------------------|--------------------|------------------------------|------------------------------|--------------------------|---------------------------------------|
| Federal FY (FFY)                       | Quarter | FFY-2005 Cap Grant | FFY-2006 Cap Grant | FFY-2007 Cap Grant | FFY-2008 Cap Grant | FFY-2009 Cap Grant | FFY-2009 ARRA | FFY-2010 Cap Grant | FFY-2011 Cap Grant | FFY-2012 Cap Grant | FFY-2013 Cap Grant | Cumulative Deposits into LOC | Required Binding Commitments | Year's Total Loan Awards | Cumulative Actual Binding Commitments |
| FFY1997-2004                           |         |                    |                    |                    |                    |                    |               |                    |                    |                    |                    |                              |                              |                          |                                       |
| 2005                                   | 1       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$60,649,068                 |                              |                          | \$103,114,915                         |
|                                        | 2       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$62,449,068                 | \$67,241,902                 |                          |                                       |
|                                        | 3       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$64,829,068                 | \$69,413,902                 |                          |                                       |
|                                        | 4       | \$7,868,900        |                    |                    |                    |                    |               |                    |                    |                    |                    | \$67,109,068                 | \$71,841,622                 |                          |                                       |
| 2006                                   | 1       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$76,040,018                 | \$72,778,882                 | \$8,333,321              | \$111,448,236                         |
|                                        | 2       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$76,040,018                 | \$74,938,882                 |                          |                                       |
|                                        | 3       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$76,040,018                 | \$77,794,882                 |                          |                                       |
|                                        | 4       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$76,040,018                 | \$80,530,882                 |                          |                                       |
| 2007                                   | 1       |                    | \$2,000,000        |                    |                    |                    |               |                    |                    |                    |                    | \$76,040,018                 | \$91,248,022                 | \$11,766,802             | \$123,215,038                         |
|                                        | 2       | \$416,600          | \$2,000,000        |                    |                    |                    |               |                    |                    |                    |                    | \$78,040,018                 | \$91,248,022                 |                          |                                       |
|                                        | 3       |                    | \$2,500,000        |                    |                    |                    |               |                    |                    |                    |                    | \$80,456,618                 | \$91,248,022                 |                          |                                       |
|                                        | 4       |                    | \$1,729,300        | \$2,800,000        |                    |                    |               |                    |                    |                    |                    | \$82,956,618                 | \$91,248,022                 |                          |                                       |
| 2008                                   | 1       |                    |                    | \$3,000,000        |                    |                    |               |                    |                    |                    |                    | \$87,485,918                 | \$91,248,022                 | \$15,888,454             | \$139,103,492                         |
|                                        | 2       |                    |                    | \$2,400,000        |                    |                    |               |                    |                    |                    |                    | \$90,485,918                 | \$93,648,022                 |                          |                                       |
|                                        | 3       |                    |                    | \$29,000           |                    |                    |               |                    |                    |                    |                    | \$92,885,918                 | \$96,547,942                 |                          |                                       |
|                                        | 4       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$92,914,918                 | \$99,547,942                 |                          |                                       |
| 2009                                   | 1       |                    |                    |                    | \$2,200,000        |                    |               |                    |                    |                    |                    | \$95,114,918                 | \$108,583,102                | \$33,569,703             | \$172,673,195                         |
|                                        | 2       |                    |                    |                    | \$2,200,000        |                    |               |                    |                    |                    |                    | \$97,314,918                 | \$111,463,102                |                          |                                       |
|                                        | 3       |                    |                    |                    | \$1,800,000        |                    | \$5,000,000   |                    |                    |                    |                    | \$104,114,918                | \$111,497,902                |                          |                                       |
|                                        | 4       |                    |                    |                    | \$1,800,000        |                    | \$5,000,000   |                    |                    |                    |                    | \$110,914,918                | \$111,497,902                |                          | \$210,148,313                         |
| 2010                                   | 1       |                    |                    |                    | \$146,000          | \$275,000          | \$5,000,000   |                    |                    |                    |                    | \$116,335,918                | \$114,137,902                |                          |                                       |
|                                        | 2       |                    |                    |                    |                    | \$1,650,000        | \$4,500,000   |                    |                    |                    |                    | \$122,485,918                | \$116,777,902                |                          |                                       |
|                                        | 3       |                    |                    |                    |                    | \$4,950,000        |               | \$8,000,000        |                    |                    |                    | \$135,435,918                | \$124,937,902                |                          |                                       |
|                                        | 4       |                    |                    |                    |                    | \$1,271,000        |               | \$6,125,000        |                    |                    |                    | \$142,831,918                | \$133,097,902                | \$14,994,884             | \$225,143,197                         |
| 2011                                   | 1       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$142,831,918                | \$139,603,102                |                          |                                       |
|                                        | 2       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$142,831,918                | \$146,983,102                |                          |                                       |
|                                        | 3       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$142,831,918                | \$162,523,102                |                          |                                       |
|                                        | 4       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$148,831,918                | \$171,398,302                | \$20,169,446             | \$245,312,643                         |
| 2012                                   | 1       |                    |                    |                    |                    |                    |               |                    | \$6,000,000        |                    |                    | \$152,633,918                | \$171,398,302                |                          |                                       |
|                                        | 2       |                    |                    |                    |                    |                    |               |                    | \$3,802,000        |                    |                    | \$152,633,918                | \$171,398,302                |                          |                                       |
|                                        | 3       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$152,633,918                | \$171,398,302                |                          |                                       |
|                                        | 4       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$152,633,918                | \$171,398,302                |                          |                                       |
| 2013                                   | 1       |                    |                    |                    |                    |                    |               |                    | \$9,000,000        |                    |                    | \$161,633,918                | \$178,598,302                | \$24,265,329             | \$269,577,972                         |
|                                        | 2       |                    |                    |                    |                    |                    |               |                    | \$341,000          |                    |                    | \$161,984,084                | \$183,160,702                |                          |                                       |
|                                        | 3       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$161,984,084                | \$183,160,702                |                          |                                       |
|                                        | 4       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$161,984,084                | \$193,960,702                | \$15,684,144             | \$285,262,116                         |
| 2014                                   | 1       |                    |                    |                    |                    |                    |               |                    |                    |                    | \$1,902,240        | \$163,886,324                | \$194,380,901                |                          |                                       |
|                                        | 2       |                    |                    |                    |                    |                    |               |                    |                    |                    | \$134,305          | \$164,020,629                | \$194,380,901                |                          |                                       |
|                                        | 3       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$164,020,629                | \$194,380,901                |                          |                                       |
|                                        | 4       |                    |                    |                    |                    |                    |               |                    |                    |                    |                    | \$164,020,629                | \$194,380,901                |                          |                                       |
| TOTALS                                 |         | \$8,285,500        | \$8,229,300        | \$8,229,000        | \$8,146,000        | \$8,146,000        | \$19,500,000  | \$14,125,000       | \$9,811,166        | \$9,341,000        | \$2,036,545        |                              |                              |                          |                                       |

**TABLE 7: DWSRF Administrative Expenses\***

|                               | Direct Salaries | Fringe    | Total Salaries/Fringe | Other | Indirect | Total Administrative Expenditures |
|-------------------------------|-----------------|-----------|-----------------------|-------|----------|-----------------------------------|
| <b>FFY- 2013 Expenditures</b> | \$409,988       | \$115,553 | \$525,542             | \$0   | \$85,138 | \$610,679                         |

**Note:** \* Amounts include both Federal Set-Aside funds and State funds

**TABLE 8: FFY-2013 DWSRF Set-Aside Expenses (excluding ARRA)**

**October 1, 2012 through September 30, 2013**

| CATEGORY        | Admin.<br>Setaside<br>(DWSRF) | Tech.<br>Assist.<br>(Contractor's Expenses) | Local<br>Assist. | Public<br>Water Sys<br>Supervision<br>(PWSS) |             |
|-----------------|-------------------------------|---------------------------------------------|------------------|----------------------------------------------|-------------|
|                 |                               |                                             |                  |                                              | TOTAL       |
| Personnel       | \$216,543                     | \$80,089                                    | \$67,735         | \$868,384                                    | \$1,232,751 |
| Fringe          | \$60,245                      | \$21,849                                    | \$12,820         | \$250,592                                    | \$345,506   |
| Indirect        | \$45,312                      | \$58,665                                    | \$11,210         | \$181,274                                    | \$296,461   |
| Contracts       | \$0                           | \$0                                         | \$373,778        | \$88,216                                     | \$461,995   |
| Other           | \$0                           | \$0                                         | \$0              | \$0                                          | \$0         |
| Total Direct:   | \$276,788                     | \$101,937                                   | \$454,333        | \$1,207,192                                  | \$2,040,252 |
| Total Indirect: | \$45,312                      | \$58,665                                    | \$11,210         | \$181,274                                    | \$296,461   |
| TOTALS          | \$322,100                     | \$160,603                                   | \$465,543        | \$1,388,466                                  | \$2,336,713 |

Note: Only Federal Set-Aside funds are shown

**TABLE 8a: FFY-2013 DWSRF Set-Aside Expenses (ARRA only)**

| CATEGORY                                | Tech Assist | Local Assist | Public Water Sys Supervision PWSS | TOTAL     |
|-----------------------------------------|-------------|--------------|-----------------------------------|-----------|
|                                         |             |              |                                   |           |
| October 1, 2012 thru September 30, 2013 |             |              |                                   |           |
| Personnel                               | \$38,668    | \$0          | \$0                               | \$38,668  |
| Fringe                                  | \$11,076    | \$0          | \$0                               | \$11,076  |
| Indirect                                | \$26,520    | \$0          | \$0                               | \$26,520  |
| Contracts                               | \$142,414   | \$0          | \$0                               | \$142,414 |
| Other                                   | \$0         | \$0          | \$0                               | \$0       |
| Total Direct:                           |             |              |                                   | \$76,264  |
| Total Indirect:                         |             |              |                                   | \$26,520  |
| TOTALS                                  |             |              |                                   | \$102,784 |

Note: Only Federal Set-Aside funds

**Appendix A**

**Audited DWSIRLF Financial Statements  
June 30, 2013**

**WINDHAM & LACEY, PLLC**  
*Certified Public Accountants*

STATE OF MISSISSIPPI  
DEPARTMENT OF HEALTH  
DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND

---

Audited Financial Statements  
June 30, 2013  
(With Comparative Totals for June 30, 2012)

State of Mississippi  
Department of Health  
Drinking Water Systems Improvements Revolving Loan Fund

Table of Contents

|                                                                                                                                                                                                                                                            | <u>Page</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Independent Auditor's Report.....                                                                                                                                                                                                                          | 1           |
| Financial Statements:                                                                                                                                                                                                                                      |             |
| Balance Sheet.....                                                                                                                                                                                                                                         | 4           |
| Statement of Revenues, Expenditures and Changes in Fund Balance.....                                                                                                                                                                                       | 5           |
| Notes to the Financial Statements.....                                                                                                                                                                                                                     | 6           |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of the Financial<br>Statements Performed in Accordance with<br><i>Government Auditing Standards</i> .....               | 13          |
| Independent Auditor's Report on Compliance with the Requirements Applicable<br>to the Environmental Protection Agency's Capitalization Grants for<br>Drinking Water State Revolving Funds in Accordance with<br><i>Government Auditing Standards</i> ..... | 15          |

# Windham and Lacey, PLLC

*Certified Public Accountants*

---

2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

September 27, 2013

Local Government and Rural Water System Improvement Board  
Mississippi State Department of Health  
Jackson MS

This letter is intended to inform the Local Government and Rural Water System Improvement Board about significant matters related to the conduct of the audit of the Drinking Water State Revolving Loan Fund (the Fund) so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Board.

In addition to our report on your financial statements, we have provided a report on internal control over financial reporting. The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

## **The Auditor's Responsibility Under Generally Accepted Auditing Standards**

Our audit of the financial statements of the Fund for the year ended June 30, 2013, was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting, or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute assurance about the financial statements. We believe that our audit accomplished that objective.

### **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed me that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. Estimates significant to the financial statements include the ability to collect receivable accounts and the useful lives of depreciable assets. The Commission may wish to monitor throughout the year the process used to compute and record these accounting estimates.

### **Audit Adjustments**

We are not proposing any audit adjustments to the financial statements of the Fund.

### **Uncorrected Misstatements**

We did not detect any uncorrected misstatements for the Fund.

### **Accounting Policies and Alternative Treatments**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Mississippi State Department of Health. The Mississippi State Department of Health did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period that should be brought to your attention for approval.

### **Other Information in Documents Containing Audited Financial Statements**

We are not aware of any other documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the Fund.

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters in regard to matters related to audit adjustments, accounting principles, accounting policies and procedures, financial statement disclosures, and financial statement presentation.

### **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

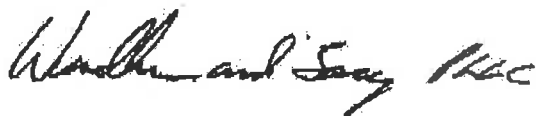
### **Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

### **Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Mississippi State Department of Health.

This report is intended solely for the information and use of the Board, and management and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC

# Windham and Lacey, PLLC

## *Certified Public Accountants*

---

2708 Old Brandon Road, Pearl, MS 39208  
(601)939-8676 Fax (601)939-8761  
windhamandlacey.com

P O Box 759, Crystal Springs, MS 39059  
(601)892-4001

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

### **Independent Auditor's Report**

Local Governments and Rural  
Water Systems Improvements Board  
Mississippi State Department of Health

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Drinking Water Systems Improvements Revolving Loan Fund (the Fund) of the Local Governments and Rural Water Systems Improvements Board, as administered by the Mississippi State Department of Health, an agency of the State of Mississippi, as of and for the year ended June 30, 2013, as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements referred to above are intended to present only the financial position and results of operations of the Drinking Water Systems Improvements Revolving Loan Fund of the Local Governments and Rural Water Systems Improvements Board, as administered by the Mississippi State Department of Health, an agency of the State of Mississippi. These statements are not intended to present the financial position and results of operations for the State of Mississippi or the Mississippi State Department of Health, of which the Fund is a part.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued a report, dated September 27, 2013, on our consideration of the Drinking Water Systems Improvements Revolving Loan Fund of the Local Governments and Rural Water Systems Improvements Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Windham and Lacey, PLLC  
September 27, 2013

DEPARTMENT OF HEALTH  
DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND

FINANCIAL STATEMENTS

STATE OF MISSISSIPPI  
DEPARTMENT OF HEALTH  
DRINKING WATER SYSTEMS IMPROVEMENTS  
REVOLVING LOAN FUND  
BALANCE SHEET  
JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR 2012)

| ASSETS                                    | 2013                  | 2012               |
|-------------------------------------------|-----------------------|--------------------|
| Equity in internal investment pool        | \$ 54,706,433         | 38,732,384         |
| Receivables:                              |                       |                    |
| Loans receivable                          | 51,832,207            | 50,603,398         |
| Due from other governments                | 89,551,125            | 96,884,170         |
| Due from federal government               | 81,156                | 225,634            |
| Interest receivable on investments        | 26,108                | 44,546             |
| <b>TOTAL ASSETS</b>                       | <b>\$ 196,197,029</b> | <b>186,490,132</b> |
| <br>LIABILITIES AND FUND BALANCE          |                       |                    |
| LIABILITIES:                              |                       |                    |
| Warrants payable                          | \$                    | 1,034              |
| Accounts payable                          | 52,426                | 231,996            |
| Due to other funds                        | 29,943                |                    |
| Due to local governments                  |                       | 1                  |
| <b>TOTAL LIABILITIES</b>                  | <b>82,369</b>         | <b>233,031</b>     |
| <br>FUND BALANCE:                         |                       |                    |
| Restricted for health and social service  | 196,114,660           | 186,257,101        |
| <b>TOTAL FUND BALANCE</b>                 | <b>196,114,660</b>    | <b>186,257,101</b> |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <b>\$ 196,197,029</b> | <b>186,490,132</b> |

See accompanying Notes to Financial Statements.

DEPARTMENT OF HEALTH  
 DRINKING WATER SYSTEMS IMPROVEMENTS  
 REVOLVING LOAN FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 YEAR ENDED JUNE 30, 2013  
 (WITH COMPARATIVE TOTALS FOR 2012)

|                                                                                                 | 2013           | 2012        |
|-------------------------------------------------------------------------------------------------|----------------|-------------|
| REVENUES:                                                                                       |                |             |
| Interest on loans                                                                               | \$ 4,274,961   | 3,223,833   |
| Interest on investments                                                                         | 492,568        | 467,466     |
| Loan administration fee                                                                         | 629,520        | 462,753     |
| Federal programs                                                                                | 9,136,996      | 6,336,446   |
| Federal programs- ARRA                                                                          | 139,892        | 286,705     |
| TOTAL REVENUES                                                                                  | 14,673,937     | 10,777,203  |
| EXPENDITURES:                                                                                   |                |             |
| Administrative expenses                                                                         | 888,529        | 1,772,748   |
| Principal forgiveness - Other                                                                   | 1,539,999      | 3,264,074   |
| TOTAL EXPENDITURES                                                                              | 2,428,528      | 5,036,822   |
| EXCESS OF REVENUES OVER EXPENDITURES                                                            | 12,245,409     | 5,740,381   |
| OTHER FINANCING SOURCES (USES):                                                                 |                |             |
| Proceeds from bonds issued                                                                      | 0              | 2,700,000   |
| Transfers, net                                                                                  | (2,387,850)    | (1,933,778) |
| TOTAL OTHER FINANCING SOURCES (USES)                                                            | (2,387,850)    | 766,222     |
| EXCESS OF REVENUES AND OTHER FINANCING<br>SOURCES OVER EXPENDITURES AND OTHER<br>FINANCING USES | 9,857,559      | 6,506,603   |
| FUND BALANCE:                                                                                   |                |             |
| Beginning of Year                                                                               | 186,257,101    | 179,750,498 |
| End of Year                                                                                     | \$ 196,114,660 | 186,257,101 |

See accompanying Notes to Financial Statements.

STATE OF MISSISSIPPI  
Department of Health  
Drinking Water Systems Improvements Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2013

**1. ORGANIZATION OF THE FUND.**

The Mississippi State Legislature established the Drinking Water Systems Improvements Revolving Loan Fund (the Fund) pursuant to the federal Safe Drinking Water Act Amendments of 1996. The Act created the revolving loan fund program to provide low interest rate loans to counties, municipalities, districts and other tax-exempt water systems organizations for construction of new water systems, the expansion or repair of existing water systems and/or the consolidation of new or existing water systems. The State law further provides that any such federal funds shall be used and expended only in accordance with federal laws, rules and regulations governing the expenditure of such funds. The State law created the Local Governments and Rural Water Systems Improvements Board (the Board) to implement the loan program and otherwise administer provisions of the law.

Loans are awarded on a priority system, which gives maximum priority to projects needed to comply with the federal Safe Drinking Water Act (SDWA), projects that provide the greatest protection to public health and those projects which assist systems most in need on a per household basis. Interest rates charged on loans will be at or below market interest rates as determined by the Board, with up to 20 years allowed for repayment.

Federal funds are provided through federal capitalization grants pursuant to Section 1452 of the SDWA Amendments of 1996. The amount of each grant is determined by the State's U.S. Environmental Protection Agency (EPA) allocated share of the annual federal appropriation for the program. The award of each grant is conditioned on the State depositing an amount into the Fund equaling 20% of the amount of each federal capitalization grant. The State Legislature authorized the issuance of the state general obligation bonds to provide state funds for the program. \$28,843,000 of the proceeds from the sale of these bonds has been deposited into the Fund. These funds are invested by the State Treasurer until such time that the funds are needed to meet state matching requirements on loan payments. As of June 30, 2013, the EPA had awarded \$150,136,400 in capitalization grants to the State, requiring \$30,027,280 in state matching funds.

The Fund is administered by the Mississippi State Department of Health (MSDH) under the direction of the Board. MSDH's primary activities include loans for drinking water systems and management and coordination of the Fund. The Board consists of the following nine voting members: the State Health Officer; the Executive Directors of the Mississippi Development Authority; the Department of Environmental Quality; the Department of Finance and Administration; the Mississippi Association of Supervisors; the Mississippi Municipal League; and the American Council of Engineering Companies of Mississippi; the State Director of the United States Department of Agriculture, Rural Development; and a manager of a rural water system. The manager of a rural water system is appointed by the Governor from a list of candidates provided by the Executive Director of the Mississippi Rural Water Association. Non-appointed members of the Board may designate another representative of their agency or association to serve as an alternate. The gubernatorial appointee serves a term concurrent with the Governor and until a successor is appointed.

The Fund does not have any full-time employees. MSDH provides employees to manage the program.

STATE OF MISSISSIPPI  
Department of Health  
Drinking Water Systems Improvements Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2013

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

***Basis of Accounting***

The Fund presents its financial statements as a general fund and uses the modified accrual basis of accounting. Revenues are recognized when both "measurable and available". Measurable means the amount can be determined. Available means amounts collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related liability is incurred. The Fund applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable statements issued by the Financial Accounting Standards Board.

***Loans Receivable and Due From Other Governments***

The State operates the Fund as a direct loan program, whereby loans made to drinking water systems are 80.77% funded by the federal capitalization grant and 19.23% by the state matching amount. Loan funds are disbursed to the loan recipients upon receipt of a request from the loan recipient for the purposes of the loan. Interest is calculated from initial contract completion date. After the final disbursement has been made, the payment schedule identified in the loan agreement is adjusted for the actual amounts disbursed, plus interest accrued from initial contract completion date to initiation of repayment process.

***Fund Balance***

In accordance with Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the governmental fund balance is classified as follows:

Restricted: includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The fund balance in the fund is Restricted for Health and Social Service due to federal grant requirements, bond issuance provisions, and state and federal legislation.

***Budget Information***

Under the Constitution of the State of Mississippi, money may only be drawn from the Treasury by a legal appropriation. The Fund operations are included in MSDH's annual budget.

**3. EQUITY IN INTERNAL INVESTMENT POOL.**

All monies of the Fund are deposited with the State Treasurer and are considered to be cash and cash equivalents. The Treasurer is responsible for maintaining the cash balances in accordance with state laws, and excess cash is invested in the State's cash and short-term investment pool. Details of the investments of the internal investment pool for state agencies can be obtained from the State Treasurer. As of June 30, 2013, the State's total pooled deposits and investments for state agencies were approximately \$3.4 billion, and the average remaining life of the securities invested was 3.6 years. The earnings for the total pooled investments for the year ended June 30, 2013 were approximately \$7.7 million.

STATE OF MISSISSIPPI  
Department of Health  
Drinking Water Systems Improvements Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2013

Loans mature at various intervals through June 30, 2033. The scheduled principal payments on loans maturing in subsequent years are as follows:

| <u>Years Ending June 30</u> | <u>Amount</u>         |
|-----------------------------|-----------------------|
| Completed projects:         |                       |
| 2014                        | \$ 8,822,667          |
| 2015                        | 8,676,518             |
| 2016                        | 8,888,372             |
| 2017                        | 9,010,903             |
| 2018                        | 9,129,217             |
| Thereafter                  | 93,212,547            |
| Projects in progress        | <u>3,643,108</u>      |
|                             | <u>\$ 141,383,332</u> |

***Loan Administrative Fees***

The Fund collects administrative fees from each loan recipient at 5% of the loan amount. Prior to July 1, 2009, these administrative fees were added to the loan amount as the loan principal to be repaid by the loan recipient. Financial Accounting Standards Board Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Direct Initial Costs of Leases* (FASB 91), considers these fees to be origination fees and requires that loan origination fees be deferred and recognized over the life of the loan as an adjustment to the interest rate. FASB 91 also requires that the unamortized balance of such fees be reported as part of the loan to which it relates. Beginning July 1, 2009, the Fund collects administrative fees from the interest portion of loan repayments. Interest payments from each loan recipient are reclassified to administrative fee income until the entire administrative fee for that loan has been collected. Loan administration fee revenue of \$629,520 was collected in 2013.

Details of the unamortized loan origination fees included in loans receivable and due from other governments at June 30, 2013, follow:

| <u>Description</u> | <u>Unamortized<br/>Loan<br/>Origination Fees</u> |
|--------------------|--------------------------------------------------|
| Completed projects | \$ 4,462,009                                     |

Amortization of loan origination fees on completed projects was \$787,307 for the year ended June 30, 2013, and is included in interest on loans on the Statement of Revenues, Expenditures and Changes in Fund Balance.

STATE OF MISSISSIPPI  
Department of Health  
Drinking Water Systems Improvements Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2013

***Major Loans to Drinking Water Systems***

As of June 30, 2013, the Fund had made loans to 31 drinking water systems that, in the aggregate, exceeded \$1,500,000. The outstanding balances of these loans represent approximately 77.25% of the total loans receivable, as follows:

| <u>Local Agency</u>                                  | <u>Authorized<br/>Loan Amount</u> | <u>Outstanding<br/>Balance</u> |
|------------------------------------------------------|-----------------------------------|--------------------------------|
| ACL Water Association                                | \$ 1,601,571                      | \$ 1,045,490                   |
| Adams County Water Association                       | 2,844,725                         | 1,755,742                      |
| Bear Creek Water Association                         | 8,989,445                         | 6,289,294                      |
| City of Clinton                                      | 3,015,289                         | 2,417,236                      |
| City of Gautier                                      | 2,677,171                         | 2,052,600                      |
| City of Hernando                                     | 2,177,042                         | 902,901                        |
| City of Horn Lake                                    | 2,283,457                         | 1,181,804                      |
| City of Long Beach                                   | 1,521,484                         | 772,633                        |
| City of Ocean Springs                                | 5,497,240                         | 4,281,881                      |
| City of Pearl                                        | 3,809,906                         | 3,047,855                      |
| City of Ridgeland                                    | 1,771,699                         | 1,574,831                      |
| City of Southaven                                    | 11,270,753                        | 8,373,409                      |
| City of Tupelo                                       | 1,567,652                         | 1,128,761                      |
| City of West Point                                   | 1,536,148                         | 914,514                        |
| Collinsville Water Association                       | 1,530,000                         | 967,295                        |
| Corinth Utilities Commission                         | 47,034,278                        | 44,645,197                     |
| Culkin Water District                                | 2,912,864                         | 2,048,330                      |
| Fannin Water Association                             | 1,566,435                         | 973,004                        |
| Fisher Ferry Water District                          | 3,105,984                         | 2,239,819                      |
| Greenfield Water Association                         | 2,150,808                         | 1,537,164                      |
| Hilldale Water District                              | 3,321,810                         | 2,383,773                      |
| Lewisburg Water Association                          | 1,948,907                         | 1,239,962                      |
| Town of Morton                                       | 2,188,373                         | 1,634,238                      |
| Northeast Mississippi Regional Water Supply District | 2,677,553                         | 1,345,951                      |
| Pleasant Hill Water Association                      | 1,935,359                         | 158,104                        |
| Progress Community Water Association                 | 1,748,791                         | 1,195,366                      |
| Southeast Rankin Water Association                   | 1,921,226                         | 1,040,788                      |
| Southwest Jones Water Association                    | 1,871,292                         | 1,671,256                      |
| Town of Caledonia                                    | 3,285,745                         | 2,995,722                      |
| Walls Water Association                              | 3,775,223                         | 2,161,209                      |
| West Jackson Utility District                        | 7,076,029                         | 5,239,615                      |
|                                                      | <u>\$ 140,614,259</u>             | <u>\$ 109,215,744</u>          |

STATE OF MISSISSIPPI  
Department of Health  
Drinking Water Systems Improvements Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2013

**5. GRANT AWARDS.**

The Fund is funded by Capitalization Grants from the EPA authorized by Section 1452 of the SDWA Amendments of 1996 and matching funds from the State. All federal funds drawn are recorded as grant awards from the EPA. As of June 30, 2013, the EPA has awarded capitalization grants of \$150,136,400 to the State, of which \$142,721,669 has been drawn for loans and administrative expenses. The State has provided matching funds of \$28,843,000 from seven general obligation bond issues by the State. The proceeds from these bonds were deposited into the Fund for state matching. The following summarizes the capitalization grants awarded, amounts drawn on each grant and balances available for future loans:

| Year                                     | Grant Amount          | Draws                 |                     | Through June 30, 2013 | Available June 30, 2013 |
|------------------------------------------|-----------------------|-----------------------|---------------------|-----------------------|-------------------------|
|                                          |                       | Through June 30, 2012 | 2013 Draws          |                       |                         |
| 1997                                     | \$ 16,474,200         | \$ 16,474,200         | \$                  | \$ 16,474,200         | \$ 0                    |
| 1998                                     | 8,271,700             | 8,271,700             |                     | 8,271,700             | 0                       |
| 1999                                     | 8,669,500             | 8,669,500             |                     | 8,669,500             | 0                       |
| 2000                                     | 9,010,100             | 9,010,100             |                     | 9,010,100             | 0                       |
| 2001                                     | 9,047,400             | 9,047,400             |                     | 9,047,400             | 0                       |
| 2002                                     | 8,052,500             | 8,052,500             |                     | 8,052,500             | 0                       |
| 2003                                     | 8,004,100             | 8,004,100             |                     | 8,004,100             | 0                       |
| 2004                                     | 8,303,100             | 8,303,100             |                     | 8,303,100             | 0                       |
| 2005                                     | 8,285,500             | 8,285,500             |                     | 8,285,500             | 0                       |
| 2006                                     | 8,229,300             | 8,229,300             |                     | 8,229,300             | 0                       |
| 2007                                     | 8,229,000             | 8,229,000             |                     | 8,229,000             | 0                       |
| 2008                                     | 8,146,000             | 8,047,927             | 98,073              | 8,146,000             | 0                       |
| 2009                                     | 8,146,000             | 7,775,512             | 370,488             | 8,146,000             | 0                       |
| 2010                                     | 14,125,000            | 13,379,503            | 519,530             | 13,899,033            | 225,967                 |
| 2011                                     | 9,802,000             | 3,694,219             | 6,033,530           | 9,727,749             | 74,251                  |
| 2012                                     | 9,341,000             | 0                     | 2,226,487           | 2,226,487             | 7,114,513               |
|                                          | <u>\$ 150,136,400</u> | <u>\$ 133,473,561</u> | 9,248,108           | <u>\$ 142,721,669</u> | 7,414,731               |
| Receivable, June 30, 2012                |                       |                       | (192,268)           |                       |                         |
| Receivable, June 30, 2013                |                       |                       | 81,156              |                       | (81,156)                |
| Grant revenues, modified accrual basis   |                       |                       | <u>\$ 9,136,996</u> |                       |                         |
| Amount available, modified accrual basis |                       |                       |                     |                       | <u>\$ 7,333,575</u>     |

As of June 30, 2012 and 2013, state matching contributions were as follows:

| Description          | Contributions Through June 30, 2012 | Fiscal Year 2013 Contributions | Contributions Through June 30, 2013 |
|----------------------|-------------------------------------|--------------------------------|-------------------------------------|
| State of Mississippi | <u>\$ 28,843,000</u>                | <u>\$ 0</u>                    | <u>\$ 28,843,000</u>                |

STATE OF MISSISSIPPI  
Department of Health  
Drinking Water Systems Improvements Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2013

**6. ARRA GRANT AWARDS.**

In 2009, the EPA awarded the Fund a \$19,500,000 American Recovery and Reinvestment Act of 2009 grant. The Fund did not begin drawing funds from the grant until fiscal year 2010. As of June 30, 2013, the Fund has drawn \$19,500,000 for loans and administrative expenses. There is no matching requirement for this grant.

The Fund has disbursed loans and administrative and small system technical assistance expenses totaling \$19,500,000 from grant funds received or accrued. Provisions of the grant require the Fund to use at least 50% of grant funds to provide additional subsidization to water systems in the form of principal forgiveness. In fiscal year ended June 30, 2010, the Fund granted principal forgiveness of \$6,693,622. In fiscal year ended June 30, 2011, the Fund granted principal forgiveness of \$3,197,144 for a total through June 30, 2013 of \$9,890,766.

The following summarizes the ARRA grant awarded, amounts drawn on each grant and balances available for future loans and expenses:

| Year                                        | ARRA<br>Grant<br>Amount | Draws                    |                   | Through<br>June 30, 2013 | Available<br>June 30, 2013 |
|---------------------------------------------|-------------------------|--------------------------|-------------------|--------------------------|----------------------------|
|                                             |                         | Through<br>June 30, 2012 | 2013<br>Draws     |                          |                            |
| 2009                                        | \$ 19,500,000           | \$ 19,326,742            | \$ 173,258        | \$ 19,500,000            | \$ 0                       |
|                                             | <u>\$ 19,500,000</u>    | <u>\$ 19,326,742</u>     | 173,258           | <u>\$ 19,500,000</u>     | 0                          |
| Receivable, June 30, 2012                   |                         |                          | (33,366)          |                          |                            |
| Receivable, June 30, 2013                   |                         |                          | <u>0</u>          |                          | <u>0</u>                   |
| ARRA grant revenues, modified accrual basis |                         |                          | <u>\$ 139,892</u> |                          |                            |
| Amount available, modified accrual basis    |                         |                          |                   |                          | <u>\$ 0</u>                |

**7. CONTINGENCIES.**

The Fund is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, and injuries to state employees while performing Fund business, or acts of God. MSDH maintains insurance for some risks of loss. Risks of loss related to torts are administered by the Mississippi Tort Claims Board. Since its inception in 1996, there have not been any claims against the Fund.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Drinking Water Systems Improvements Revolving Loan Fund of the Local Governments and Rural Water Systems Improvements Board's financial statements as administered by the Mississippi State Department of Health are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

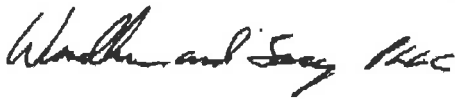
A handwritten signature in cursive script, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC  
September 27, 2013

We conducted our audit of compliance with those requirements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Fund's compliance with those requirements.

In our opinion, the Fund complied, in all material respects, with the requirements governing activities allowed or unallowed; allowable costs/cost principles; cash management; state matching; period of availability of federal funds and binding commitments; procurement, suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to the Drinking Water Systems Improvements Revolving Loan Fund of the Local Governments and Rural Water Systems Improvements Board for the year ended June 30, 2013.

This report is intended for the information and use of management, the Local Governments and Rural Water Systems Improvements Board, others within the entity, the Governor, Members of the Legislature and the United States Environmental Protection Agency and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC  
September 27, 2013