

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

**ANNUAL REPORT
FOR
FEDERAL FISCAL YEAR 2017
(10/01/16 through 09/30/17)**



Prepared
for the
U.S. Environmental Protection Agency, Region IV
by



MISSISSIPPI STATE DEPARTMENT OF HEALTH

and the

Local Governments and Rural Water Systems

Improvements Board

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**FFY-2017 OVERVIEW
DWSIRLF PROGRAM
FOR
MISSISSIPPI**

Total Federal Investment: \$213.8 million (Table 4)

New Construction Projects (Executed Assistance Agreements): 19 (Table 1)

New Project Funding (Executed Assistance Agreements): \$36.8 million (Table 1)

Total Population Served (New Construction Projects): 192,123 (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: 12 systems for a total of \$12.4 million (Table 1)

Disadvantaged Community Funding: 9 systems for a total of \$7.7 million (Table 1)

Total Cumulative Set-Aside Assistance: \$31.7 million (Table 4)

Cumulative Assistance to Projects as a % of funds available: 92% (Table 4)

**Cumulative Assistance to Projects as a % of total Federal Grant funds received: 163%
(Table 4)**

DRINKING WATER STATE REVOLVING FUND ANNUAL REPORT Federal Fiscal Year (FFY) 2017

I. Introduction

The State of Mississippi is pleased to submit the Annual Report on the Drinking Water Systems Improvements Revolving Loan Fund (DWSIRLF) Program for the Federal Fiscal Year (FFY) 2017. The report outlines the operation of the DWSIRLF program during the time period from October 1, 2016, through September 30, 2017.

This report outlines the accomplishments of the DWSIRLF program as related to the goals and objectives set forth in the FFY-2017 Intended Use Plan (IUP) and amendments. 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 Capitalization (Cap) Grants from the 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 (each of whom may appoint a designee):

- 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 Capitalization (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, however, since 2014 the State Legislature has provided a direct appropriation for the State match funds.

The purpose of an IUP is to convey Mississippi's DWSIRLF plan to the EPA, other agencies, the state's public water supplies, and the general public. The FFY-2017 IUP and amendments describe how the State of Mississippi will obligate the DWSIRLF Cap grant allotment.

The IUP for FFY-2017 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 an existing system with other systems to correct existing deficiencies and improve management

III. Goals and Accomplishments

The Board established goals for the DWSIRLF Program with the objective of improving the Program on an ongoing basis. The goals were classified into three categories; basic, long-term, and short-term. These goals were developed to address the necessary requirements of federal and state regulations and 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-2017. 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 and operate/maintain the project). A 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 is updated as needed to account for needs that have been met and for new public health concerns.

B. Long-Term DWSIRLF Program Goals

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

During the present fiscal year 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 of which old inactive well are one. 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 as standard operating procedure. When the improvements to the tracking system are completed, the system will provide DWSIRLF, loan recipients and loan recipients 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; since the last annual report, there have been several staff changes and 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 Program Goals

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

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 has continue to improve. However, this is an ongoing process.

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. 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 and those made available by other training providers. This will continue in the future.

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

The DWSIRLF Program has been able to meet all the Special Funding Goals set forth in the Federal Appropriations even during the hard budget times when the program funds have been reduced as the State has experienced budget shortfalls.

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 totally in place at this time, due to difficulties the state is encountering in implementing a new state-wide financial accounting system. We have entered into agreement with Mississippi Interactive to create the capability at no cost to the program.

D. Appropriation Provision Goals

1. Green Project Reserve

Since FFY-2016 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 may be reported as green infrastructure to the EPA through its "Project and Benefits Report Database". Since FFY-2016 no recipient in Mississippi has chosen to have its 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

The since FFY-2012, Cap Grant agreements have required that a minimum of 20% of the appropriation, and for some years as much as 30% of the appropriation, be provided in the form of additional subsidization to a Loan Recipient (LR). The additional subsidization may be provided by either a negative interest rate, Principal Forgiveness (PF) or a combination of the two. In Mississippi, Principal Forgiveness may only be provided when Federal funds are used in a project; PF may not be provided if only State funds are used for a project. Principal Forgiveness may be awarded over a two year time period from the date it is received.

If a project only received State funds, PF may not be provided. Also, PF may not exceed the amount of Federal funds provided to a project. If a project is eligible for an amount greater than the amount of Federal funds provided to a project, the

amount of PF that the project may receive is limited to the amount of Federal funds provided.

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 the DWSIRLF funding sources and related uses for the reporting period.

A. Sources of DWSIRLF Funding

1. Capitalization Grant

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 \$213,808,565 (Table 4) have been received. Revenue for the current reporting period is shown in Tables 3, 4, and 5.

The FFY-2017 Cap grant in the amount of \$8,534,000 (Table 4) was awarded September 13, 2017. The FFY-2016 EPA Cap grant in the amount of \$8,607,000 was awarded September 22, 2016. The FFY-2016 EPA Cap grant was the only source of Federal Cap grant funds available for the program in FFY-2017.

Other available sources of funds for the FFY-2017 reporting period were "Loan Repayments" (\$14,171,495) (Table 3), Interest Earned on State Funds deposited into the Fund (\$879,811) (Table 3) and Loan Decreases (\$4,095,705) (Table 3).

Available funding for projects since the DWSIRLF inception totals \$378.5 million (Table 4). This does not include set-asides but does include the special ARRA appropriation which was received in 2009 (Table 3 & 4). The various sources of funding for the DWSIRLF program include Federal Cap Grants, state match, interest on deposits, special appropriations, and repayments. The State of Mississippi does not utilize leveraging in funding the DWSRF Program. Further details of these funding sources are provided below and in Table 4.

2. State Match

Since the Program's inception until 2013, the State of Mississippi provided the required state match through the sale of state general obligation bonds which totaled \$29,843,000. For years 2014, 2015 and 2016 the State Legislature provided direct funding for the program. The direct appropriations from the legislature for these years were not enough to meet the required 20% State match for the EPA Cap grants. Therefore, for each year, in addition to the State appropriation, the Board authorized the use of funds from the State Drinking

Water Systems Emergency Loan Fund (DWSELF) program (a state funded loan program) as additional state match for the Cap Grant funds. For the FFY-2017 Reporting Period, the FFY-2016 EPA Cap grant in the amount of \$8,607,000 (which received its State match of \$1,721,400 in 2016) was the only source of Federal Cap grant funds available to the program.

The FFY-2017 EPA Cap grant (\$8,534,000) was not awarded until September 13, 2017; however, the 2017 State legislature did not authorize any State match for the FFY-2017 EPA Cap grant, the grant award requires a State match of 20% (\$1,706,800) of the grant. A present, the FFY-2017 EPA Cap grant will not be available for the program in FFY-2018.

The additional state match required for the 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 during the Reporting Period.

3. Interest Earnings

Since the Program's inception, the DWSIRLF has received interest on deposits in the State treasury totaling \$14,958,347 (Tables 3, 4 & 5). For FFY-2017, interest received totaled \$879,811 (Tables 3, 4 & 5).

4. Repayments

Since the Program's inception, the DWSIRLF has received repayments totaling \$150,645,613 (Tables 3, 4 & 5). During FFY-2017, the repayments received totaled \$14,171,495 (Tables 3, 4 & 5).

5. Administrative Fees Received and Disbursed

For FFY-2017, the total amount of Administrative Fees received from Improvement Loan Repayments equaled \$827,483 (FFY Monthly Deposits Report & Magic Revenue Report).

In FFY-2017 disbursements for DWSRF Administrative expenses totaled \$698,750 (Table 7 & Magic Expenditure Reports).

DWSRF Administrative expenses covered by Cap Grant set-asides equaled \$265,655 (Table 8 & W16B expenditure report) and DWSRF Administrative expenses covered by State Funds (Administrative Fees from Improvement Loan Repayments) equaled \$433,095 (Magic Expenditure Report).

B. Uses of DWSIRLF Funds

The set-asides utilized by DWSIRLF funded the administration of the DWSRF program, the Technical Assistance To Small Public Water Systems program, the

Source Water Protection program, and a portion of the Public Water Systems Supervision (PWSS) program. Details of each of these uses are provided in Section IV.B.2.

The FFY-2017 Cap grant in the amount of \$8,534,000 (Table 4) was awarded September 13, 2017, so the FFY-2016 EPA Cap grant (\$8,607,000) which was awarded September 22, 2016, was used to operate the DWSRF program in FFY-2017.

At the beginning of the FFY-2017 reporting period, the FFY-2016 set-asides (\$2,108,680) (Table 4) along with some carryover from previous years were the only Federal funds available for the administration of the DWSRF programs (the small system technical assistance program; the local assistance program; and the state management program assistance).

In FFY-2017 the total funding available for project improvement loans was \$65,807,919. This amount is the balance of funds from the previous year (\$46,660,908) (Table 3) and the additional revenue received during the FFY-2017 reporting period, \$19,147,011 (Table 3 Repayments \$14,171,465 + Interest Earned \$879,811 + Loan Adjustments (decreases) \$4,095,705). FFY-2017 Cap Grant funds (\$6,359,920) available for funding projects along with State Appropriation match funds (\$0.00) were not available during the FFY-2017 reporting period.

1. Binding Commitments

Table 1 provides details on the projects receiving assistance during FFY-2017. During the FFY-2017 reporting period, DWSIRLF awarded 19 loans totaling approximately \$36.8 million. Loans made during the reporting period had an interest rate of 1.95% with a 20-year repayment period, and the individual loan amounts ranged in size from \$554,475 to \$8,114,980. A combined population of 192,123 benefited from these loans. Individual populations affected by each loan ranged from 316 to 40,000.

Bypassed Projects

During FFY-2017 no projects on the “Priority List” which provided the required information were bypassed due to lack of funding.

Small Systems

During FFY-2017 approximately \$12.4 million (Table 1) in DWSIRLF loans were awarded to small water systems, serving populations of 10,000 or less. Of the \$12.4 million, approximately \$7.7 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 portion of Mississippi.

In FFY-2017, 33.78% (Table 1) of all available DWSIRLF funds were awarded to small communities with populations of 10,000 or less; additionally 20.98% (Table 1) of available loan funds were awarded to very small communities with populations of 5,000 or less.

Disadvantaged Community Systems

In FFY-2017 with the Federal funds which became available at the end of 2016, the funding provided by the State legislature and the repayments from previous loans, nineteen (19) initial loans were awarded in an amount of \$36,808,606. Of the 19 initial loans no PF was awarded because the 2017 State legislature did not provide funds for the FFY-2017 State match; it is hoped that the 2018 State legislature will provide funding which will cover both FFY-2017 & FFY-2018. The FFY-2017 EPA Cap grant required subsidization (PF) in the amount of 20% (\$1,706,800) of the 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. 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.

MHI’s to be used for calculating PF is determined by the MSDH program “Household Income Estimates within Water System Boundaries for each Public Water Supply within the State of Mississippi”. If the “Household Income Estimates within Water System Boundaries for each Public Water Supply is not available “The Sourcebook of Zip Code Demographics”, Twenty-third Edition, will be used, and where an affected community is included in more than one zip code area, an average will be used for the community’s MHI.

In the event that an awarded loan recipient declines their loan award which includes PF funds, the PF funds will be reallocated to other awarded projects that are eligible for PF. The returned PF 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-2017 reporting period, the DWSIRLF program utilized the available set-asides 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)

Based on the funding cycle for the state match funds and award cycle for the EPA Cap Grants, the FFY-2016 Cap grant was used to fund the FFY-2017 program in the reporting period. Also the 4% Administrative Set-aside from the FFY-2008 Cap grant (\$325,840) was used for the administration of the program during this time period. In the FFY-2016 Cap grant application the state reserved the FFY-2016 Administrative Set-aside (\$344,280) to be used at a later date and replaced it with the FFY-2008 Administrative Set-aside (\$325,840).

In addition to the 4% Administrative set-aside, DWSRF Mississippi charges a 5% Administrative fee in an amount equal to 5% of the loan recipient's (LRs) initial loan amount. The administrative fee is paid back to the program as a portion of the loan repayment. This insures a continuous source of funding for the administration of the DWSRF program.

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 interest portion of the loan repayments of each loan until the 5% administrative fee is repaid.

During the FFY-2017 reporting period, \$698,750 (Table 7) was disbursed for DWSRF program administrative expenses, of which \$265,655 were FFY-2016 Program Set-aside funds (Table 8).

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

During the FFY-2017 reporting period this program used the Small Systems Technical Assistance (Tech Assist) set-aside from the FFY-2016 EPA Cap Grant (\$172,140) and a small amount remaining from the FFY-2015 EPA Cap Grant (\$181,980, Table 4). The funds expended during the FFY-2017 reporting period totaled \$149,878 (Table 8). Contracts for the Small Systems Technical Assistance operated on the State Fiscal Year (SFY) July 1 to June 30 of the next year.

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

a. Special Assistance to Referred Systems.

Objective: The objective of this contract is to provide on-site technical support to small systems which have technical problems and deficiencies, and which are referred to the contractor by the Mississippi State Department of Health (MSDH).

This contract is based on the State Fiscal Year (SFY) July 1 through June 30 of the following year. The contract requires the contractor provide comprehensive technical assistance to address major deficiencies in the public water systems selected for assistance during the contract year. For the contract period from July 1, 2016 to June 30, 2017, long-term technical assistance was to be provided to an equivalent of twelve (12) public water systems per contract year, and for the contract period from July 1, 2017 to June 30, 2018, long-term technical assistance was to be provided to an equivalent of twelve (12) public water systems per contract year. At a minimum, the contractor is required to provide, during the contract period, long term comprehensive assistance to at least one half the number of small public water systems selected from the list of troubled small water systems provided by MSDH. For the remainder of the contract, the contractor may 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 assistance is still performed as needed. The information listed for the reporting period will be separated into two different time periods.

Accomplishments: For Contract Year 2017 (July 1, 2016 to June 30, 2017) long-term technical assistance was provided under contract by MSU Extension Service. (MSU-Ex) to 12 small community public water systems referred by MSDH. No Intermediate assistance was reported.

For Contract Year 2018 (July 1, 2017, to June 30, 2018) a contract was executed with a new contractor, Communities Unlimited, Inc., to provide assistance to an equivalent of twelve (12) public water systems. During the time period of July 1, 2017, through September 30, 2017, the new contractor began providing long term assistance to 7 systems and Intermediate assistance to 4 systems. Monthly reports submitted by the contractor are 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 contractor shall attend a minimum of two training sessions per training provider to ensure that the 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 and insure that the training sessions are conducted by approved organizations using training materials approved by the MSDH. This contract follows the state fiscal year and the information shown will span two different state fiscal years; Contract Year 2017 (July 1, 2016 to June 30, 2017); Contract Year 2018 (July 1, 2017 to June 30, 2018).

Accomplishments: During the period between October 1, 2016, and June 30, 2017, ten (10) training sessions provided training to 174 board members and managers. During the period between July 1, 2017, to September 30, 2017, four (4) sessions provided training to 131 board members and managers. Reports were compiled and provided to both MSDH and the Drinking Water SRF Board.

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 maintain an online training program.

c. Hands-On Operator Training for Small Systems.

Objective: The Hands-On Operator Training Program is designed to train existing certified operators of small systems through the use of “hands-on” instruction with real equipment, real water supply examples and training materials approved by MSDH. For the contract year 2017 (July 1, 2016, through June 30, 2017) the contractor must perform a minimum of 14 “Hands-On Operator Training” sessions. For the contract year 2018 (July 1, 2017, through June 30, 2018) the contractor must perform a minimum of 14 “Hands-On Operator Training” sessions. This contract follows the state fiscal year and the information shown will span two state fiscal years.

Accomplishments: The Hands-On Operator Training program for the period between October 1, 2016, and June 30, 2017, provided 12 training sessions attended by 171 licensed water operators representing 97 different water supplies. For the period from July 1, 2017, to September 30, 2017, one (1) training session was conducted which was attended by 16 licensed water operators representing 8 different water supplies. Reports were compiled and provided to both MSDH and the Drinking Water SRF Board.

d. Peer Review Program.

Objectives: The objective of the Peer Review Program is to train experienced operators and managers to perform a peer review, advertise the Peer Review Program, and conduct the Peer Reviews for systems which request assistance. For the Contract Year 2017 (July 1, 2016, through June 30, 2017) the contractor must conduct a minimum of 14 “Peer Reviews”. For the Contract Year 2018 (July 1, 2017, through June 30, 2018) the contractor must conduct a minimum of 14 “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, 2016, and June 30, 2017, the Peer Review Program, trained new team members and conducted ten (11) Peer reviews; during the period from July 1, 2017, to September 30, 2017, three (3) PEER Reviews were performed. Reports were compiled and provided to both MSDH and the Drinking Water SRF Board.

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

In the FFY-2017 reporting period the 10% State Program Management Set-aside from the FFY-2016 Cap grant, \$860,700 (Table 4) was used to assistance the State Management program. The State Program Management Set-aside for the FFY -2017 Cap Grant, \$853,400 (Table 4), was not awarded until September 13, 2017.

During the FFY-2017 reporting period, remaining amounts from the FFY-2015 and FFY-2016 State Program Management Set-asides were used to fund the Public Water Systems Supervision (PWSS) program functions. Reimbursements from the DWSRF program during FFY-2017 to the State Program Management Program totaled \$900,189 (Table 8).

PWSS Program activities include:

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

In FFY-2017, the State Program Management set-aside funded 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) takes 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 this 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 PWSS.

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

The Local Assistance and Other State Programs set-aside funds were used for wellhead protection projects throughout the state. The Well Decommissioning Program provides for the proper decommissioning and abandonment of inactive wells that pose risks to the state's existing active public water supply source water wells.

Only \$750,000 (Table 4) is taken from each Capitalization Grant for the Local Assistance and Other State Programs Set-aside. In FFY-2017 the set-aside from the FFY-2016 Cap Grant was used for this program; the FFY-2017 Cap Grant was not awarded until September 13, 2017.

Two contracts to properly decommission and abandon the inactive wells are covered by the Well Decommissioning Program set-aside; the Well Decommissioning Coordinator and the Well Decommissioning Contractor.

During the FFY-2017 reporting period only one contract the Well Decommissioning Coordinator was executed. The other contract the Well

Decommissioning Contractor was not executed due to a change in State Contracting procedures which has caused a delay. The contract operates on the State Fiscal Year (SFY) July 1 of the present year to June 30 of the next year.

Disbursements for the Local Assistance and Other State Programs set-aside during the FFY-2017 reporting period (October 1, 2016 through September 30, 2017) totaled \$2,828 (Table 8).

V. Financial Summary

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

A. Loan Completion Status

Since the Program's inception 311 DWSIRLF improvement loans totaling \$393.3 million (Table 3) have been awarded. As of September 30, 2017, DWSIRLF has awarded nineteen (19, Tables 1 & 3) improvement loans totaling \$36,808,606 for the FFY-2017 reporting period. Table 3 provides a summary of the source and use of the DWSIRLF project funds and Table 1 shows the status of all DWSIRLF project assistance provided during the FFY-2017 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-2017 reporting period, disbursements from the DWSIRLF to the various loan recipients totaled \$14,174,223 (Table 5). Of these disbursements, \$647,409 (Table 5) was made from Federal funds and \$13,526,814 was disbursed from State funds. Mississippi has disbursed \$279.3 million (Table 5) since the Program's inception.

Approximately \$647,409 (Table 5) in Cap grant moneys were drawn from the Automated Clearing House (ACH) during the FFY-2017 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-2017 the amount of federal funds disbursements to projects was approximately 4.6% (calculated using amounts from Table 5) of the total disbursements to projects.

C. Administrative Disbursements

During the FFY-2017 reporting period (October 1, 2016 through September 30, 2017) Administrative expenses for the DWSIRLF Program totaled \$698,750 (Table 7). The amount of disbursements from federal grant funds equaled \$265,655 (Table 8). This was the remainder of the 2016 Federal Cap Grant Administrative Set-aside (\$325,840, Table 4).

DWSRF program administrative expenses which exceeded the Administrative Set-asides were covered by the administrative fees received from the interest portion of the improvement loan repayments. The DWSIRLF Program administration costs covered by the improvement loan repayment fees during the FFY-2017 reporting period totaled \$433,095 (Table 8).

D. Annual Repayments

Table 3 shows that the DWSIRLF Program has received \$165,603,960 in loan repayments (principal \$150,645,613 + interest \$14,958,347) through the end of the FFY-2017 reporting period, of which, \$15,051,306 (principal \$14,171,495 + interest \$879,811) was received in FFY-2017.

E. Loan Portfolio Analysis

The State of Mississippi does not perform a credit rating of the loan applicants receiving a Drinking Water SRF loan at this time. For municipalities, the applicant's records are checked 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 shortfall 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-2017 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-2017 totaled \$14,958,347 (Table 3) of which, \$879,911 (Table 3) was received in FFY-2017. 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-2017 (July 1, 2016 through June 30, 2017) by a contracted CPA auditor, Windham and Lacey, PLLC.

The audited financial statements are current through SFY-2017 with comparative data from SFY-2016. The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances are shown on pages 4 and 5 of the audit report.

The Audit Report “disclosed no instances of noncompliance or other matters that are required to be reported under ‘Government Auditing Standards’”. The report is included as Appendix A.

VI. Operating Agreement Provisions and Capitalization Grant Conditions

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

A. Provide a State Match

The State of Mississippi, as a condition for operating the Program, has provided matching funds for the EPA’s Cap grants (see Tables 3 & 4).

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 captured all the Cap grant funds through FFY-2011. The State legislature did not provide State match funds to capture the FFY-2012 Cap grant; however, a remaining portion of a previous State matching fund (\$655,509) captured a portion of the FFY-2012 total Cap Grant which was \$9,341,000.

In 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 the federal funds. These funds, in addition to funds from the State Drinking Water Systems Emergency Loan Fund (DWSELF) Program (\$620,000), were 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 because of a delay in the sale of state 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 were drawn down with the remainder of a previous state bond issue and funds designated from other state funds.

In 2014 the State Legislature (House Bill No. 1495) authorized a direct appropriation of \$1 million to fund the program and authorized the use of \$2 million in an existing Mississippi State Department of Health (MSDH) fund as match funds for the program. Also in 2014, additional funds (\$180,000) from the DWSELF Program were authorized to be used as state match funds. These additional funds allowed the program to complete the state match for the remaining FFY-2013 EPA Grant funds and all of the FFY-2014 EPA Grant funds.

The FFY-2014 Match funds matched all the outstanding grant funds; the FFY-2014 EPA Cap Grant (\$9,159,000) and the remainder of the FFY-2013 EPA Cap Grant (\$6,727,455). The \$3,180,000 was used as follows:

- \$1,345,491 was used to match the remainder (\$6,727,455) of the FFY-2013 EPA Cap Grant
- \$1,831,800 was used to match the FFY-2014 EPA Cap Grant (\$9,159,000)
- \$2,709 remained to be use for future State match funds

The \$6,727,455 (from the FFY-2013 Cap Grant) and \$7,227,796 (from the FFY-2014 Cap Grant) provided funding for improvement projects in the FFY-2015 reporting period.

In the 2015 Regular Legislative Session, the State Legislature (House Bill No. 1555) authorized \$1,200,000 in direct funding for the DWSRF program; however, in July 2015 due to a shortfall in State funds the authorized \$1,200,000 was reduced by \$99,520.20 to \$1,100,479.80. In January 2016, due to a continuing shortfall in State revenue the Governor mandated an additional \$18,000 be reduced from the State match funds authorized by the 2015 Legislature, this reduced the authorized State match to \$1,082,479.80. In March 2016, \$35,509.77 was returned to the State match funds; in April 2016 an additional \$5,180.00 was removed from the State match funds; then in May 2016 \$64,010.43 was returned to the State match funds. With all the removals and returns the final amount provided by the 2015 State Legislature was \$1,176,820.

In September 2015, EPA reduced the amount of the FFY-2015 Federal Cap Grant to \$9,099,000 at the award of the FFY-2015 Cap Grant to comply with Federal debt reduction requirements; a 2015 State match of \$1,819,800 was needed for the FFY-2015 Cap Grant. An additional \$642,980.00 in State funds was required for the match funds.

The following amounts were carried over from 2014 or transferred from the Drinking Water Systems Emergency Loan (DWSELF) Fund in 2015 to provide the State match for the FFY-2015 Cap Grant:

- \$2,709 remaining from a DWSELF transfer for the FFY-2014 Cap Grant match.
- \$728,611.20 transferred from the DWSELF Fund in August 2015 for the original FFY-2015 Cap Grant amount match.
- \$6,000 transferred from the DWSELF Fund in February 2016 after the second reduction in the FFY-2015 Cap Grant match by the State.

The carryover from 2014 plus transfers from the Drinking Water Systems Emergency Loan Fund (DWSELF) in 2015 provided an amount of \$737,320.20; only \$642,980.00 was required, therefore, an amount of \$94,340.20 remained to be used as match for the FFY-2016 Capitalization Grant. All the State match was provided for the FFY-2015 Cap Grant and the FFY-2015 Cap Grant was awarded September 16, 2015; however, due to errors in the Cap Grant Award the FFY-2015 Cap Grant funds were available until March 9, 2016.

Project funds from the FFY-2015 Cap Grant (\$6,936,956) along with remaining project funds from previous Cap Grants provided funding for projects in the FFY-2016 reporting period. Other available sources of funds for the FFY-2016 reporting period were Loan Repayments (\$13,103,177) (Table 3), Interest Earned on State Funds deposited into the Fund (\$790,199) (Table 3) and Loan Decreases (\$3,634,673) (Tables 2 & 3).

In the 2016 Regular Legislative Session, the State Legislature (House Bill No. 1651 Amended) authorized \$1,220,000 in direct funding for the DWSRF program. The FFY-2016 EPA Cap Grant amount is \$8,607,000; the required State match amount is \$1,721,400. In September 2016 due to a continuing shortfall in State revenue the Governor mandated that the funds authorized by the 2016 Legislature be reduced by \$19,834 to \$1,200,166. In January 2017 due to the continuing shortfall in State revenue the Governor mandated a second reduction in the amount of \$17,746; this reduced the available State funds to \$1,182,420. In February 2017 due to the continuing shortfall in State revenue the Governor mandated a third reduction in the amount of \$17,727; this reduced the available State funds to \$1,164,693. In March 2017 due to the continuing shortfall in State revenue the Governor mandated a fourth reduction in the amount of \$5,569; this reduced the available State funds to \$1,159,124. With \$94,340.20 remaining from the match funds for the FFY-2015 EPA Cap Grant, an additional \$467,935.80 will be needed as State match for the FFY-2016 Capitalization Grant. In January 2017 the Board authorized the use of an additional \$500,000 from DWSELF as the State match; an amount of \$32,064.20 will remain to be used as match for the FFY-2017 Capitalization Grant.

In 2017 the State Legislature did not provide an appropriation for the 20% State match (\$1,706,800) for the FFY-2017 EPA Capitalization Grant (\$8,534,000); therefore, the Board will be requested to authorized the use of additional funds from DWSELF and/or other sources as the State match. With the \$32,064.20 remaining from 2017, an additional \$1,674,735.80 will be required as match for the FFY-2017 Capitalization 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 which 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 into the Federal LOC at the end of the FFY-2017 reporting period totaled \$197,613,084 (includes ARRA) with the state having made \$393,321,755 in binding commitments; thus exceeding the 120% binding commitment requirement of \$226,807,301 (Table 6).

C. Expeditious Construction and Timely Disbursements

The State of Mississippi has disbursed DWSIRLF funds in a timely and expeditious manner. During FFY-2017 disbursements totaling \$14,174,223 (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-2017 DWSRF Cap grant.

As calculated for the "MBE/WBE Annual Report" for contract amounts through September 30, 2017, the "MBE/WBE Utilization Under Federal Grants, Cooperative Agreements, and Interagency Agreements", the MBE participation achieved was 0.0% and the WBE participation achieved was 12.1%. While the MBE participation percentage is below than the MBE goal, the WBE participation percentage is higher than the WBE goal; the combined participation amounts for both categories are an increase over 2016.

The 2017 "MBE/WBE Annual Report" has been submitted to the EPA.

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-2017 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-2017 projects met the requirements of the federal cross-cutting laws and authorities. The State requires 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.

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-2017, \$647,409 (Table 5) was drawn from the ACH for project funding and a total of \$265,655 (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 shows the actual Federal LOC disbursements made in FFY-2017 to the disbursement projections submitted to EPA in the FFY-2017 IUP.

L. State Attorney General Certification

During FFY-2017 the State submitted the Attorney General's Certification with the FFY-2017 Capitalization Grant Application.

M. Administration Funding

Table 4 identifies the portion of the FFY-2017 EPA Cap grant (\$400,000) which was set-aside to fund administration costs. In the FFY-2017 reporting period Mississippi DWSIRLF did not use any funds from the FFY-2017 Cap grant because the grant was not awarded until September 13, 2017.

During the FFY-2017 reporting period administration costs were covered by the Administration Set-aside (\$325,840) from the FFY-2016 Cap Grant. The FFY-2016 Cap Grant was awarded September 22, 2016, and was drawn down with State match funds provided by the 2016 State Legislature.

Administrative fees received from loan repayments in FFY-2017 totaled \$827,483 (from Magic Revenue Report). These funds were captured by the Program's Administrative Fee capture method from the interest portion of the loan repayments.

N. Attendance at EPA Approved/Sponsored Seminars

DWSIRLF staff members attended all EPA approved/sponsored seminars, workshops, conferences, etc., in 2017 that 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-2017) and is contained in this report as 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

Tables

TABLE 1: PROJECTS FUNDED IN FFY-2017

| NO. | PROJECT NAME COMMUNITIES SERVED | LOAN NUMBER - DWI- NUMBER | TOTAL ASSISTANCE AMOUNT | AWARD DATE | AGREEMENT TYPE | SMALL COMMUNITY | INTEREST RATE | POPULATION SERVED | ELIGIBLE PRINCIPAL FORGIVENESS | AWARDED** PRINCIPAL FORGIVENESS |
|-----|---|---------------------------------|-------------------------------|---------------|-------------------|--------------------|------------------|----------------------|--------------------------------------|---------------------------------------|
| | | | | | | | | | | |
| 1 | TROY WA - PONTOTOC CO | L580010-02-0 | \$610,300 | 5/1/2017 | L/SUB | YES | 1.95% | 1,566 | \$0 | \$0 |
| 2 | HOMESTEAD WA - PIKE CO | L570003-01-0 | \$814,405 | 5/26/2017 | L/SUB | YES | 1.95% | 1,850 | \$0 | \$0 |
| 3 | CENTRAL YAZOO WA - YAZOO CO | L820004-02-0 | \$1,121,884 | 6/30/2017 | L/SUB | YES | 1.95% | 8,085 | \$0 | \$0 |
| 4 | MULTI-MART WA (2) - GEORGE CO | L200005-02-0 | \$862,845 | 6/30/2017 | L/SUB | YES | 1.95% | 2,652 | \$0 | \$0 |
| 5 | PEARL RIVER CENTRAL WA - PEARL RIVER CO | L550005-01-0 | \$1,464,705 | 6/30/2017 | L/SUB | NO | 1.95% | 12,800 | \$0 | \$0 |
| 6 | McCOMB, CITY OF - PIKE CO | L570004-01-0 | \$1,236,000 | 9/25/2017 | L/SUB | NO | 1.95% | 12,790 | \$0 | \$0 |
| 7 | LILLY ROSE WA - JEFFERSON DAVIS CO | L330005-01-0 | \$891,657 | 9/29/2017 | L/SUB | YES | 1.95% | 3,504 | \$0 | \$0 |
| 8 | RICHLAND, CITY OF - RANKIN CO | L610023-02-0 | \$2,922,500 | 9/29/2017 | L/SUB | YES | 1.95% | 7,100 | \$0 | \$0 |
| 9 | MERIDIAN, CITY OF - LAUDERDALE CO | L380005-01-0 | \$8,114,960 | 9/29/2017 | L/SUB | NO | 1.95% | 40,000 | \$0 | \$0 |
| 10 | TUNICA COUNTY UTILITY DIST. - TUNICA CO | L720024-03-0 | \$702,000 | 9/29/2017 | L/SUB | YES | 1.95% | 10,000 | \$0 | \$0 |
| 11 | HORN LAKE, CITY OF - DESOTO CO | L170022-03-0 | \$727,113 | 9/29/2017 | L/SUB | NO | 1.95% | 16,123 | \$0 | \$0 |
| 12 | BEAR CREEK WA - MADISON CO | L450002-11-0 | \$3,900,000 | 9/29/2017 | L/SUB | NO | 1.95% | 40,000 | \$0 | \$0 |
| 13 | FAYETTE, CITY OF - JEFFERSON CO | L320001-01-0 | \$1,475,000 | 9/29/2017 | L/SUB | YES | 1.95% | 1,965 | \$0 | \$0 |
| 14 | YAZOO CITY, CITY OF - YAZOO CO | L820014-01-0 | \$5,427,188 | 9/29/2017 | L/SUB | NO | 1.95% | 16,400 | \$0 | \$0 |
| 15 | NEW ZION WA - STONE CO | L660004-01-0 | \$554,475 | 9/29/2017 | L/SUB | YES | 1.95% | 2,600 | \$0 | \$0 |
| 16 | BURNSVILLE, TOWN OF - TISHOMINGO CO | L710002-01-0 | \$500,000 | 9/29/2017 | L/SUB | YES | 1.95% | 1,034 | \$0 | \$0 |
| 17 | PIGAYUNE, CITY OF - PEARL RIVER CO | L550004-03-0 | \$3,504,700 | 9/29/2017 | L/SUB | NO | 1.95% | 12,000 | \$0 | \$0 |
| 18 | HARLAND CREEK WA - HOLMES CO | L260022-01-0 | \$1,259,600 | 9/29/2017 | L/SUB | YES | 1.95% | 1,338 | \$0 | \$0 |
| 19 | SUMNER, TOWN OF - TALLAHATCHIE CO | L680011-01-0 | \$719,274 | 9/29/2017 | L/SUB | YES | 1.95% | 316 | \$0 | \$0 |
| | | | \$36,808,606 | | | | | 192,123 | \$0 | \$0 |

Total Funding for FFY-2017 Loans **\$36,808,606**

Net Funding for FFY-2017 Loans **\$32,712,901** (This amount only includes decreases to project amounts listed in Table 2)

Large Communities - Total Funding for Communities with Populations Greater than 10,000 **\$24,374,666** 7 Communities

Small Communities - Total Funding for Communities with Populations of 10,000 or Less **\$12,433,940** 12 Communities

Extra Small Communities - Total Funding for Communities with Populations of 5,000 or Less **\$7,687,556** 9 Communities

Funds for Small Communities with Populations of 10,000 or Less as a % of Binding Commitments **33.78%**

Funds for Extra Small Communities with Populations of 5,000 or Less as a % of Binding Commitments **20.89%**

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

** Amount of Principal Forgiveness received by the Loan Recipient

TABLE 2: PROJECT ACTIONS IN FFY-2017

| ACTION DATE | LOANEE | SMALL COMMUNITY | PROJECT NUMBER DWH | ACTION DESCRIPTION | LOAN INCREASE AMOUNT | LOAN DECREASE AMOUNT | INITIAL LOANS | INITIAL PRINCIPAL FORGIVENESS | INITIAL PRINCIPAL FORGIVENESS | INITIAL PRINCIPAL FORGIVENESS | INITIAL PRINCIPAL FORGIVENESS | ADDITIONAL PRINCIPAL FORGIVENESS |
|-------------|--|-----------------|-----------------------|----------------------|-------------------------|-------------------------|---------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|--|
| 10/28/2016 | LAMPTON WA - MARION CO | YES | L460009-02-2 | FINAL | \$0 | \$0 | | | \$491,400 | \$491,400 | \$0 | \$0 |
| 11/28/2016 | OLD RIVER WA - WILKINSON CO | YES | L790005-01-1 | DECREASE | \$85,676 | | | | | | | |
| 11/28/2016 | BEAR CREEK WA - MADISON CO | NO | L450002-09-1 | DECREASE | \$648,779 | | | | | \$0 | \$0 | \$0 |
| 12/31/2016 | CLINTON, CITY OF | NO | L250003-03-2 | FINAL DECREASE | \$536,750 | | | | | | \$0 | \$0 |
| 2/3/2017 | CULKIN W/D - WARREN CO | NO | L790002-05-2 | FINAL DECREASE | \$87,013 | | | | | \$258,911 | \$258,911 | \$0 |
| 3/17/2017 | WILCUD - JACKSON CO | NO | L300156-07-1 | DECREASE | \$1,798,638 | | | | | | | |
| 3/24/2017 | PINEY WOODS COUNTRY LIFE SCHOOL - RANKIN CO | YES | L610015-03 | 18 MONTH FORBEARANCE | \$0 | | | | | | | |
| 3/17/2017 | CENTER WA - PEARL RIVER CO | YES | L550001-02-1 | DECREASE | \$6,552 | | | | | | | |
| 3/24/2017 | BUDE, TOWN OF - FRANKLIN CO | YES | L190001-01-1 | DECREASE | \$114,550 | | | | \$121,908 | \$121,908 | \$0 | \$0 |
| 3/27/2017 | TUNICA COUNTY UTILITY DISTRICT (1) PORT GIBSON, CITY OF - CHARBONNE CO | YES | L720024-01-2 | FINAL DECREASE | \$40,300 | | | | \$500,000 | \$500,000 | \$0 | \$0 |
| 3/27/2017 | GREENWOOD UTILITIES, CITY OF - LEFLORE CO | YES | L110005-01-2 | FINAL DECREASE | \$35,757 | | | | \$243,275 | \$243,275 | \$0 | \$0 |
| 4/14/2017 | TCHULA, CITY OF - HOLMES CO | YES | L260016-01-2 | FINAL DECREASE | \$126,658 | \$64 | \$610,300 | | \$187,978 | \$187,978 | \$0 | \$0 |
| 5/1/2017 | TROY WA - POINTOTOC CO | YES | L560010-02-0 | INITIAL LOAN | | \$67,752 | | \$0 | \$214,920 | \$214,920 | \$0 | \$0 |
| 5/22/2017 | OLD RIVER WA - WILKINSON CO | YES | L790005-01-2 | FINAL DECREASE | \$87,752 | | | | | | | |
| 5/26/2017 | HOMESTEAD WA - PIKE CO | YES | L570003-01-0 | INITIAL LOAN | | | \$814,405 | | | | | |
| 6/16/2017 | RIDGELAND, CITY OF - MADISON CO | NO | L450013-02-3 | FINAL DECREASE | \$60,719 | | | | \$0 | \$0 | \$0 | \$0 |
| 6/16/2017 | BUDE, TOWN OF - FRANKLIN CO | YES | L190001-01-2 | FINAL DECREASE | \$2,529 | | | | \$500,000 | \$500,000 | \$0 | \$0 |
| 6/30/2017 | CENTRAL YAZOO WA - YAZOO CO | YES | L820004-02-0 | INITIAL LOAN | | | \$1,121,884 | | | | | |
| 6/30/2017 | MULTI-MART WA (2) - GEORGE CO | YES | L200005-02-0 | INITIAL LOAN | | | \$862,845 | | | | | |
| 6/30/2017 | PEARL RIVER CENTRAL WA - PEARL RIVER CO | NO | L550005-01-0 | INITIAL LOAN | | | \$1,464,705 | | | | | |
| 7/21/2017 | BEAR CREEK WA - MADISON CO | NO | L450002-09-2 | FINAL | \$0.00 | \$0.00 | | | \$0 | \$0 | \$0 | \$0 |
| 7/21/2017 | MT. GILEAD IMPROVE WA - MARION CO | YES | L460012-03-1 | DECREASE | \$435,000 | | | | | | | |
| 7/21/2017 | WHITE OAK WA - SMITH CO | YES | L850013-01-1 | INCREASE | \$84,400 | | | | | | | |
| 8/18/2017 | CENTER WA - PEARL RIVER CO | YES | L550001-02-2 | FINAL DECREASE | \$38,970 | | | | \$136,275 | \$136,275 | \$0 | \$0 |
| 8/18/2017 | TUPELO, CITY OF - LEE CO | NO | L410015-04-1 | FINAL INCREASE | \$114,137 | | | | \$0 | \$0 | \$0 | \$0 |
| 9/25/2017 | McCOMB, CITY OF - PIKE CO | NO | L570004-01-0 | INITIAL | | | \$1,236,000 | | | | | |
| 9/29/2017 | LULLY ROSE WA - JEFFERSON DAVIS CO | YES | L330005-01-0 | INITIAL | | | \$881,657 | | | | | |
| 9/29/2017 | RICHLAND, CITY OF - RANKIN CO | YES | L610023-02-0 | INITIAL | | | \$2,922,500 | | | | | |
| 9/29/2017 | MERIDIAN, CITY OF - LAUDERDALE CO | NO | L380005-01-0 | INITIAL | | | \$8,114,960 | | | | | |
| 9/29/2017 | TUNICA COUNTY UTILITY DIST. - TUNICA CO | YES | L720024-03-0 | INITIAL | | | \$702,000 | | | | | |
| 9/29/2017 | HORN LAKE, CITY OF - DESOTO CO | NO | L170022-03-0 | INITIAL | | | \$727,113 | | | | | |
| 9/29/2017 | BEAR CREEK WA - MADISON CO | NO | L450002-11-0 | INITIAL | | | \$3,900,000 | | | | | |
| 9/29/2017 | WILLOW GROVE WA - COVINGTON CO | YES | L160010-01-1 | INCREASE | \$149,000 | | | | | | | |
| 9/29/2017 | FAYETTE, CITY OF - JEFFERSON CO | YES | L320001-01-0 | INITIAL | | | \$1,475,000 | | | | | |
| 9/29/2017 | YAZOO, CITY, CITY OF - YAZOO CO | NO | L820014-01-0 | INITIAL | | | \$5,427,186 | | | | | |
| 9/29/2017 | NEW ZION LA - STONE CO | YES | L660004-01-0 | INITIAL | | | \$554,475 | | | | | |
| 9/29/2017 | BURNSVILLE, TOWN OF - TISHOMINGO CO | YES | L710002-01-0 | INITIAL | | | \$500,000 | | | | | |
| 9/29/2017 | PICAYUNE, CITY OF - PEARL RIVER CO | NO | L550004-03-0 | INITIAL | | | \$3,504,700 | | | | | |
| 9/29/2017 | HARLAND CREEK WA - HOLMES CO | YES | L260022-01-0 | INITIAL | | | \$1,259,600 | | | | | |
| 9/29/2017 | SUMNER, TOWN OF - TALLAHATCHIE CO | YES | L680011-01-0 | INITIAL | | | \$719,274 | | | | | |
| 9/29/2017 | VALLEY PARK WA - ISSAQUEENA CO | YES | L280018-01-1 | INCREASE | \$123,505 | | | | | | | |
| 9/29/2017 | TUNICA COUNTY UTILITY DIST. - TUNICA CO | YES | L720024-02-1 | INCREASE | \$186,983 | | | | | | | |
| 9/29/2017 | TUPELO, CITY OF - LEE CO | NO | L410015-05-1 | INCREASE | \$77,146 | | | | | | | |
| | | | | Year: | \$735,171 | \$4,095,705 | \$36,808,606 | \$0 | \$1,914,356 | \$1,914,356 | \$0 | \$36,808,606 |
| | | | | 4th Quarter: | \$735,171 | \$473,970 | \$31,934,467 | \$0 | | | | \$0 |
| | | | | 3rd Quarter: | \$0 | \$257,720 | \$4,874,139 | \$0 | | | | \$0 |
| | | | | 2nd Quarter: | \$0 | \$2,092,810 | \$0 | \$0 | | | | \$0 |
| | | | | 1th Quarter: | \$735,171 | \$4,095,705 | \$36,808,606 | \$0 | | | | \$0 |
| | | | | | | | | | | | | \$0 |
| | | | | | | | | | | | | \$0 |

TABLE 2: PROJECT ACTIONS in FFY-2017

| | |
|---------------------------------------|--|
| Calculations: | |
| Net Funding for All Loans: | \$33,448,072 (This amount includes both project loan increases and project loan decreases) |
| | |
| Total Funding for Small Communities: | \$12,433,940 |
| Loan Decreases for Small Communities: | \$827,150 |
| Net Loan Amount to Small Communities: | \$11,606,790 |
| | |
| Total Funding for Large Communities: | \$24,374,666 |
| Loan Decreases for Large Communities: | \$3,266,555 |
| Net Loan Amount to Large Communities: | \$21,106,111 |
| Total Net Funding: | \$32,712,901 (This amount only includes project loan decreases, does not include project loan increases) |

TABLE 3: SOURCE AND USE OF FUNDS for FFY-2017

| Federal Fiscal Year A | DWSRF Program Funds by Fiscal Year | | | | | DWSRF Project Loans by Fiscal Year | | | | | Fund Balance B+C+D+E+F-I |
|--------------------------|------------------------------------|-----------------------|---------------------------|------------------------------|----------------------|------------------------------------|-----------------------|----------------------|----------------------|----------------------------|-----------------------------|
| | ***Beginning Balance B | *Federal Capital C | State Appropriations D | Interest Earned on Fund E | Repayments F | Initial Loan Awards G | Loan Decreases H | Net Loan Awards I | Number of Loans J | Population Benefiting K | |
| 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 | \$6,395,972 | \$0 | \$1,580,179 | \$6,047,052 | \$15,988,454 | (\$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 | \$1,206,926 | \$1,620,000 | \$559,551 | \$21,132,301 | \$13,506,644 | (\$929,876) | \$12,676,768 | 9 | 88,909 | \$31,112,555 |
| 2014 | \$31,112,555 | \$18,955,251 | \$3,177,291 | \$443,681 | \$12,269,098 | \$21,136,914 | (\$1,711,306) | \$19,425,608 | 16 | 137,357 | \$46,532,268 |
| 2015 | \$46,532,268 | \$6,936,956 | \$1,819,800 | \$598,937 | \$12,311,407 | \$20,323,503 | (\$5,005,390) | \$15,318,113 | 13 | 191,408 | \$52,881,255 |
| 2016 | \$52,881,255 | \$6,498,320 | \$1,721,400 | \$790,199 | \$13,103,177 | \$31,968,116 | (\$3,634,673) | \$28,333,443 | 14 | 285,314 | \$46,660,908 |
| 2017 | \$46,660,908 | \$0 | \$32,064 | \$879,811 | \$14,171,495 | \$36,808,606 | (\$4,095,705) | \$32,712,901 | 19 | 192,123 | \$29,031,377 |
| 2018 | | | | | | | | | | | |
| TOTALS | | \$174,349,097 | \$37,213,555 | \$14,958,347 | \$150,645,613 | \$393,321,755 | (\$45,186,519) | \$348,135,236 | 311 | 3,074,437 | |

State Appropriations Less Current Year: \$37,181,491

* "Federal Capital" is based on the fiscal year in which ACH/ASAP deposit was made; only Federal funds for "Projects" are reported here.

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

*** Fund Balance From Previous Year

TABLE 4: SUMMARY OF REVENUE AND COMMITMENTS for FFY-2017

| FEDERAL FISCAL YEAR (FFY) | Set-Asides | | | | | | | | | | Funds Available for Projects | | | | | | | BALANCE OF FUNDS AVAILABLE FOR PROJECTS | TOTAL PROJECT REVENUE (Cap + G + H + J) |
|---------------------------|----------------------|--------------------|--------------------------------|-------------------------------------|---------------------|----------------------------|---|---------------------|----------------------|-----------------------|--|----------------------|---------------------|----------------------|--|--|--|---|---|
| | CAP GRANT TOTALS | ADMIN. (B) | SMALL TECHNICAL ASSISTANCE (C) | SOURCE WATER & LOCAL ASSISTANCE (D) | STATE PROGRAMS (F) | TOTAL SET-ASIDES (B+C+D+F) | TOTAL FUNDS IN CAP GRANT FOR PROJECTS (A) | INTEREST INCOME (G) | LOAN REPAYMENTS (H) | TOTAL STATE MATCH (I) | TOTAL PROJECT REVENUE FOR AWARDS (A + G + H+I) | NET LOAN AWARDS | | | | | | | |
| 1997 | \$16,474,200 | \$658,966 | \$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 | \$330,866 | \$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 | \$11,158,736 | \$18,205,671 | \$10,855,485 | | | | | |
| 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 | \$3,856,638 | \$0 | \$11,476,012 | \$17,787,226 | \$6,073,692 | \$12,359,162 | | | | | |
| 2003 | \$8,004,100 | \$0 | \$160,082 | \$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 | \$14,539,591 | \$14,256,181 | \$23,280,857 | \$15,856,231 | | | | | |
| 2008 | \$9,146,000 | \$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 | \$9,146,000 | \$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 ARRA | \$19,500,000 | \$300,000 | \$390,000 | \$0 | \$1,462,500 | \$2,152,500 | \$17,347,500 | \$0 | \$0 | \$0 | \$17,347,500 | \$0 | \$11,092,698 | \$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 | \$25,409,462 | \$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 | \$28,728,063 | \$23,249,570 | | | | | |
| 2012 | \$9,341,000 | \$322,100 | \$186,820 | \$500,000 | \$934,100 | \$1,843,020 | \$7,397,980 | \$409,962 | \$12,033,417 | \$0 | \$19,841,359 | \$21,867,868 | \$26,701,554 | \$21,784,379 | | | | | |
| 2013 | \$8,764,000 | \$350,560 | \$175,280 | \$500,000 | \$876,400 | \$1,902,240 | \$6,861,760 | \$559,551 | \$21,132,301 | \$1,620,000 | \$30,173,612 | \$12,676,768 | \$44,198,398 | \$32,075,852 | | | | | |
| 2014 | \$9,159,000 | \$332,124 | \$183,180 | \$500,000 | \$915,900 | \$1,931,204 | \$7,227,796 | \$443,681 | \$12,269,098 | \$3,177,291 | \$23,117,866 | \$19,425,608 | \$47,890,656 | \$25,049,070 | | | | | |
| 2015 | \$9,099,000 | \$320,164 | \$181,900 | \$750,000 | \$909,900 | \$2,161,964 | \$6,937,036 | \$598,937 | \$12,311,407 | \$1,819,800 | \$21,667,180 | \$15,318,113 | \$54,239,723 | \$23,829,144 | | | | | |
| 2016* | \$9,607,000 | \$325,840 | \$172,140 | \$750,000 | \$860,700 | \$2,108,680 | \$6,498,320 | \$790,199 | \$13,103,177 | \$1,721,400 | \$22,113,086 | \$28,333,443 | \$48,019,376 | \$24,221,776 | | | | | |
| 2017* | \$9,534,000 | \$400,000 | \$170,680 | \$750,000 | \$853,400 | \$2,174,080 | \$6,359,920 | \$879,811 | \$14,171,495 | \$32,064 | \$15,083,370 | \$32,712,901 | \$30,389,845 | \$23,617,370 | | | | | |
| 2018 | | | | | | | | | | | | | | \$0 | | | | | |
| TOTALS | \$213,808,565 | \$6,329,896 | \$4,275,908 | \$5,077,650 | \$16,057,646 | \$31,741,080 | \$182,067,485 | \$14,958,347 | \$150,645,614 | \$37,213,555 | \$378,525,081 | \$348,135,236 | \$14,958,347 | \$416,626,081 | | | | | |

Total Cumulative Revenue Available for Projects Since Beginning of Program: **\$378,525,081**
 Total Cumulative Net Loan Obligations for Projects Since Beginning of Program: **\$348,135,236**
 Balance: **\$30,389,845**

Total Cumulative Assistance as a % of Total Cumulative Available Funds for Projects: **92%**
 Total Cumulative Assistance Provided as a % of Total Federal Grant Funds Provided for Projects: **163%**

*The amounts shown for the Cap Grant and Set-asides did not become available until after the end of the reporting period; the program operated on the previous year's set-asides.

TABLE 5: DISBURSEMENTS / CASH BALANCES through FFY-2017

| Federal Fiscal Year (FFY) | Deposits of State Match A | ACH Draws for Projects B | Disbursed To Projects C | Interest Earned on Account D | Repayment Deposits E | Year's Balance (A+B+D+E) - C | Cumulative Balance |
|---------------------------|---------------------------|--------------------------|-------------------------|------------------------------|----------------------|------------------------------|--------------------|
| 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 | \$1,360,000 | \$4,124,353 | \$13,747,267 | \$559,551 | \$21,132,301 | \$13,428,938 | \$62,072,428 |
| 2014 | \$3,177,291 | \$5,790,827 | \$7,887,862 | \$443,681 | \$12,269,098 | \$13,793,035 | \$75,865,463 |
| 2015 | \$1,819,800 | \$6,432,977 | \$12,403,418 | \$598,937 | \$12,311,407 | \$8,759,703 | \$84,625,165 |
| 2016* | \$1,721,400 | \$7,781,545 | \$16,257,985 | \$790,199 | \$13,103,177 | \$7,138,336 | \$91,763,501 |
| 2017* | \$32,064 | \$647,409 | \$14,174,223 | \$879,811 | \$14,171,495 | \$1,556,556 | \$93,320,058 |
| FFY-2017 TOTALS | \$36,953,555 | \$170,100,221 | \$279,337,679 | \$14,958,347 | \$150,645,614 | \$93,320,058 | |

*State Match did not become available until after the end of the reporting period.

Table 6: Binding Commitments and Federal Payments to the Federal Letter of Credit (LOC) for FFY-2017

| Capitalization Grant Payments into ACH | | | | | | | | | | | | | | | | | | | |
|--|---------|--------------------|--------------------|--------------------|--------------------|---------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------------|------------------------------|--------------------------|---------------------------------------|
| Federal FY (FFY) | Quarter | 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 | FFY-2014 Cap Grant | FFY-2015 Cap Grant | FFY-2016 Cap Grant | FFY-2017 Cap Grant | FFY-2018 Cap Grant | Cumulative Deposits into LOC | Required Binding Commitments | Year's Total Loan Awards | Cumulative Actual Binding Commitments |
| FFY1987-2006 | | | | | | | | | | | | | | | | | | | |
| 2006 | 1 | | | | | | | | | | | | | | | \$76,040,018 | \$74,938,882 | | \$111,449,236 |
| | 2 | | | | | | | | | | | | | | | \$76,040,018 | \$77,794,882 | | |
| | 3 | | | | | | | | | | | | | | | \$76,040,018 | \$80,530,882 | | |
| | 4 | | | | | | | | | | | | | | | \$76,040,018 | \$91,248,022 | \$11,766,802 | \$123,215,038 |
| 2007 | 1 | \$2,000,000 | | | | | | | | | | | | | | \$78,040,018 | \$91,248,022 | | |
| | 2 | \$2,000,000 | | | | | | | | | | | | | | \$80,456,618 | \$91,248,022 | | |
| | 3 | \$2,500,000 | | | | | | | | | | | | | | \$82,956,618 | \$91,248,022 | | |
| | 4 | \$1,728,300 | \$2,800,000 | | | | | | | | | | | | | \$87,485,918 | \$91,248,022 | \$15,888,454 | \$139,105,482 |
| 2008 | 1 | | | | | | | | | | | | | | | \$90,485,918 | \$93,648,022 | | |
| | 2 | | \$2,400,000 | | | | | | | | | | | | | \$92,865,918 | \$96,547,942 | | |
| | 3 | | \$29,000 | | | | | | | | | | | | | \$92,914,918 | \$99,547,942 | | |
| | 4 | | | | | | | | | | | | | | | \$92,914,918 | \$104,983,102 | | |
| 2009 | 1 | | | \$2,200,000 | | | | | | | | | | | | \$95,114,918 | \$108,583,102 | | |
| | 2 | | \$2,000,000 | | | | | | | | | | | | | \$97,314,918 | \$111,487,902 | | |
| | 3 | | \$1,800,000 | | | \$5,000,000 | | | | | | | | | | \$104,114,918 | \$111,487,902 | | |
| | 4 | | \$1,800,000 | \$146,000 | \$5,000,000 | \$5,000,000 | | | | | | | | | | \$110,914,918 | \$111,487,902 | | |
| 2010 | 1 | | | | \$275,000 | \$275,000 | | | | | | | | | | \$116,335,918 | \$114,137,902 | | |
| | 2 | | | | \$1,650,000 | \$4,500,000 | | | | | | | | | | \$122,485,918 | \$116,777,902 | | |
| | 3 | | \$3,000,000 | | \$4,950,000 | \$8,000,000 | \$8,000,000 | | | | | | | | | \$135,435,918 | \$124,937,902 | | |
| | 4 | | | | \$1,271,000 | \$1,271,000 | \$6,125,000 | | | | | | | | | \$142,831,918 | \$139,603,102 | | |
| 2011 | 1 | | | | | | | | | | | | | | | \$142,831,918 | \$148,983,102 | | |
| | 2 | | | | | | | | | | | | | | | \$142,831,918 | \$162,523,102 | | |
| | 3 | | | | | | | | | | | | | | | \$150,831,918 | \$171,398,302 | | |
| | 4 | | | | | | | | | | | | | | | \$152,633,918 | \$171,398,302 | | |
| 2012 | 1 | | | | | | | | | | | | | | | \$152,633,918 | \$180,988,302 | \$24,265,328 | \$269,577,872 |
| | 2 | | | | | | | | | | | | | | | \$155,943,084 | \$183,160,702 | | |
| | 3 | | | | | | | | | | | | | | | \$155,943,084 | \$183,160,702 | | |
| | 4 | | | | | | | | | | | | | | | \$161,984,084 | \$187,120,702 | | |
| 2013 | 1 | | | | | | | | | | | | | | | \$170,407,084 | \$187,131,701 | | |
| | 2 | | | | | | | | | | | | | | | \$170,748,084 | \$187,131,701 | | |
| | 3 | | | | | | | | | | | | | | | \$170,748,084 | \$187,131,701 | | |
| | 4 | | | | | | | | | | | | | | | \$170,748,084 | \$194,380,901 | \$21,136,914 | \$304,221,530 |
| 2014 | 1 | | | | | | | | | \$8,423,000 | | | | | | \$172,571,084 | \$204,488,501 | | |
| | 2 | | | | | | | | | \$341,000 | | | | | | \$172,571,084 | \$204,488,501 | | |
| | 3 | | | | | | | | | | | | | | | \$172,571,084 | \$204,488,501 | | |
| | 4 | | | | | | | | | | | | | | | \$172,571,084 | \$204,488,501 | | |
| 2015 | 1 | | | | | | | | | | | | | | | \$182,068,128 | \$207,085,301 | | |
| | 2 | | | | | | | | | | | | | | | \$182,068,128 | \$207,085,301 | | |
| | 3 | | | | | | | | | | | | | | | \$189,006,084 | \$215,288,501 | | |
| | 4 | | | | | | | | | | | | | | | \$191,157,834 | \$218,482,954 | | |
| 2016 | 1 | | | | | | | | | | | | | | | \$195,461,334 | \$218,482,954 | | |
| | 2 | | | | | | | | | | | | | | | \$197,613,084 | \$226,807,301 | | |
| | 3 | | | | | | | | | | | | | | | \$199,746,584 | \$229,389,401 | | |
| | 4 | | | | | | | | | | | | | | | \$201,860,084 | \$231,971,501 | | |
| 2017 | 1 | | | | | | | | | | | | | | | \$204,013,584 | \$234,553,601 | | |
| | 2 | | | | | | | | | | | | | | | \$206,147,084 | \$237,135,701 | \$0 | \$393,321,755 |
| | 3 | | | | | | | | | | | | | | | \$206,147,084 | \$244,816,301 | | |
| | 4 | | | | | | | | | | | | | | | \$206,147,084 | \$247,376,501 | | |
| 2018 | 1 | | | | | | | | | | | | | | | \$206,147,084 | \$247,376,501 | | |
| | 2 | | | | | | | | | | | | | | | \$206,147,084 | \$247,376,501 | | |
| | 3 | | | | | | | | | | | | | | | \$206,147,084 | \$247,376,501 | | |
| | 4 | | | | | | | | | | | | | | | \$206,147,084 | \$247,376,501 | | |
| 2019 | 1 | | | | | | | | | | | | | | | \$206,147,084 | \$247,376,501 | | |
| | 2 | | | | | | | | | | | | | | | \$206,147,084 | \$247,376,501 | | |
| | 3 | | | | | | | | | | | | | | | \$206,147,084 | \$247,376,501 | | |
| | 4 | | | | | | | | | | | | | | | \$206,147,084 | \$247,376,501 | | |
| TOTALS | | \$8,229,300 | \$8,229,000 | \$8,145,000 | \$8,145,000 | \$8,145,000 | \$19,500,000 | \$14,125,000 | \$9,341,000 | \$9,784,000 | \$9,159,000 | \$9,099,000 | \$8,607,000 | \$8,534,000 | \$0 | \$393,321,755 | \$393,321,755 | \$0 | \$393,321,755 |

TABLE 7: DWSRF Administrative Expenses for FFY-2017 Annual Report*

| | Direct Salaries | Fringe | Total Salaries & Fringe | Indirect Costs | Other | Total Administrative Expenditures |
|--------------------------------|------------------------|---------------|------------------------------------|-----------------------|--------------|--|
| FFY - 2017 Expenditures | \$405,957 | \$119,524 | \$525,481 | \$101,724 | \$71,545 | \$698,750 |

Note: *Amounts include both Federal Set-Aside funds and State funds; only Personnel Cost (Salaries, Fringe and Indirect Costs) are taken from the Federal Set-aside Funds. Travel and all other Administrative expenses are paid from State funds.

TABLE 8: Actual DWSIRLF/PWSS Expenses for FFY-2017

October 1, 2016 through September 30, 2017

| CATEGORY | DWSRF Administrative | | Public Water Systems Supervision (PWSS) | Small Systems Technical Assistance | Source Water & Local Assistance | TOTAL |
|-------------------------|----------------------|-------------------|---|------------------------------------|---------------------------------|--------------------|
| | Federal* (Set-aside) | State (Admin Fee) | | | | |
| Personnel (Salaries) | \$173,180 | \$232,777 | \$582,342 | | | \$988,299 |
| Fringe | \$50,812 | \$68,712 | \$172,345 | | | \$291,869 |
| Total Direct: | \$223,992 | \$301,489 | \$754,687 | | | \$1,280,168 |
| Total Indirect: | \$41,663 | \$60,061 | \$145,502 | | | \$247,226 |
| TOTAL Costs: | \$265,655 | \$361,550 | \$900,189 | | | \$1,527,394 |
| Contracts | | | \$0 | \$149,878 | \$2,828 | \$152,706 |
| Travel | | \$18,880 | \$0 | | | \$18,880 |
| Other | | \$52,665 | \$0 | | | \$52,665 |
| TOTAL ALL COSTS: | \$265,655 | \$433,095 | \$900,189 | \$149,878 | \$2,828 | \$1,751,645 |

Total DWSRF Admin. Expenses all sources: \$698,750

* Only Federal Set-Aside funds are shown

Appendix A

Audited DWSIRLF Financial Statement
June 30, 2017

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

Audited Financial Statements
June 30, 2017
(With Comparative Totals for June 30, 2016)

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

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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, 2017, and the related notes to the financial statements, 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, 2017, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated November 15, 2017, 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
November 15, 2017

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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| ASSETS | <u>2017</u> | <u>2016</u> |
|---|------------------------------|---------------------------|
| Equity in internal investment pool | \$ 80,455,583 | 75,389,305 |
| Receivables: | | |
| Loans receivable | 54,958,633 | 57,026,194 |
| Due from other governments | 104,678,205 | 102,756,049 |
| Due from federal government | 1,134,928 | 864,562 |
| Due from other funds | <u>29,680</u> | <u>114,138</u> |
| TOTAL ASSETS | \$ <u>241,257,029</u> | <u>236,150,248</u> |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES: | | |
| Warrants payable | \$ 416 | 196,019 |
| Accounts payable | 510,053 | 508,127 |
| Due to other funds | 74,309 | 124,882 |
| Due to local governments | <u>1,583,724</u> | <u>2,162,999</u> |
| TOTAL LIABILITIES | <u>2,168,502</u> | <u>2,992,027</u> |
| FUND BALANCE: | | |
| Restricted for health and social service | <u>239,088,527</u> | <u>233,158,221</u> |
| TOTAL FUND BALANCE | <u>239,088,527</u> | <u>233,158,221</u> |
| TOTAL LIABILITIES AND FUND BALANCE | \$ <u>241,257,029</u> | <u>236,150,248</u> |

See accompanying Notes to Financial Statements.

STATE OF MISSISSIPPI
DEPARTMENT OF HEALTH
DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | <u>2017</u> | <u>2016</u> |
|---|-----------------------|--------------------|
| REVENUES | | |
| Interest on loans | \$ 2,229,147 | 2,493,887 |
| Interest on investments | 814,791 | 654,715 |
| Loan administration fee | 976,353 | 799,672 |
| Federal programs | <u>6,117,760</u> | <u>9,491,161</u> |
| TOTAL REVENUES | <u>10,138,051</u> | <u>13,439,435</u> |
| EXPENDITURES | | |
| Administrative expenses | 316,984 | 599,545 |
| Principal forgiveness - Other | <u>3,613,169</u> | <u>1,597,968</u> |
| TOTAL EXPENDITURES | <u>3,930,153</u> | <u>2,197,513</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>6,207,898</u> | <u>11,241,922</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers, net | <u>(277,592)</u> | <u>(39,290)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(277,592)</u> | <u>(39,290)</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | 5,930,306 | 11,202,632 |
| FUND BALANCE | | |
| Fund Balance - Beginning | <u>233,158,221</u> | <u>221,955,589</u> |
| Fund Balance - Ending | <u>\$ 239,088,527</u> | <u>233,158,221</u> |

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, 2017

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. \$30,843,000 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. In 2014, 2015, 2016 and 2017, the State legislature authorized a direct appropriation for a portion of the State match and the Board authorized the use of \$521,400 from other funds as additional match funds. As of June 30, 2017, the EPA had awarded \$185,774,566 in capitalization grants to the State, requiring \$37,154,913 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, 2017

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 they are 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 the 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, less principal forgiveness granted on the loan.

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, 2017, the State's total pooled deposits and investments for state agencies were approximately \$3.45 billion, and the average remaining life of the securities invested was 3.73 years. The earnings for the total pooled investments for the year ended June 30, 2017 were approximately \$23.3 million.

Equity in internal investment pool is cash equity with the Treasurer and consists of pooled deposits and investments carried at cost, which approximates fair value. At June 30, 2017, the Fund had approximately \$80.5 million in the Treasurer's internal investment pool. The total deposits and investments of the internal investment pool are categorized according to credit risk in the State of Mississippi's Comprehensive Annual Financial Report. However, the Fund's portion of the internal investment pool cannot be individually categorized because the deposits and investments are pooled with other State agencies.

STATE OF MISSISSIPPI
 Department of Health
 Drinking Water Systems Improvements Revolving Loan Fund
 Notes to Financial Statements
 June 30, 2017

4. LOANS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS AND CREDIT RISK.

The Fund makes loans to qualified drinking water systems for projects that meet the eligibility requirements of the SDWA. Loans are financed by capitalization grants, ARRA grants, State match and revolving funds. Interest rates on loans vary between 1.95% to 4.5% and are generally repaid over 20 years, starting as specified in the loan agreement; the beginning date is normally at the end of the project construction which is usually a one year time period. Details of loans receivable as of June 30, 2017, are discussed below.

In the event of a default on a loan obligation by a public entity, MSDH has certain legal remedies that provide for ultimate collection of amounts due. Management believes that no allowance for doubtful accounts is necessary because of the applicant review process.

Loans by Category

Loans receivable (including amounts due from other governments) at June 30, 2017, are as follows:

| <u>Description</u> | <u>Loans Authorized</u> | <u>Authorized Amount Remaining</u> | <u>Loan Balance</u> |
|--|-----------------------------|--|-------------------------|
| Completed projects | \$ 249,707,202 | | 147,355,166 |
| Projects in progress | <u>42,051,396</u> | <u>29,769,724</u> | <u>12,281,672</u> |
| Totals | <u>\$ 291,758,598</u> | <u>29,769,724</u> | 159,636,838 |
| Less amount due within one year on completed projects | | | <u>(10,802,087)</u> |
| Loans receivable and due from other governments, long-term | | | <u>\$ 148,834,751</u> |

Loans mature at various intervals through June 30, 2036. The scheduled principal payments on loans maturing in subsequent years are as follows:

| <u>Years Ending June 30:</u> | <u>Amount</u> |
|------------------------------|-----------------------|
| Completed projects: | |
| 2018 | \$ 10,802,087 |
| 2019 | 11,602,040 |
| 2020 | 11,348,891 |
| 2021 | 11,420,511 |
| 2022 | 11,198,927 |
| Thereafter | 90,982,710 |
| Projects in progress | <u>12,281,672</u> |
| Total | <u>\$ 159,636,838</u> |

Loan Administrative Fees

The Fund collects administrative fees from each loan recipient at 5% of the initial loan amount. 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 \$976,353 was collected in 2017.

STATE OF MISSISSIPPI
Department of Health
Drinking Water Systems Improvements Revolving Loan Fund
Notes to Financial Statements
June 30, 2017

Major Loans to Drinking Water Systems

As of June 30, 2017, the Fund had made loans to 42 drinking water systems that, in the aggregate, exceeded \$1,500,000. The outstanding balances of these loans represent approximately 74.9% of the total loans receivable, as follows:

| <u>Local Agency</u> | <u>Authorized Loan Amount</u> | <u>Outstanding Balance</u> |
|--|-----------------------------------|--------------------------------|
| ACL Water Association | \$ 1,601,571 | 718,986 |
| Adams County Water Association | 2,844,725 | 1,174,711 |
| Bear Creek Water Association | 7,288,691 | 3,995,725 |
| City of Baldwin | 1,938,518 | 1,711,320 |
| City of Brookhaven | 2,500,000 | 95,925 |
| City of Clinton | 5,056,888 | 3,517,996 |
| City of Columbia | 1,741,864 | 1,816,526 |
| Gautier | 2,677,171 | 1,535,833 |
| City of Hernando | 2,177,042 | 742,921 |
| City of Horn Lake | 3,825,927 | 1,666,024 |
| City of Laurel | 4,804,390 | 4,532,170 |
| Lebanon | 2,112,901 | 551,563 |
| City of Long Beach | 1,521,484 | 415,065 |
| City of Madison | 1,957,707 | 1,857,335 |
| Mt. Gilead | 1,539,614 | 30,929 |
| North Lauderdale WA | 1,523,526 | |
| City of Ocean Springs | 5,497,240 | 3,230,435 |
| City of Pearl | 4,959,906 | 3,198,286 |
| City of Port Gibson | 2,347,109 | 2,956,454 |
| City of Ridgeland | 2,851,890 | 2,212,424 |
| City of Southaven | 11,270,753 | 6,153,817 |
| City of Tupelo | 10,733,031 | 8,073,845 |
| City of West Point | 1,536,148 | 601,545 |
| Collinsville Water Association | 1,530,000 | 651,968 |
| Corinth Utilities Commission | 47,034,278 | 36,263,695 |
| Culkin Water District | 8,018,007 | 2,859,280 |
| Fannin Water Association | 1,566,435 | 621,819 |
| Fisher Ferry Water District | 3,105,984 | 815,984 |
| Good Hope Water Association | 1,530,817 | 1,574,763 |
| Greenfield Water Association | 2,150,808 | 1,127,335 |
| Greenwood Utilities | 2,949,025 | 2,694,597 |
| Hilldale Water District | 5,406,481 | 3,826,938 |
| Jackson County Utility Authority | 6,281,290 | 334,750 |
| Lewisburg Water Association | 1,948,907 | 890,901 |
| Town of Morton | 2,188,373 | 1,201,930 |
| Northeast Mississippi Regional Water Supply District | 2,677,553 | 753,011 |
| Pleasant Hill Water Association | 1,935,359 | 3,690 |
| Progress Community Water Association | 1,748,791 | 775,681 |
| Southwest Jones Water Association | 1,871,292 | 1,330,222 |
| Town of Caledonia | 3,285,745 | 2,404,771 |
| Walls Water Association | 3,775,222 | 1,656,028 |
| West Jackson Utility District | 13,722,990 | 8,982,321 |
| | <u>\$ 197,035,453</u> | <u>119,559,519</u> |

STATE OF MISSISSIPPI
 Department of Health
 Drinking Water Systems Improvements Revolving Loan Fund
 Notes to Financial Statements
 June 30, 2017

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, 2017, the EPA has awarded capitalization grants of \$185,774,566 to the State, of which \$173,669,660 has been drawn for loans and administrative expenses. The State has provided matching funds of \$30,843,000 from eight general obligation bond issues by the State and additional funds from direct State appropriations. The proceeds from these bonds were deposited into the Fund for State matching. In 2014, 2015, 2016 and 2017, the Board used amounts from other funds as additional match funds. The following summarizes the capitalization grants awarded, amounts drawn on each grant and balances available for future loans:

| Year | Grant Amount | Draws | | | Available June 30, 2017 |
|--|-----------------------|-----------------------|---------------------|-----------------------|-------------------------|
| | | Through June 30, 2016 | 2017 Draws | Through June 30, 2017 | |
| 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 | 8,146,000 | | 8,146,000 | 0 |
| 2009 | 8,146,000 | 8,146,000 | | 8,146,000 | 0 |
| 2010 | 14,125,000 | 14,125,000 | | 14,125,000 | 0 |
| 2011 | 9,811,166 | 9,811,166 | | 9,811,166 | 0 |
| 2012 | 9,341,000 | 9,340,769 | 231 | 9,341,000 | 0 |
| 2013 | 8,764,000 | 8,752,496 | 11,504 | 8,764,000 | 0 |
| 2014 | 9,159,000 | 8,383,346 | 736,109 | 9,119,455 | 39,545 |
| 2015 | 9,099,000 | 541,089 | 3,959,747 | 4,500,836 | 4,598,164 |
| 2016 | 8,607,000 | 0 | 1,139,803 | 1,139,803 | 7,467,197 |
| | <u>\$ 185,774,566</u> | <u>\$ 167,822,266</u> | 5,847,394 | <u>\$ 173,669,660</u> | 12,104,906 |
| Receivable, June 30, 2016 | | | (864,562) | | |
| Receivable, June 30, 2017 | | | <u>1,134,928</u> | | <u>(1,134,928)</u> |
| Grant revenues, modified accrual basis | | | <u>\$ 6,117,760</u> | | |
| Amount available, modified accrual basis | | | | | <u>\$ 10,969,978</u> |

(Continued)

STATE OF MISSISSIPPI
 Department of Health
 Drinking Water Systems Improvements Revolving Loan Fund
 Notes to Financial Statements
 June 30, 2017

As of June 30, 2015 and 2016, state matching contributions were as follows:

| <u>Description</u> | <u>Contributions Through June 30, 2016</u> | <u>Fiscal Year 2017 Contributions</u> | <u>Contributions Through June 30, 2017</u> |
|----------------------|--|---|--|
| State of Mississippi | \$ <u>34,919,334</u> | \$ <u>1,721,400</u> | \$ <u>36,640,734</u> |

6. 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.

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**Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of the Financial Statements
Performed in Accordance with
Government Auditing Standards**

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

We have audited, in accordance with the 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, the 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

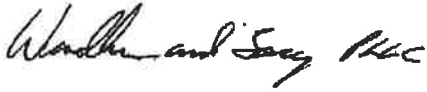
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements 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 the 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 result 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. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC
November 15, 2017

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Independent Auditor's Report on Compliance with the Requirements Applicable to the Environmental Protection Agency's Capitalization Grants for Drinking Water State Revolving Funds in Accordance with *Government Auditing Standards*

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

We have audited the 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, 2017, and have issued our report thereon dated November 15, 2017.

We have also audited the Fund's compliance with 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, 2017. The management of the Drinking Water Systems Improvements Revolving Loan Fund of the Local Governments and Rural Water Systems Improvements Board is responsible for the Fund's compliance with those requirements. Our responsibility is to express an opinion on those requirements based on our audit.

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, 2017.

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
November 15, 2017