

STATE OF IDAHO
DEPARTMENT OF ENVIRONMENTAL QUALITY

DRINKING WATER
STATE REVOLVING FUND
ANNUAL REPORT

for
State Fiscal Year 2016
July 1, 2015 - June 30, 2016

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INTRODUCTION

This annual report is prepared for and submitted to the United States Environmental Protection Agency (EPA) in compliance with the requirements of Section 1452 of the Safe Drinking Water Act. The reporting period is state fiscal year (SFY) 2016, which began July 1, 2015 and ended June 30, 2016. This report describes how the Department of Environmental Quality (DEQ) has met the goals and objectives of its Drinking Water State Revolving Fund (DWSRF) as identified in the Intended Use Plans and Capitalization Grant Applications. In addition to addressing these documents, this report reflects the sources and uses of all DWSRF funds during SFY 2016.

At the end of SFY 2016 the DWSRF was capitalized with twenty federal capitalization grants and the corresponding state match. Table 1 shows these funds by federal fiscal year (FFY) as well as the allocation of the funds for set-aside activities and for loans.

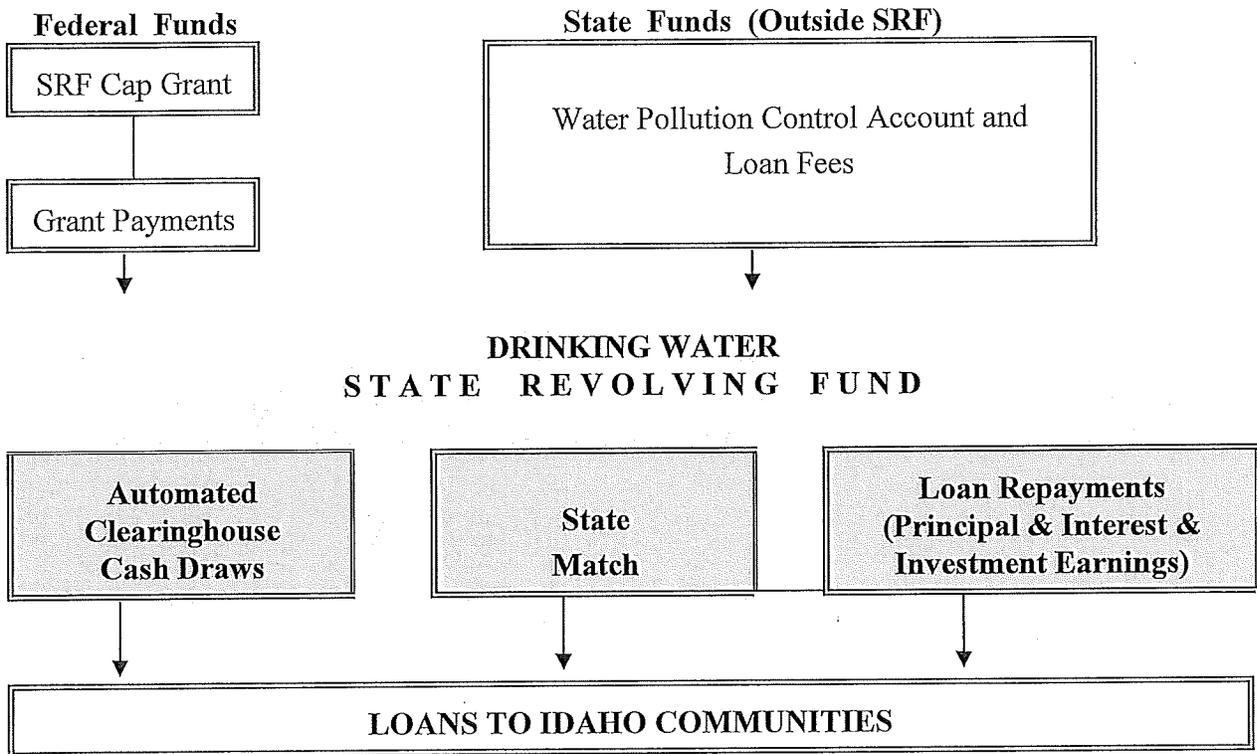
TABLE 1. IDAHO DWSRF FUNDING THROUGH 6/30/16

Federal Fiscal Year	Capitalization Grant Amount	Less: Set-Asides	Balance of Cap. Grant	20% State Match	Net Available for Drinking Water Loans
1997	\$14,157,800	\$2,406,826	\$11,750,974	\$2,831,560	\$14,582,534
1998	7,121,300	1,246,121	5,875,179	\$1,424,260	7,299,439
1999	7,463,800	1,409,970	6,053,830	1,492,760	7,546,590
2000	7,757,000	2,404,670	5,352,330	1,551,400	6,903,730
2001	7,789,100	2,414,621	5,374,479	1,557,820	6,932,299
2002	8,052,500	2,496,275	5,556,225	1,610,500	7,166,725
2003	8,004,100	2,481,271	5,522,829	1,600,820	7,123,649
2004	8,303,100	2,573,961	5,729,139	1,660,620	7,389,759
2005	8,285,500	2,568,505	5,716,995	1,657,100	7,374,095
2006	8,229,300	2,563,328	5,665,972	1,645,860	7,311,832
2007	8,229,000	2,550,990	5,678,010	1,645,800	7,323,810
2008	8,146,000	2,525,260	5,620,740	1,629,200	7,249,940
ARRA	19,500,000	0	19,500,000	5,000,000	24,500,000
2009 *	8,146,000	2,525,260	5,620,740	1,629,200	7,249,940
2010	13,573,000	3,911,894	9,661,106	2,714,600	12,375,706
2011	9,418,000	2,919,580	6,498,420	1,883,600	8,382,020
2012	9,080,824	2,888,074	6,192,750	1,816,165	8,008,915
2013	8,421,000	2,610,510	5,810,490	1,684,200	7,494,690
2014	8,845,000	2,741,950	6,103,050	1,769,000	7,872,050
2015	8,787,000	2,741,950	6,045,050	1,757,400	7,802,450
Total	\$187,309,324	\$47,981,016	\$139,328,308	\$38,561,865	\$177,890,173

* 20% State Match Note: The State contributed \$5 million of additional match in SFY 2010 (discretionary ARRA distribution from Governor's Office).

Figure 1 illustrates the flow of monies through the DWSRF. The Idaho Water Pollution Control Account perpetually appropriates the state match and loan fees may also be used for match.

FIGURE 1. STATE REVOLVING FUND AND ACCOUNTS FLOW CHART



BASE GRANT LONG TERM GOALS AND PROGRESS

The Intended Use Plan (IUP), submitted to the EPA with the capitalization grant application, identified five long-term goals. DEQ has made progress toward achievement of these long-term goals.

GRANT GOAL 1

Protect public health of citizens served by drinking water systems by offering financial assistance to construct the most cost-effective drinking water facilities. Financial assistance includes below-market-rate loans, longer loan terms, and may include principal forgiveness for disadvantaged communities under limited circumstances.

Progress

By June 30, 2016 DEQ had completed twenty annual rounds of establishing priority lists in order to make the funding available. Historically the need of all communities has been much larger than the

available funds, as a result DEQ has attempted to base funding for projects as much as possible on priority order and readiness to proceed. Loan applications are only solicited for amounts equal to the funds available. This prevents communities from having to incur the cost of preparing an application for which funds are not available.

DEQ staff communicates with other state and federal agencies that provide funding for drinking water projects in order to coordinate efforts. It is likely that some future projects for which SRF loans will be awarded will also have Army Corps of Engineering grants, Community Development Block grants and U.S. Department of Agriculture Rural Development grants and loans.

GRANT GOAL 2

Assist public water systems in achieving and maintaining statewide compliance with federal and state drinking water standards. DEQ will provide information and technical assistance in the form of brochures and the electronic Drinking Water Blog, which contains articles on such topics as the DWSRF, operator training and certification, and treatment technology.

Progress

DEQ has provided information and technical assistance in the form of brochures, use of social media, auto-dialer phone and email, on such topics as the DWSRF, operator training and certification, and ground water under the direct influence of surface water monitoring and treatment technology.

GRANT GOAL 3

Implement a capacity development strategy. The goal of the capacity development program is to ensure that our current capacity to deliver safe, reliable water is both maintained and expanded to meet future needs. This goal is facilitated by supporting public water systems in the maintenance and expansion of their technical, financial, and managerial capacity.

Progress

The focus of the Idaho Capacity Development Program is to assist Idaho's public water system owners and operators in establishing and maintaining their technical, financial and managerial capacity to deliver safe and reliable water to their customers, both now and into the future. To ensure water systems develop and maintain capacity, assistance is provided to public water systems by several methods. DEQ Regional Office and District Health Department staffs provide one-on-one technical assistance to owners and operators. The on-line Public Drinking Water Switchboard provides both technical assistance and compliance assistance to water systems. Workshops are held on an as-needed basis for system operators by the DEQ staff. The Drinking Water Program continues to update its technical, financial, and managerial guidance document to provide a foundation for the capacity development program.

DEQ recognizes the needs of small water systems with assistance in the area of financial capacity. We are working with the New Mexico Environmental Finance Center, to develop a public water system financial health evaluation tool. This tool will evaluate a system's

revenues, expenses, assets, liabilities, debt, and reserves. The information collected in the use of this tool will be utilized during engineering review of new or significantly modified systems, sanitary surveys, and grant and loan approvals.

Planning grants continue to be funded with the capacity development set-aside monies to assist public water system owners and operators in preparing the reports and documents necessary to apply for low interest loans from the State Revolving Fund program. These efforts provide significant assistance so that more water systems are located, designed, constructed, maintained and operated to deliver safe and reliable water to their customers.

GRANT GOAL 4

Implement a source water assessment and protection strategy. A source water assessment provides information on the potential threats to public drinking water sources. In Idaho 96% of the drinking water comes from ground water sources.

Progress

DEQ's ongoing implementation of its Source Water Assessment and Protection strategy focuses on three major components of source water protection: Assessment, Planning, and Implementation.

Assessment

The state completed the Idaho Source Water Assessment Plan in 1999, at which time it was approved and recognized by the U.S. Environmental Protection Agency (EPA). DEQ was successful in completing assessments on all recognized public water sources by May 2003, in accordance with the timetable set forth by the state and approved by EPA. DEQ continues to complete assessments for new public water sources as well as update assessments as new information becomes available. In FY 2016, DEQ completed the following tasks:

- ◆ Delineated source water areas for 99 public water sources, and completed 102 source water assessment reports, of which 87 were new assessments and 15 were updated assessments. All assessments are available on the DEQ interactive SWA website at www2.deq.idaho.gov/water/swaonline.
- ◆ Enhanced and fixed the source water assessment online application through a contract with Resources Data Inc. (RDI). Fixes occurred within the susceptibility analysis calculations and logic, and the comment function of the public website. Enhancements included streamlining the scoring process for the hydrogeologists, adding rollover information buttons for users on the susceptibility analysis form, adding a user group to the administrative web site, and improving the search fields and search results on the public website. Programing was completed in August 2016.

Planning:

DEQ assisted communities with planning efforts to protect drinking water sources through the

development of plans and ordinances. In SFY2016, DEQ completed the following tasks:

- ◆ Certified or recertified 15 source water protection plans in SFY2016, increasing the total population of Idaho residents with source water protection to 689,370. Five plans were developed by DEQ and ten were developed by a DEQ contractor (IRWA) and reviewed by DEQ staff.
- ◆ Assisted Canyon County with regional planning efforts (non-certified plan) and provided assistance to the Mid-Snake Regional Water Quality Commission with regional source water planning efforts.
- ◆ Contracted with attorney Jerry Mason to provide legal assistance to cities and counties implementing source water protection using templates developed for source water protection ordinances and comprehensive planning.

Implementation:

DEQ assists communities with implementation of source water protection activities by providing technical and financial assistance, educational materials, and training opportunities. In SFY2016, DEQ completed the following tasks:

- ◆ Managed five existing sub-grants and awarded five new sub-grants/contracts totaling approximately \$270,000 in funding for source water protection projects during SFY2016. Projects include educational displays on the water cycle and source water protection, completion of a ground water study, a water wise demonstration project, local government assistance on source water protection ordinance development, source water protection planning and implementation assistance for public water systems, HHW education and disposal, water sampling to evaluate mining impacts to drinking water sources, fencing of drinking water sources, and Project WET teacher education. DEQ also awarded additional sub grants and/or contracts totaling \$145,000 that will be managed and completed during SFY2017. These projects include the development of an online source water protection planning application, a source water protection display for a traveling Smithsonian library exhibit on water, deep soil sampling for nitrate contamination, and four school lab cleanouts of hazardous and toxic chemicals.
- ◆ Provided four full-day training workshops in Boise, Twin Falls, Idaho Falls and Coeur d'Alene, Idaho to assist local governments and public drinking water systems with source water protection. The workshops highlighted resources and organizations available to assist local governments and public water systems with source water protection efforts. Approximately 180 people attended the workshops.
- ◆ Participated in over 52 outreach events including school presentations, community activities, and training events.

GRANT GOAL 5

Administer Idaho's DWSRF to ensure its financial integrity, viability and revolving nature in perpetuity.

Progress

Loan applications have been and will be carefully scrutinized to assure technical, managerial and financial capacity and thereby loan repayment. Loans will either be secured by revenue bonds that will be held as collateral for the loan, or, in the case of projects that are funded using the "ordinary and necessary" provisions allowed by the *Idaho Constitution*, are secured by promissory notes. All loans require the establishment of reserve accounts, to be drawn upon to make a loan repayment in case of a shortfall in the collection of user charges.

The pace of the loan program recovered during SFY 2016. However, it has not fully maximized the total available loan resources. Feedback from a number of small town mayors is consistent in that they have stated that they have turned away from DWSRF funding because of the host of requirements that must be met in order to qualify for funding (e.g. Davis Bacon, American Iron and Steel). DEQ has taken a number of steps to address this set of issues:

- ◆ The loan handbook, which has dozens of forms, is being reengineered to simplify its structure and reduce duplication.
- ◆ The State Environmental Review Process has been analyzed via a kaizen process to reduce throughput time, incorporate the intent from recent Council of Environmental Policy guidance documents and reduce duplication. Early implementation efforts have been very positive.

GRANT GOAL 6

Entering into SFY 2015, there is an imbalance in the DWSRF and CWSRF loan funds' ability to serve the state's needs. This imbalance has developed over the last 5 years and may represent an issue to contend with in the future. The DWSRF loan fund in FY 2016 can fully fund the Priority List needs and have surplus funds, while the CWSRF loan fund in FY 2016 may not meet all needs with its resources. DEQ will monitor this disparity and evaluate the impact of transferring money between the two loan funds.

Progress

DEQ implemented Legislature and Board approved action to transfer \$10 million from the DWSRF into the CWSRF. The transfer is discussed in more detail in the SFY 2016.IUP.

SHORT TERM GOALS AND PROGRESS

In its Intended Use Plan DEQ identified six short-term goals to be implemented in SFY 2016. These have been addressed as follows:

SHORT TERM GOAL 1

Perform all necessary tasks to assure that all loan assistance requested for SFY 2016 funding is provided to projects on the list in a timely manner.

Progress

DEQ staff has worked diligently to obtain loan applications from any and all projects that were willing and able to proceed. Many meetings were held with potential loan applicants. DEQ signed four new loans and provided increases to four existing loans. Many small systems are opting for USDA-Rural Development funding assistance due to fewer Federal requirements (i.e. Davis Bacon labor standards, and American Iron & Steel requirements).

SHORT TERM GOAL 2

Maintain the on-line loan handbook.

Progress

A number of revisions were collected for implemented into a comprehensive update. The Handbook is posted to the DEQ website at http://www.deq.idaho.gov/media/651373-dw_loan_handbook.pdf.

SHORT TERM GOAL 3

Direct a minimum of approximately 10% of the capitalization grant to sustainability efforts (i.e., Green Project Reserve) and ensure that 25% of the capitalization grant award is provided as a loan subsidy (i.e., principal forgiveness).

Progress

DEQ has retained the GPR goals to both ready itself for potential sustainability grant conditions and to encourage cost effective infrastructure management practices. To date DEQ has identified \$5,169,000 of GPR loan eligible costs associated with its SFY 2016 loan activity.

The goal to meet the EPA grant requirement, to equitably distribute \$2,211,250 of principal forgiveness, was accomplished by June of 2016 (loans to Smith Road and Lava Hot Springs). The following narrative explains the process:

Loan Repayment Reductions

Over the past several years, a portion of loans awarded to State Revolving Fund borrowers have had their repayment obligation reduced. To DEQ's knowledge, this practice will be continued by the EPA. To better assist, loan recipients' planning efforts we would like to briefly describe how the loan reductions are made.

- ◆ The amount that DEQ can provide for loan reductions is set at a specific amount by the EPA. Therefore, any project cost increases identified after the Priority List is finalized will not be "matched" with proportional increases to the amount of loan reduction.

- ◆ The amount of the repayment reduction identified on the Priority List is based upon the cost of the project identified on the Priority List, so if a project cost decreases the repayment reduction will also proportionately decrease.
- ◆ If any of the systems identified on the annual Priority List do not come forward for loans during the year, the amount of repayment reduction associated with those systems will be allocated to those systems that did come forward for loans during the year, shortly after the state fiscal year has ended.
- ◆ The repayment reductions are only available to loans recipients for a given year's Intended Use Plan (i.e. closed loans are not eligible for retroactive repayment reductions).
- ◆ Reallocations of repayment reductions are only available to those loan recipients that entered into loans during the year the annual reduction amount was offered.
- ◆ Whenever a loan recipient with a repayment reduction closes their loan, no further repayment reductions may occur. However, if the first loan recipient with a repayment reduction closes and their project is under budget then the repayment reduction savings will be shared with the other loan recipients (that entered into loans in the same year) that have a reduced repayment schedule.
- ◆ If a loan recipient's project cost is reduced to the extent that rates no longer exceed the "disadvantaged community" threshold of 1.5% of median household income, then the loan recipient will not receive a repayment reduction.

The goal for Green Project Reserve (GPR) was to identify \$878,700 of GPR costs (10% of the most recent DWSRF grant). DEQ, in partnership with the communities, was able to identify \$5,169,000 of GPR costs, primarily related to water conservation and energy conservation measures.

TABLE 2.
Green Project Reserve Infrastructure Estimated Efforts During SFY 2016

FY16 Projects			
CITY OF CHUBBUCK DW 1602: \$8,500,000 Keller: Colter Hollingshead	WATER EFFICIENCY: Installs new water transmission piping (B.2.4-3); also (Energy Efficiency) (B3.5-1) (\$1,000,000). ENERGY EFFICIENCY: Installs new booster pump station and well refurbishment with premium energy-efficient pumps and VFDs (C 3.2-2; 3.5-9) (\$200,000).	WATER EFFICIENCY = \$1,000,000 ENERGY EFFICIENCY = \$200,000 \$1,200,000 Pop = 14,125	Preliminary GPR
CITY OF KETCHUM DW 1601: \$499,000 JUB: Tracy Ahrens	INNOVATIVE: Consolidate water system and install 200 water meters (B 4.1; B4.4-1; B4.4-1; B4.2) (\$499,000)	INNOVATIVE = \$499,000 Pop = 3,500	Preliminary GPR
LAVA HOT SPRINGS DW1604: \$4,400,000 Keller: Matt Hill	WATER EFFICIENCY: Replace manual read water meters with new AMR systems (C2.2-3a; C2.2-9) (\$229,000); replaces 14,300 feet of aging cast iron transmission piping (C2.4-1); also B2.4-4) (\$1,776,000); replaces aging cast iron distribution piping with new pipe (C2.4-1; B2.4-4). (\$1,307,000).	WATER EFFICIENCY = \$3,312,000 Pop = 410	Preliminary GPR
SMITH ROAD WATER USERS ASSOC. DW1603: \$840,090 Keller: Bryan Phinney	WATER EFFICIENCY: Install water meters with AMR systems (C2.2-2a) (\$37,000); Replaces leaking distribution piping (C2.4-1; B2.4-1; B2.4-4; B2.5-2). (\$71,000). ENERGY EFFICIENCY: Installs energy-efficient pumps with VFDs (B3.5-1). (\$50,000).	WATER EFFICIENCY = \$108,000 ENERGY EFFICIENCY = \$50,000 \$158,000 Pop = 57	Preliminary GPR
Total FY16 GPR Costs → \$5,169,000			

SHORT TERM GOAL 4

Make necessary changes to the FFY 2015 EPA capitalization grant application.

Progress

The FFY2015 grant application was successfully submitted.

DWSRF LOAN AND SET-ASIDE ACTIVITIES

The following is a detailed discussion of the DWSRF activities during SFY 2016. Details are provided on the sources of program funding, the status of loan activities and the status of set-aside activities.

Table 3 and Table 4 (on pages 12 and 13) provide information about the sources and uses of DWSRF funding. Table 3 shows new sources of DWSRF funds available in SFY 2016. It also shows the binding commitments, work plan commitments, and administrative funding

commitments made each year from those funds. Table 4 shows Idaho's actual disbursements in SFY 2016. (Note: disbursed funds reflect cash outlays from the current year's committed funds as well as from the funds committed in previous years.)

SOURCES OF DWSRF FUNDING

The DWSRF received funding from the following sources in SFY 2016:

◆ Capitalization Grants

EPA has awarded Idaho \$187,309,324 in federal capitalization grants through 6/30/2016. The EPA has awarded Idaho \$8,787,000 of regular SRF federal capitalization grants for FFY 2015.

◆ State Match

Idaho provided \$1,757,400 as the required 20 percent state match for the FFY 2015 capitalization grant. The state match was provided from the Water Pollution Control Account which is perpetually appropriated to DEQ by statute. When Automated Clearing House cash draws are made the appropriate state match is provided.

◆ Interest Earnings

There was \$713,570 in cash basis interest earnings on investments during the reporting period.

◆ Repayments

DEQ received \$5,453,019 in cash basis loan repayments during SFY 2016. The repayments consisted of \$1,248,724 in interest and \$4,204,295 in principal.

USES OF DWSRF FUNDS

To fund set-aside activities \$2,741,950 was made available from the FFY 2015 capitalization grant. Specific information regarding set-asides is provided later in this document.

LOAN ASSISTANCE STATUS

The DWSRF entered into four new loan agreements with public water systems and increased the award on four (4) existing loans for a total of new commitments of \$14,985,992 during the reporting period. A list and description of the funded projects follows on Table 5.

◆ Binding Commitments

On a cumulative basis, including deobligations, the DWSRF has obligated \$224,008,087 of available loan funds to projects. This amount of commitments exceeds the total capitalization grants *available for loans* and their related state match by \$47,095,162.

◆ Small Systems

All states are required to provide at least 15% of DWSRF funds to small systems that serve fewer than 10,000 people. To date 81 small systems have been funded totaling \$161,349,768 or 72% of the funds committed.

◆ Disadvantaged Community Systems

Two disadvantaged loans were issued during SFY 2016 with \$5,240,090 in total commitments and \$2,211,250 of principal forgiveness (i.e. subsidy).

◆ Disbursements

\$10,745,030 was disbursed to loan recipients during SFY 2016.

TABLE 3. SOURCES AND USES OF COMMITTED DWSRF FUNDING

Sources	
Capitalization Grant	\$8,787,000
State Match	1,757,400
Investment Interest Earnings	713,570
Principal Repayments	4,204,295
Loan Interest Earnings	1,248,724
SOURCES TOTAL	\$16,710,989
Uses	
<i>LOANS</i>	
DWSRF Loan Account Binding Commitments	\$14,985,992
LOANS SUBTOTAL	14,985,992
<i>SET-ASIDE WORKPLAN COMMITMENTS</i>	
Technical Assistance (maximum of 2%) - 1452(g)(2)	176,900
State Program Management (maximum of 10%) - 1452(g)(2)	
PWSS Program	\$884,500
Operator Certification	0
<i>State Program Management Subtotal</i>	884,500
Wellhead Protection	884,500
Capacity Development	442,250
SET-ASIDE WORKPLAN COMMITMENTS SUBTOTAL	2,388,150
<i>SET-ASIDE ADMINISTRATION COMMITMENTS</i>	
Administration (maximum of 4%) - 1452(g)(2)	353,800
SET-ASIDE ADMINISTRATION COMMITMENTS SUBTOTAL	353,800
USES TOTAL	\$17,727,942

TABLE 4. USES OF DISBURSED DWSRF FUNDING*

Loan Uses		
Standard Loans - 1452(a)		\$213,091
Small Systems (<10,000 pop.) - 1452(a)(2)		
Standard	\$22,282	
Disadvantaged Communities - 1452(d)	7,416,281	
<i>Committed Subtotal</i>		<u>7,438,563</u>
LOAN DISBURSEMENT SUBTOTAL		<u><u>\$7,651,654</u></u>
Set-Aside Uses		
Technical Assistance (maximum of 2%) - 1452(g)(2)		\$176,900
State Program Management (maximum of 10%) - 1452(g)(2)		
PWSS Program		658,794
Other State Programs (maximum of 15%) - 1452(k)		
Capacity Development	\$624,553	
Wellhead Protection	888,643	
<i>Other State Programs Subtotal</i>		<u>1,513,196</u>
DWSRF Administration (maximum of 4%) - 1452(g)(2)		393,222
SET-ASIDE SUBTOTAL		<u><u>\$2,742,112</u></u>
USES TOTAL		<u><u>\$10,393,766</u></u>

*Note: The DWSRF uses a grant specific proportionality method for cash draws.

The percentages of federal funds drawn from each capitalization grant are:

80.58% for Federal Fiscal Year (FFY) 1997;

80.66% for FFY 1998;

79.17% for FFY 1999;

77.53% for FFY 2000 through 2005;

77.49% for FFY 2006; and

77.53% for FFY 2007 through 2016.

TABLE 5. Funded Projects in State Fiscal Year 2016

Loan Number	Loan Recipient	Loan Accepted Date	SFY 2016 Loan Amount	SFY 2016 Subsidy	Pop.
DW1106*	City of Orofino	6/28/2016	\$6,250	\$0	3,096
DW1209*	City of Dietrich	10/28/2015	20,000		339
DW1302*	Clearwater Water District	10/14/2015	688,652		150
DW1401*	BlackHawk Homeowners Association	8/8/2015	32,000		185
DW1601	City of Ketchum	9/15/2015	499,000		2,720
DW1602	City of Chubbuck	6/21/2015	8,500,000		14,229
DW1603	Smith Road Homeowners Association	2/4/2016	840,090	740,090	54
DW1604	City of Lava Hot Springs	6/29/2016	4,400,000	1,471,160	406
* Increases to existing loans.			<u>\$14,985,992</u>	<u>\$2,211,250</u>	

Set-Aside Activity Status

The following pages provide an overview of activities funded with DWSRF set-aside monies in SFY 2016.

Set-Aside: Administration

\$353,800 was set-aside from the FFY 2015 capitalization grant. The majority of funds from this set-aside paid salaries and associated expenses of personnel administering the DWSRF program. The DWSRF program is utilizing fees to supplement available set-aside funds. In the last year the DWSRF staff has completed the following administrative activities:

- ◆ Development of comprehensive priority list of projects
- ◆ Project selection and development of IUP
- ◆ Conduct public notice of priority list and IUP
- ◆ Preparation of capitalization grant application
- ◆ Development of set-aside workplans
- ◆ Scoping of project management software needs
- ◆ Solicitation of applications
- ◆ Awarding of 4 new loan and increases to 4 existing loans
- ◆ Closing of 10 existing loans

TABLE 6.

Funds Available 7/1/15	Spent During SFY 2016	Funds Available 6/30/16
FFY13- \$93,585	\$93,585	\$0
FFY14- \$353,800	\$299,637	\$54,163
FFY15- \$353,800	\$0	\$353,800

Set-Aside: Small Systems Technical Assistance

\$176,900 was set-aside from the FFY 2015 capitalization grant. The FFY 2015 set-aside amount will be used to complete Plan and Specification reviews for drinking water systems serving populations under 10,000. This level of funding is sufficient to cover approximately 40 percent of the cost associated with this activity.

TABLE 7.

Funds Available 7/1/15	Spent During SFY 2016	Funds Available 6/30/16
FFY14- \$176,900	\$176,900	\$0
FFY15- \$176,900	\$0	\$176,900

Set-Aside: State Program Management

\$884,500 was set-aside from the FFY 2015 capitalization grant. These funds have been used mostly to maintain the Drinking Water Program’s computer databases and related compliance activities. A portion of the funding has been used for contracts with the District Health Departments around the state that assist small drinking water systems.

TABLE 8.

Funds Available 7/1/15	Spent During SFY 2016	Funds Available 6/30/16
FFY13- \$273,422	\$273,422	\$0
FFY14- \$484,500	\$385,372	\$99,128
FFY15- \$884,500	\$0	\$884,500

Set-Aside: Local Assistance and Other Programs

Idaho set-aside funds for wellhead protection and capacity development.

◆ Set-Aside: Wellhead Protection

\$884,500 was set-aside from the FFY 2015 capitalization grant to implement Wellhead Protection efforts. These funds were, and are continuing to be, utilized to (a) perform delineations and assess the vulnerability of new public water sources to contamination, and (b) develop and implement drinking water and source water protection activities throughout the state.

Within Idaho, the focus of the Wellhead Protection program (referred to herein as the Drinking Water Protection program) is continuing to transition from primarily an *assessment* program to a *protection* program. The goal of drinking water protection is to implement preventive measures to minimize the possibility that land uses will contaminate the water used by public water systems. Drinking water protection measures include, among others, (a) public education efforts, (b) the implementation of on-the-ground drinking water protection projects, and (c) community assistance with the development and implementation of both *local* and *regional* drinking water protection plans.

TABLE 9.

Funds Available 7/1/15	Spent During SFY 2016	Funds Available 6/30/16
FFY13- \$458,188	\$458,188	\$0
FFY14- \$784,500	\$430,455	\$354,045
FFY15- \$884,500	\$0	\$884,500

Idaho DEQ used funds from the Capacity Development set-aside for the State’s Capacity Development Strategy.

◆ Set-Aside: Capacity Development and Operator Training and Certification

\$442,250 set-aside from the FFY 2015 capitalization grant and designated for Capacity Development efforts. The set-aside is used to implement the State’s Capacity Development Strategy and to fund facility planning efforts. Recent developments in the programs include use of a blog to rapidly disseminate information, as well as use of a preliminary inspections findings form to coordinate technical assistance with 3rd party service providers. Full details of program activities can be reviewed in the latest Drinking Water Program annual reports.

TABLE 10.

Funds Available 7/1/15	Spent During SFY 2016	Funds Available 6/30/16
FFY14- \$442,250	\$442,250	\$0
FFY15- \$442,250	\$182,303	\$260,197

COMPLIANCE WITH OPERATING AGREEMENT AND GRANT CONDITIONS

Idaho has complied with the conditions of the DEQ/EPA Operating Agreement and Capitalization Grants. The DWSRF program has met and continues to be in compliance with the following conditions:

- ◆ Establish state instrumentality and authority
- ◆ Comply with applicable state laws and procedures
- ◆ Review technical, financial and managerial capacity of loan recipients
- ◆ Establish DWSRF loan account and set-aside accounts
- ◆ Deposit all funds in appropriate accounts
- ◆ Follow state accounting and auditing procedures
- ◆ Require loan recipient accounting and auditing procedures
- ◆ Submit IUP and use all funds in accordance with the plan
- ◆ Comply with enforceable requirements of the Safe Drinking Water Act
- ◆ Establish capacity development authority
- ◆ Develop and submit priority ranking system
- ◆ Take payments based on payment schedule

Payments were received based upon the schedule included in the grant awards for SFY 2016.

◆ Deposit state matching funds

The State matching funds are derived from loan fees and the Water Pollution Control Account, which by law is perpetually appropriated.

◆ Submit Annual Report and Annual Audit

The next required Annual Report, this report, is due 9/30/2016.

The Legislative Auditor shall conduct an annual agreed upon procedure of the DWSRF. The completed audit shall be made available to the EPA to fulfill that responsibility.

◆ Assure that borrowers have dedicated source of repayment

The ability to pay by each loan applicant is reviewed by Department. This review determines that the user charge is sufficient to repay the loan, any previous loans, as well as ongoing operation and maintenance expenses. All loan agreements require that applicants issue a revenue bond, general obligation bond, local improvement district bond or promissory note as collateral for the loan. Additionally, a pledge of system revenue is made by the loan applicant.

◆ Use funds in a timely and expeditious manner

For projects that have been awarded loans DWSRF staff will monitor construction progress to ensure that operations are initiated within a reasonable time frame.

◆ Ensure recipient compliance with applicable federal cross-cutting authorities

The DWSRF program and the loan recipients have complied with all applicable federal cross-cutting authorities.

An availability analysis was conducted to determine an overall fair share objective for Disadvantaged Business Enterprises (DBE). All loan recipients are required to solicit DBE participation in bid solicitations and are required to submit semi-annual reports on DBE utilization. DWSRF staff has compiled the project reports into single semi-annual reports that were submitted to EPA.

◆ Encourage loan recipients to comply with Single Audit Act requirements

DEQ included Office of Management and Budget Circular A-133 Single Audit Act (SAA) compliance requirements in loan agreements that met or exceeded the amount of capitalization grants received. DEQ's Fiscal Office has taken the lead on monitoring ongoing loan recipient compliance.

◆ Conduct environmental reviews

Of the four water system receiving a newly signed DWSRF loan during the last year two required a Finding of No Significant Impact and two required a Categorical Exclusion.

◆ Implement operator certification program

The Idaho legislature passed a bill in 1997 that gave DEQ authority to adopt and implement a mandatory drinking water operator certification program. Under authority of this legislation DEQ requires operators to be certified at the appropriate level. Rules necessary to implement certification went into effect on April 15, 2000. DEQ submits a separate annual report to EPA regarding the status of the operator certification program.

◆ Report on interfund transfers

In state fiscal year 2016 DEQ transferred \$10,000,000 from the DWSRF to the CWSRF. The third transfer (of \$10,000,000) is planned to take place during state fiscal year 2017.

ATTACHMENT I. Fundable and Priority List of Drinking Water Loan Projects

State of Idaho, Drinking Water State Revolving Loan Fund
for the Period of July 1, 2015 through June 30, 2016

Rank	Project	Rating Points	Reg. Off.	Sys. Type	Green Infrastructure Cost	System Number	Proposed Funding Terms	Loan Amt. & Est. Loan Date	Project Description
1	City of Driggs	100	IFRO	P	\$48,000 (energy and water conservation measures, Business Case required)	ID7410004	30 years at 3.00%	\$4,300,000 December 2015	Improve distribution system in order to meet peak demands, improve storage controls, improve source water protection, improve treatment and provide emergency power.
2	Smith Road Water Users Association	84	PRO	NP		ID6030049	30 years at 1.75%, with \$40,962 of principal forgiveness	\$600,000 July 2015	Replace meters, add emergency power, upgrade well house capabilities, repair storage tank, improve distribution system.
3	City of Lava Hot Springs	78	PRO	P	\$40,000 (energy efficient pumps and motors, Business Case required)	ID6030030	30 years at 1.75%, with \$300,386 of principal forgiveness	\$4,400,000 Sept. 2015	Distribution system improvements, new well, source water protection, and computerized controls.
4	City of Rexburg	77	IFRO	P	\$500,000 (source water protection and energy conservation, Business Case required)	ID7330022	30 years at 1.75%, with \$757,792 of principal forgiveness	\$11,100,000 July 2015	Address source, storage and distribution system deficiencies. Two new wells, new 2.5 million gallon storage, upgrade of undersized and aged lines, and new booster station.
5	City of Challis	62	IFRO	P	\$1,050,000 (energy and water conservation measures, Business Case required)	ID71900013	30 years at 1.75%, with \$204,809 of principal forgiveness	\$3,000,000 July 2015	New source water, improvements to distribution system, metering and computer controls.
6	City of Ketchum	51	TFRO	P	\$72,000 (meters, Business Case not required)	ID5070028	20 years at 2.75%	\$449,000 May 2016	Upgrade distribution system and add water meters.

ATTACHMENT I (CONT.)

Rank	Project	Rating Points	Reg. Off.	Sys. Type	Green Infrastructure Cost	System Number	Proposed Funding Terms	Loan Amt. & Est. Loan Date	Project Description	
7	Groveland Water and Sewer District	46	PRO	NP		ID6060095	30 years at 1.75%, with \$17,067 of principal forgiveness	\$250,000 June 2016	Add a new well and add back-up power.	
8	City of Filer	40	TFRO	P		ID5420021	30 years at 1.75%, with \$391,184 of principal forgiveness	\$5,730,000 June 2016	Improve treatment system and distribution system, new generators and miscellaneous system repairs.	
9	City of Glenns Ferry	31	BRO	P		ID4200022	30 years at 1.75%, with \$499,050 of principal forgiveness	\$7,310,000 June 2016	Improve fire flow, add new 1 million gallon storage tank, add new generators and upgrades to distribution and treatment.	
10	City of Chubbuck*	31	PRO	P		ID6030008	20 years at 2.75%	\$5,500,000 July 2015	Improve storage supply capacity.	
11	City of Blackfoot*	14	PRO	P		ID6060007	20 years at 2.75%	\$3,650,000 October 2015	Improve the distribution system.	
						<u>\$46,389,000</u>				

*Blackfoot and Chubbuck are expected to meet the state's cross-cutting and reporting requirements which are required of loans that equal the state's annual capitalization grant award amount.

STATE OF IDAHO - DEPARTMENT OF ENVIRONMENTAL QUALITY
 DRINKING WATER STATE REVOLVING FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2016

ATTACHMENT II

	LOAN ACTIVITIES	SET-ASIDE PROGRAMS	TOTAL
ASSETS			
Current Assets			
Cash	\$10,891,344	\$0	\$10,891,344
Cash - Loan Fees		1,408,725	\$1,408,725
Investments	36,791,857		36,791,857
Interest Rec - Fund Balance	52,992		52,992
Interest Rec - Loans	258,461		258,461
Interest Rec - Loan Fees		846	846
Loans Receivable	4,783,402		4,783,402
Fees Receivable		89,143	89,143
Due From EPA	0	238,625	238,625
Total Current Assets	<u>\$52,778,056</u>	<u>\$1,737,339</u>	<u>\$54,515,395</u>
Non-Current Assets			
Loans Receivable	\$106,254,294	\$0	\$106,254,294
Interest Receivable - Loans	109,882	0	109,882
Fees Receivable - Loan LT	0	49,072	49,072
Total Non-Current Assets	<u>\$106,364,176</u>	<u>\$49,072</u>	<u>\$106,413,248</u>
TOTAL ASSETS	<u>\$159,142,232</u>	<u>\$1,786,411</u>	<u>\$160,928,643</u>
LIABILITIES			
Current Liabilities			
Due to State	\$321,997	\$0	\$321,997
Set Asides Payable	0	214,440	214,440
Loan Admin Payable	0	24,184	24,184
Total Current Liabilities	<u>\$321,997</u>	<u>\$238,624</u>	<u>\$560,621</u>
TOTAL LIABILITIES	<u>\$321,997</u>	<u>\$238,624</u>	<u>\$560,621</u>
NET POSITION			
Unrestricted	\$158,820,235	\$1,547,787	\$160,368,022
TOTAL NET POSITION	<u>\$158,820,235</u>	<u>\$1,547,787</u>	<u>\$160,368,022</u>

UNAUDITED

STATE OF IDAHO - DEPARTMENT OF ENVIRONMENTAL QUALITY
 DRINKING WATER STATE REVOLVING FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	LOAN ACTIVITIES	SET ASIDE PROGRAMS	TOTAL
OPERATING REVENUES			
EPA Operating Revenue	\$0	\$2,780,027	\$2,780,027
Loan Service Fee Revenue		348,367	\$348,367
Other Income	0	5,374	5,374
Total Operating Revenues	\$0	\$3,133,768	\$3,133,768
OPERATING EXPENSES			
Program Administration			
Personnel	\$0	\$262,212	\$262,212
Operating	0	32,805	\$32,805
Travel	0	3,170	3,170
Indirect	0	92,591	92,591
Total Program Administration	\$0	\$390,778	\$390,778
Program Set - Asides			
Personnel	\$0	\$1,251,581	\$1,251,581
Operating	0	398,580	\$398,580
Travel	0	15,019	15,019
Grants	0	321,742	321,742
Indirect	0	407,701	407,701
Total Program Set - Asides	\$0	\$2,394,623	\$2,394,623
Total Operating Expenses	\$0	\$2,785,401	\$2,785,401
Operating Income	\$0	\$348,367	\$348,367
NON-OPERATING REVENUES(EXPENSES)			
Contributions from EPA	\$5,907,526	\$0	\$5,907,526
Contributions from STATE	1,738,931	0	1,738,931
Contributions To Related Party	(10,000,000)	(500,000)	(10,500,000)
Interest Earned - Fund Balance	714,423	0	714,423
Interest Earned - Loans	1,407,840	0	1,407,840
Interest Earned - Loan Fees		8,634	8,634
Loan Forgiveness	(1,928,684)	0	(1,928,684)
Loss On Sale of Investments	0	0	0
Increase in FMV of Investments	552,318	0	552,318
Total Non-Operating Revenues	-\$1,607,646	-\$491,366	-\$2,099,012
Change in Net Assets	-\$1,607,646	-\$142,999	-\$1,750,645
Net Assets - Beginning of Year	\$160,427,882	\$1,690,784	\$162,118,666
Net Assets - End of Year	\$158,820,236	\$1,547,785	\$160,368,021

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UNAUDITED

STATE OF IDAHO - DEPARTMENT OF ENVIRONMENTAL QUALITY
 DRINKING WATER STATE REVOLVING FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

	LOAN ACTIVITIES	SET ASIDE PROGRAMS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received From EPA	\$0	\$2,741,997	\$2,741,997
Cash Received - Loan Fees		\$369,689	\$369,689
Cash Received - Other		5,374	5,374
Cash Disbursed - Admin. Expenses	0	(393,222)	(393,222)
Cash Disbursed - Other Program Expenses	0	(2,354,149)	(2,354,149)
Net Cash Provided by Operating Activities	\$0	\$369,689	\$369,689
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Cash Received From EPA	\$5,907,526	\$0	\$5,907,526
Cash Received as State Match	1,523,818	0	1,523,818
Cash Transferred to Related Party	(10,000,000)	(500,000)	(10,500,000)
Net Cash Used by Non-Capital Financing Activities	(\$2,568,656)	(\$500,000)	(\$3,068,656)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Received - Investment Interest	\$179,333	\$0	\$179,333
Cash Received - Loan Fees Interest		8,199	\$8,199
Cash Received - Loan Interest Payments	1,248,724	0	1,248,724
Cash Received - Loan Principal Repayments	4,204,295	0	4,204,295
Loan Disbursements	(7,651,654)	0	(7,651,654)
Purchase of Investments	(120,182)	0	(120,182)
Net Cash Used by Investing Activities	(\$2,139,484)	\$8,199	(\$2,131,285)
Net Increase (Decrease) in Cash	(\$4,708,140)	(\$122,112)	(\$4,830,252)
Cash Balance - Beginning of Year	15,599,484	1,530,837	\$17,130,321
Cash Balance - End of Year	\$10,891,344	\$1,408,725	\$12,300,069
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$0	\$348,367	\$348,367
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities			
Change in Fees Receivable	0	\$21,323	\$21,323
Change in Due From EPA	0	(38,030)	(\$38,030)
Change in Administration Payable	0	(2,445)	(\$2,445)
Change in Program Set-Asides Payable	0	40,474	\$40,474
	\$0	\$21,322	\$21,322
Net Cash Provided by Operating Activities	\$0	\$369,689	\$369,689

UNAUDITED

**STATE OF IDAHO
DEPARTMENT OF ENVIRONMENTAL QUALITY
DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies

Organization of the Fund

The Idaho Drinking Water State Revolving Fund (DWSRF) was established pursuant to the Federal Safe Drinking Water Act (the Act) Amendments of 1996 (Pub. L 104-182). The Act established the DWSRF to assist public water systems to finance the costs of infrastructure needed to achieve or maintain compliance with the Act requirements and to protect public health. Section 1452 of the Act authorizes the Administrator of the Environmental Protection Agency (EPA) to award capitalization grants to states, which in turn can provide low cost loans and other forms of assistance to eligible systems. The Act also established a strong emphasis on preventing contamination and enhancing water systems management by allowing States to use some of the Act funds for source water protection, capacity development, and operator certification.

The DWSRF is in the process of being capitalized by the U.S. Environmental Protection Agency through a series of grants beginning in 1997. States are required to provide an additional 20 percent of the Federal capitalization grant as matching funds in order to receive a grant. As of June 30, 2016, Congress authorized the EPA to award \$167,809,324 in capitalization grants to Idaho. The State is required to contribute \$33,561,865 in matching funds. DWSRF loan repayments, including interest and principal, must be returned to the DWSRF. DWSRF money is to be used for eligible purposes in perpetuity. In accordance with the Act, the corpus of the federal and State capital contributions to the DWSRF will be maintained. All disbursements, repayments, contributions from federal and State sources, and related transactions are accounted for within the DWSRF.

The American Recovery and Reinvestment Act of 2009 provided the DWSRF with \$24,500,000 of additional funding with no required State match.

The DWSRF is administered by the Idaho Department of Environmental Quality (DEQ). The DWSRF does not have any full time employees. Instead, DEQ charges the DWSRF for time spent on DWSRF activities by DEQ employees, and the DWSRF reimburses the DEQ Fund for such costs. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the DWSRF based on direct salary costs. Employees charging time to the DWSRF are covered by the benefits of the State. The DWSRF is also charged indirect costs of the State through the cost allocation plan for general state expenses.

The financial statements are intended to present the financial position and results of the operations of the DWSRF, a component of the State of Idaho. These statements are not intended to present the financial position or results of operations for the Idaho Department of Environmental Quality, of which the DWSRF is a part.

Basis of Accounting and Measurement Focus

Enterprise funds, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, are required to apply applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: *Statements and Interpretations of Financial Accounting Standards Board (FASB); Accounting Principles Board Opinions; and Account Research Bulletins of the Committee on Accounting Procedures*. In addition, an enterprise activity may apply all FASB statements and interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements. The DWSRF has elected not to follow FASB pronouncements issued after November 30, 1989.

The DWSRF presents its financial statements as an enterprise fund. Enterprise funds are

**STATE OF IDAHO
DEPARTMENT OF ENVIRONMENTAL QUALITY
DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

reported using the economic resources measurement focus and the accrual basis of accounting. The State's central accounting system records transactions on a cash basis of accounting. The financial records of the DWSRF have been converted as necessary to the accrual basis. The accrual basis of accounting requires recording revenues when earned and expenses when incurred.

Operating and Non-Operating Revenue and Expenses

Operating and non-operating revenue and expenses are presented separately on the operating statement. Operating revenue and expenses result from transactions associated with the administrative activity of the DWSRF, for example, administrative expenses and contributions from the EPA for administrative costs. All other transactions are reported as non-operating revenue, such as loan disbursements, collections, interest earned, and contributions from the EPA and the State for loan disbursements.

Cash and Cash Equivalents

Pursuant to Idaho Code, all cash of the DWSRF is deposited with the Office of the State Treasurer. The State Treasurer is responsible for the investment of the cash balances of the State.

In accordance with the Safe Drinking Water Act and Idaho Code, all cash of the DWSRF is perpetually appropriated for program purposes.

Capital Assets

Capital assets are generally defined as land, land improvements, buildings, fixtures, equipment, and property under construction, and are recorded at cost. The DWSRF owns no land, land improvements, buildings, fixtures, or property under construction and has no plans to acquire any.

Loans Receivable and Interest Capitalization

Loan funds are disbursed to the local agencies as the agencies incur costs for the purposes of the loan and request loan disbursements from the DWSRF. Typically, interest is calculated from the date that funds are advanced. After final disbursement has been made, the repayment schedule identified in the loan agreement is adjusted for the actual amounts disbursed and interest accrued during the project period. At the loan closing, the loan recipient is given the opportunity to payoff any accrued interest during the construction phase or to capitalize the interest into the loan principal, subject to the available debt capacity of the loan recipient as stated in the loan award.

Management considers all loans to be fully collectible; therefore, no allowance for uncollectible accounts is made.

Indirect Costs - Specific DWSRF Liabilities

Certain liabilities, such as Compensated absences, Pension plan obligations, and Commitments under non-capitalized (operating) leases are obligations of the Department of Environmental Quality and the DWSRF receives an allocation of these costs, either through direct expenses as incurred or through the application of a negotiated indirect rate.

For the year ended June 30, 2016, the DWSRF does not have separate specific liabilities for Compensated absences, Pension plan obligations, and Commitments under non-capitalized (operating) leases.

State Match

Under Idaho Code, the State match is perpetually appropriated from the Water Pollution Control Account. The State is only required to deposit a cash match into the DWSRF when an actual cash draw from the EPA is made.

**STATE OF IDAHO
DEPARTMENT OF ENVIRONMENTAL QUALITY
DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Loan Servicing Fees

To support the administration of the DWSRF in perpetuity, a loan servicing fee of 1% is assessed on the outstanding loan receivable balance. The fees are deposited to an account outside the DWSRF and will be used for administration costs of the program.

Loan Servicing Fees	
Beginning Balance - July 1, 2015	\$1,530,838
Collections	369,689
Interest Income - Loan Servicing Fee Account	8,198
Transfer to Match Account	(500,000)
Expenditures	<u>0</u>
Ending Balance - June 30, 2015	<u>\$1,408,725</u>

Note 2 - Cash and Investments

The DWSRF participates in two of the State Treasurer's investment pools. In accordance with Idaho Code, Sections 67-1210 and 67-1210A, the State Treasurer invests in various types of investments, including certificates of deposit, repurchase agreements, securities lending, and federal, State, and local government securities.

The Idle Fund is an involuntary investment pool managed by the State Treasurer's Office on behalf of participants. Money not needed to meet immediate operating obligations is invested in the Idle Fund, which is unrated. The DWSRF has total deposits of \$10,891,343 in the pool. Deposits are stated at cost, which approximates market.

The DWSRF also participates in the Diversified Bond Fund, an external investment pool. This pool is sponsored by the State Treasurer's Office under the authority of Idaho Code, Sections 67-1301 and 67-2328. As of June 30, 2016, the DWSRF investment in the Diversified Bond Fund had a fair value of \$35,972,595 with a weighted average maturity of less than one year. A copy of the State's *Comprehensive Annual Financial Report* (CAFR), including the investment pool's financial statements, is available from the Office of the State Controller.

The State of Idaho has not adopted a formal investment policy that addresses credit and interest rate risk to the Idle Fund and the DBF investments.

**STATE OF IDAHO
DEPARTMENT OF ENVIRONMENTAL QUALITY
DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 3 - Loans Receivable

Extent, Nature, and Terms of Financial Instruments

The DWSRF makes loans to qualified agencies for projects that meet the eligibility requirements of the Act. Loans are financed by capitalization grants, State match, and revolving funds. The stated interest rate on loans ranges from 0% to 4% and loans are generally repaid over 20 years (30 year loans are available) starting within one year after the project is completed.

Collateral

At the loan closing, the State of Idaho receives collateral, typically a sewer revenue bond, local improvement district bond or promissory note, from the borrower. As of June 30, 2016, the Office of the State Treasurer held \$30,841,205 of promissory notes and \$80,241,529 of bonds as collateral for the DWSRF.

Loans by Category

Completed projects are loans in the repayment phase. Projects in progress are in construction or the disbursement phase. Loans that have been paid in full are excluded. Loan authorized amounts are shown net of principal forgiveness. Loans receivable at June 30, 2016, are as follows:

	Loan Authorized	Principal Repayments	Remaining Commitment	Receivable Balance
Completed Projects	\$118,840,113	\$26,059,470	\$ 0	\$ 92,780,644
Projects in Progress	<u>49,440,835</u>	<u>0</u>	<u>31,183,783</u>	<u>18,257,052</u>
Totals	<u>\$168,280,948</u>	<u>\$26,059,472</u>	<u>\$31,183,783</u>	111,037,696
Less: Amount Due Within 1 Year (Current)				<u>4,783,402</u>
Loans Receivable, Net of Current Maturities				<u>\$106,254,294</u>

The projected principal repayments in subsequent years are as follows:

Year Ending June 30:	Amount
2017	\$ 4,783,402
2018	5,095,918
2019	5,343,895
2020	5,440,245
2021	5,543,990
Thereafter	<u>84,830,246</u>
Total Loans Receivable	<u>\$111,037,696</u>

**STATE OF IDAHO
DEPARTMENT OF ENVIRONMENTAL QUALITY
DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Major Loans to Idaho Agencies

As of June 30, 2016, the DWSRF had made loans to the agencies listed below that, in aggregate, exceeded \$6 million. The outstanding balance of these loans represents approximately 42% of the total loans receivable, as follows:

Local Agency	Authorized Loan Amount	Outstanding Balance
City of Fruitland	\$14,800,000	\$12,389,376
City of Ammon	14,287,000	11,711,583
Central Shoshone County	11,803,354	10,330,759
City of Rexburg	8,888,750	0
City of Chubbuck	8,500,000	0
City of Orofino	7,147,985	7,141,735
City of Salmon	<u>6,460,500</u>	<u>4,845,375</u>
Totals	<u>\$71,887,589</u>	<u>\$46,418,728</u>

The authorized loan amount includes both completed projects and projects in progress. As of June 30, 2016, principal repayments on completed projects by the above agencies was \$8,073,861 and remaining amounts to be disbursed on projects in progress was \$17,395,000.

Note 4 - Interest Receivable

The interest rate on loans ranges from 0% to 4% and loans are generally repaid over 20 years (30 years loans are available) starting within one year after the project is completed. Details of loan interest receivable as of June 30, 2016, are as follows:

Interest Receivable by Category

Completed Projects	\$258,461
Projects in Progress	<u>109,882</u>
Total Interest Receivable	<u>\$368,343</u>

Note 5 - Contingencies

The DWSRF is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to State employees while performing DWSRF business. The DWSRF maintains insurance (through the Idaho State Department of Administration, Bureau of Risk Management) for all risks of loss. The cost of insurance is included in the indirect costs charged to the DWSRF. There have not been any claims against the DWSRF since its inception in 1997.

**STATE OF IDAHO
DEPARTMENT OF ENVIRONMENTAL QUALITY
DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 6 - EPA Capitalization Grant and State Contributions

The capitalization grants authorized under Section 1452 of the Safe Drinking Water Act are generally divided between two purposes: part of each capitalization is deposited into the DWSRF for providing loans for drinking water infrastructure projects; the other part is to be deposited into a set-aside account for other programs and activities that do not receive assistance from the Fund. The following schedules are intended to allow the reader to view the separate parts and total usage of the EPA capitalization grant:

Year	Grant Amount	Total Draws June 30, 2015	Draws During SFY 2016	Total Draws June 30, 2016	Balance at June 30, 2016
DWSRF Administration (2012 Decrease \$260,669)					
1997	\$ 566,312	\$ 566,312	\$ 0	\$ 566,312	\$ 0
1998	284,852	284,852	0	284,852	0
1999	298,552	298,552	0	298,552	0
2000	310,280	310,280	0	310,280	0
2001	311,564	311,564	0	311,564	0
2002	322,100	322,100	0	322,100	0
2003	320,164	320,164	0	320,164	0
2004	332,124	332,124	0	332,124	0
2005	331,420	331,420	0	331,420	0
2006	330,752	330,752	0	330,752	0
2007	329,160	329,160	0	329,160	0
2008	325,840	325,840	0	325,840	0
2009	325,840	325,840	0	325,840	0
2010	542,920	542,920	0	542,920	0
2011	376,720	376,720	0	376,720	0
2012	98,331	98,331	0	98,331	0
2013	336,840	242,986	93,854	336,840	0
2014	353,800	0	299,553	299,553	54,247
2015	<u>353,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>353,800</u>
Totals	<u>\$6,451,371</u>	<u>\$5,649,917</u>	<u>\$393,407</u>	<u>\$6,043,324</u>	<u>\$408,047</u>

Year	Grant Amount	Total Draws June 30, 2015	Draws During SFY 2016	Total Draws June 30, 2016	Balance at June 30, 2016
Technical Assistance (2012 Decrease \$285,324 & 2013 Decrease \$168,420)					
1997	\$ 283,156	\$ 283,156	\$ 0	\$ 283,156	\$ 0
1998	78,584	78,584	0	78,584	0
2000	155,140	155,140	0	155,140	0
2001	155,782	155,782	0	155,782	0
2002	161,050	161,050	0	161,050	0
2003	160,082	160,082	0	160,082	0
2004	166,062	166,062	0	166,062	0
2005	165,710	165,710	0	165,710	0
2006	165,376	165,376	0	165,376	0

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2007	164,580	164,580	0	164,580	0
2008	162,920	162,920	0	162,920	0
2009	162,920	162,920	0	162,920	0
2010	271,460	271,460	0	271,460	0
2011	188,360	188,360	0	188,360	0
2012	0	0	0	0	0
2013	0	0	0	0	0
2014	176,900	0	176,900	176,900	0
2015	<u>176,900</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>176,900</u>
Totals	<u>\$2,794,982</u>	<u>\$2,441,182</u>	<u>\$176,900</u>	<u>\$2,618,082</u>	<u>\$176,900</u>

Year	Grant Amount	Total Draws June 30, 2015	Draws During SFY 2016	Total Draws June 30, 2016	Balance at June 30, 2016
Assistance: Local 1997 = Source Water Assessment, 1998-2013 = Wellhead Protection					
1997	\$ 1,415,780	\$1,415,780	\$ 0	\$1,415,780	\$ 0
1998	712,130	712,130	0	712,130	0
1999	746,380	746,380	0	746,380	0
2000	775,700	775,700	0	775,700	0
2001	778,910	778,910	0	778,910	0
2002	805,250	805,250	0	805,250	0
2003	800,410	800,410	0	800,410	0
2004	830,310	830,310	0	830,310	0
2005	828,550	828,550	0	828,550	0
2006	826,880	826,880	0	826,880	0
2007	822,900	822,900	0	822,900	0
2008	814,600	814,600	0	814,600	0
2009	814,600	814,600	0	814,600	0
2010	1,357,300	1,357,300	0	1,357,300	0
2011	941,800	941,800	0	941,800	0
2012	897,500	897,500	0	897,500	0
2013	842,100	382,019	460,081	842,100	0
2014	884,500	0	429,302	429,302	455,198
2015	<u>884,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>884,500</u>
Totals	<u>\$16,780,100</u>	<u>\$14,551,019</u>	<u>\$889,383</u>	<u>\$15,440,402</u>	<u>\$1,339,698</u>

Year	Grant Amount	Total Draws June 30, 2015	Draws During SFY 2016	Total Draws June 30, 2016	Balance at June 30, 2016
Operator Certification					
Totals	<u>\$641,858</u>	<u>\$641,858</u>	<u>\$0</u>	<u>\$641,858</u>	<u>\$0</u>

The operator certification set-aside has been inactive since 2006.

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Year	Grant Amount	Total Draws June 30, 2015	Draws During SFY 2016	Total Draws June 30, 2016	Balance at June 30, 2016
PWSS: DWIMS - SDWIS (2013 Decrease \$350,368; 2014 Decrease \$300,000)					
1999	\$ 671,742	\$ 671,742	\$ 0	\$ 671,742	\$ 0
2000	698,130	698,130	0	698,130	0
2001	701,019	701,019	0	701,019	0
2002	724,725	724,725	0	724,725	0
2003	800,410	800,410	0	800,410	0
2004	788,795	788,795	0	788,795	0
2005	787,122	787,122	0	787,122	0
2006	826,880	826,880	0	826,880	0
2007	822,900	822,900	0	822,900	0
2008	814,600	814,600	0	814,600	0
2009	814,600	814,600	0	814,600	0
2010	1,061,564	1,061,564	0	1,061,564	0
2011	334,958	334,958	0	334,958	0
2012	407,264	407,264	0	407,264	0
2013	491,732	218,309	273,423	491,732	0
2014	584,500	0	385,372	385,372	199,128
2015	<u>884,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>884,500</u>
Totals	<u>\$12,215,441</u>	<u>\$10,473,018</u>	<u>\$658,795</u>	<u>\$11,131,813</u>	<u>\$1,083,628</u>

Year	Grant Amount	Total Draws June 30, 2015	Draws During SFY 2016	Total Draws June 30, 2016	Balance at June 30, 2016
Capacity Development					
2000	\$ 387,850	\$ 387,850	\$ 0	\$ 387,850	\$ 0
2001	389,455	389,455	0	389,455	0
2002	402,625	402,625	0	402,625	0
2003	400,205	400,205	0	400,205	0
2004	415,155	415,155	0	415,155	0
2005	414,275	414,275	0	414,275	0
2006	413,440	413,440	0	413,440	0
2007	411,450	411,450	0	411,450	0
2008	0	0	0	0	0
2009	304,549	304,549	0	304,549	0
2010	441,573	441,573	0	441,573	0
2011	93,350	93,350	0	93,350	0
2012	448,750	448,750	0	448,750	0
2013	421,050	414,949	6,101	421,050	0
2014	442,250	0	442,250	442,250	0

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2015	442,250	0	182,273	182,273	259,977
Totals	<u>\$5,828,227</u>	<u>\$4,937,626</u>	<u>\$630,624</u>	<u>\$5,568,250</u>	<u>\$259,977</u>

Year	Grant Amount	Total Draws June 30, 2015	Draws During SFY 2016	Total Draws June 30, 2016	Balance at June 30, 2016
Total Set – Asides (2013 Decrease \$350,368; 2014 Decrease \$300,000)					
1997	\$ 2,406,826	\$ 2,406,826	\$ 0	\$ 2,406,826	\$ 0
1998	1,182,279	1,182,279	0	1,182,279	0
1999	1,791,312	1,791,312	0	1,791,312	0
2000	2,404,670	2,404,670	0	2,404,670	0
2001	2,414,621	2,414,621	0	2,414,621	0
2002	2,496,275	2,496,275	0	2,496,275	0
2003	2,481,271	2,481,271	0	2,481,271	0
2004	2,573,961	2,573,961	0	2,573,961	0
2005	2,568,505	2,568,505	0	2,568,505	0
2006	2,563,328	2,563,328	0	2,563,328	0
2007	2,550,990	2,550,990	0	2,550,990	0
2008	2,117,960	2,117,960	0	2,117,960	0
2009	2,422,509	2,422,509	0	2,422,509	0
2010	3,674,817	3,674,817	0	3,674,817	0
2011	1,935,188	1,935,188	0	1,935,188	0
2012	1,851,845	1,851,845	0	1,851,845	0
2013	2,091,722	1,258,263	833,459	2,091,722	0
2014	2,441,950	0	1,733,377	1,733,377	708,573
2015	<u>2,741,950</u>	<u>0</u>	<u>182,273</u>	<u>182,273</u>	<u>2,559,677</u>
Totals	<u>\$44,711,979</u>	<u>\$38,694,620</u>	<u>\$2,749,109</u>	<u>\$41,443,729</u>	<u>\$3,268,250</u>

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Year	Grant Amount	Total Draws June 30, 2015	Draws During SFY 2016	Total Draws June 30, 2016	Balance at June 30, 2016
DWSRF Loans (2013 Increase \$350,368; 2014 Increase \$300,000)					
1997	\$11,750,974	\$11,750,974	\$ 0	\$11,750,974	\$ 0
1998	5,939,021	5,939,021	0	5,939,021	0
1999	5,672,488	5,672,488	0	5,672,488	0
2000	5,352,330	5,352,330	0	5,352,330	0
2001	5,374,479	5,374,479	0	5,374,479	0
2002	5,556,225	5,556,225	0	5,556,225	0
2003	5,522,829	5,522,829	0	5,522,829	0
2004	5,729,139	5,729,139	0	5,729,139	0
2005	5,716,995	5,716,995	0	5,716,995	0
2006	5,665,972	5,665,972	0	5,665,972	0
2007	5,678,010	5,678,010	0	5,678,010	0
2008	6,028,040	6,028,040	0	6,028,040	0
2009	5,723,491	5,723,491	0	5,723,491	0
2010	9,898,183	9,898,183	0	9,898,183	0
2011	7,482,812	7,482,812	0	7,482,812	0
2012	7,228,979	7,228,979	0	7,228,979	0
2013	6,329,278	5,978,910	350,368	6,329,278	0
2014	6,403,050	3,789,078	2,613,972	6,403,050	0
2015	6,045,050	0	2,943,186	2,943,186	3,101,864
Totals	<u>\$123,097,345</u>	<u>\$114,087,955</u>	<u>\$5,907,526</u>	<u>\$119,995,481</u>	<u>\$3,101,864</u>

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Year	Grant Amount	Total Draws June 30, 2015	Draws During SFY 2016	Total Draws June 30, 2016	Balance at June 30, 2016
Total DWSRF Capitalization Grant					
1997	\$ 14,157,800	\$14,157,800	\$ 0	\$14,157,800	\$ 0
1998	7,121,300	7,121,300	0	7,121,300	0
1999	7,463,800	7,463,800	0	7,463,800	0
2000	7,757,000	7,757,000	0	7,757,000	0
2001	7,789,100	7,789,100	0	7,789,100	0
2002	8,052,500	8,052,500	0	8,052,500	0
2003	8,004,100	8,004,100	0	8,004,100	0
2004	8,303,100	8,303,100	0	8,303,100	0
2005	8,285,500	8,285,500	0	8,285,500	0
2006	8,229,300	8,229,300	0	8,229,300	0
2007	8,229,000	8,229,000	0	8,229,000	0
2008	8,146,000	8,146,000	0	8,146,000	0
2009	8,146,000	8,146,000	0	8,146,000	0
2010	13,573,000	13,573,000	0	13,573,000	0
2011	9,418,000	9,418,000	0	9,418,000	0
2012	9,080,824	9,080,824	0	9,080,824	0
2013	8,421,000	7,237,173	1,183,827	8,421,000	0
2014	8,845,000	3,789,078	4,347,349	8,136,427	708,573
2015	8,787,000	0	3,125,459	3,125,459	5,661,541
Totals	\$167,809,324	\$152,782,575	\$8,656,635	\$161,439,210	\$6,370,114

As of June 30, 2015 and 2016, the State match contributions were:

	Committed State Match	Total Match Provided June 30, 2015	State Match Provided in SFY 2016	Total Match Provided June 30, 2016	Available State Match Balance June 30, 2016
Idaho	\$33,561,865	\$31,133,746	\$1,523,818	\$32,657,564	\$ 904,301

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Note 7 – Related Party Transfers

In 2014 the Idaho Legislature passed House Bill 391 which amended Idaho Code Sections 39-3626, 39-3629 and 39-7603 which authorized the Idaho Board of Environmental Quality, through the Department of Environmental Quality to transfer funds between the Wastewater Loan Account and the Drinking Water Loan Account. During the fiscal year ended June 30, 2016 a total of ten million dollars (\$10,000,000) of loan repayment funds were transferred from the Drinking Water Loan Account to the Wastewater Loan Account. The statute provides no language requiring such transfer(s) to be returned to the original fund.

Drinking Water SRF Reporting Additional Subsidy or GPR for Idaho

Attachment III

Report Generated: 9/12/2016 -- Data Last Modified: 9/12/2016 4:48:00 PM

Tracking Number	Recipient	1st Agreement Date in Selected Period	Assistance Amount	Grant Amount	Negative Interest Amount	Principal Forgiveness Amount	Recipient Could Afford Project without Subsidy?	Population Served	GPR Amount
W1209	City of Dietrich	10/28/2015	20,000	0	0	0	<input type="checkbox"/>	332	20,000
W1211	Clearwater Water District	10/14/2015	688,652	0	0	688,652	<input type="checkbox"/>	100	688,650
W1601	City of Ketchum	9/15/2015	499,000	0	0	0	<input type="checkbox"/>	3,500	499,000
W1602	City of Chubbuck	6/21/2016	8,500,000	0	0	0	<input type="checkbox"/>	14,125	1,200,000
W1603	Smith Road Water Users	2/4/2016	840,090	0	0	740,090	<input type="checkbox"/>	54	121,000
W1604	City of Lava Hot Springs	6/29/2016	4,400,000	0	0	1,471,160	<input type="checkbox"/>	404	3,312,000
Total for all 6 Agreements			14,947,742	0	0	2,899,902		18,515	5,840,650