

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

**ANNUAL REPORT  
FOR  
FEDERAL FISCAL YEAR 2015  
(10/01/14 through 09/30/15)**



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



**MISSISSIPPI STATE DEPARTMENT OF HEALTH**

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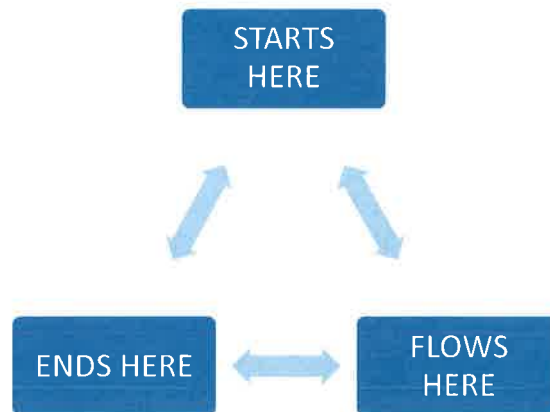
and the

**Local Governments and Rural Water Systems**

**Improvements Board**

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# **DRINKING WATER STATE REVOLVING FUND ANNUAL REPORT Federal Fiscal Year (FFY) 2015**

## **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) 2015. The report outlines the operation of the DWSIRLF program during the time period from October 1, 2014, through September 30, 2015.

This report outlines the accomplishments of the DWSIRLF program as related to the goals and objectives set forth in the FFY-2015 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 EPA and in turn provide low cost loans to the state's public water systems for financing needed water infrastructure improvements. The Mississippi State Department of Health (MSDH), as the State's Drinking Water primacy agency, supplies the staff and facilities necessary to administer the DWSIRLF Program.

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

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

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

It was the intent of the Legislature that the Board endeavor to ensure that the cost of administering the DWSIRLF Program be as low as possible in order to provide the water consumers of Mississippi safe drinking water at affordable prices. As a condition of receiving the EPA Cap grants, the SDWA requires that each state annually prepare an Intended Use Plan (IUP). The IUP is designed to outline how a state will utilize DWSIRLF funds to assist in protecting public health. The DWSIRLF consists of both state and federal funds. Federal funds are provided to the states in the form of an awarded 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.

During the 2014 Regular Legislative Session, the State Legislature (House Bill No. 1495) authorized \$1,000,000 in direct funding and the use of \$2,000,000 in an existing MSDH account for the DWSIRLF program. Additionally, \$180,000 was used from the State Drinking Water Emergency Loan Fund (DWSELF) program. These funds matched all the outstanding EPA grant funds from previous years; 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 in State match funds 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

During the 2015 Regular State Legislative Session, the State Legislature (House Bill No. 1555) authorized \$1,200,000 in direct funding for the State DWSRF program; however, due to a shortfall in State funds the authorized \$1,200,000 was reduced to \$1,100,479.80. Using the 2015 revised amount from the State Legislature, the remainder (\$2,709) of State match funds from 2014 and \$728,611.20 from the State Drinking Water Systems Emergency Loan Fund (DWSELF), the required State match amount (\$1,831,800) was provided for the FFY-2015 EPA Cap Grant (\$9,159,000). However, the FFY-2015 EPA Federal Cap Grant was reduced by EPA at award to \$9,099,000 to comply with Federal debt reduction requirements so a State match of only \$1,819,800 was needed; \$12,000 remains of the existing 2015 State match funds from the funds taken from DWSELF to be used for future State matches.

The purpose of an IUP is to convey Mississippi's DWSIRLF plan to EPA, other agencies, the state's public water supplies and the general public. The FFY-2015 IUP and any amendments describe how the State of Mississippi will obligate the DWSIRLF

Cap grant allotment. When the FFY-2015 IUP was developed the anticipated allotment for FFY-2015 was projected to be \$9,159,900; however, the actual amount of the FFY-2015 Cap grant awarded September 16, 2015, was \$9,099,000.

The IUP for FFY-2015 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 certain goals for the DWSIRLF Program with the objective of improving the Program on an ongoing basis. The goals were classified into three categories that include basic, long-term, and short-term. These goals were developed to address the necessary requirements of federal and state regulations, as well as the state's need and desire to maintain and enhance the Program. Congress and the State of Mississippi have placed particular emphasis on assisting smaller drinking water systems under the DWSIRLF to ensure that these systems have adequate technical, managerial, and financial resources to achieve or maintain compliance and provide safe drinking water.

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

1. Maintain a financially sound DWSIRLF program in perpetuity.
2. Meet a portion of the drinking water needs each year in the State and within a reasonable period of time correct problems identified.
3. Fund projects in order of public health importance.

4. Determine the interest rate and loan repayment term which will generate sufficient fund income to meet the State's needs within a reasonable period of time.

The State of Mississippi again met the established Basic Goals for FFY-2015. This was accomplished by continuing to operate the DWSIRLF Program with the approach which has proven successful in previous years. Interest rates were reviewed and adjusted (if necessary) to assure both the competitiveness and long-term financial stability of the Fund. Standard financial reports were produced, reviewed for accuracy, and reconciled on a monthly basis. During preparation of the annual IUP, a determination was made that adequate funding would be available from the federal payment schedules, state match, scheduled repayments and projected interest earnings for all projects on the fundable portion of the priority list. Each community's financial capability summary and user charge system were reviewed and approved prior to loan award (to insure the community could afford the project; that funds were adequate to repay the loan, as well as operate/maintain the project). The pro-active public information program was continued to assure public awareness of the DWSIRLF. The Priority System utilized is designed to assure that the most urgent needs are met first and to give priority to projects that:

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

The Priority System will be updated as needed to account for needs that have been met and for new public health concerns.

The interest rate for all FFY-2015 loans is 1.95%; this rate has kept the demand for Program funds steady. The State legislature did not appropriate all the State match funds for the FFY-2015 Cap grant. In 2015 the State Legislature (House Bill No. 1555) authorized \$1,200,000 in direct funding for the State DWSRF program; however, due to a shortfall in State funds the authorized \$1,200,000 was reduced to \$1,100,479.80. The Board authorized the use of \$728,611.20 from the State Drinking Water Systems Emergency Loan Fund (DWSELF) program (a state funded loan program) which along with the remainder (\$2,709) of State match funds from 2014 completed the State match (\$1,831,800) for all of the FFY-2015 EPA Cap Grant funds (\$9,159,000). However, the FFY-2015 EPA Federal Cap Grant was reduced by EPA at award to \$9,099,000 to comply with Federal debt reduction requirements so a State match of only \$1,819,800 was needed; \$12,000 will remain from the funds taken from DWSELF to be used for future State matches.

In FFY-2015 thirteen (13) initial loans were awarded for an amount of \$20,323,503.



As an incentive for eligible loan recipients the amount of “Principal Forgiveness” (PF) which they are eligible is determined at the time of loan award. The amount of PF which a loan recipient may receive is based on a loan recipient’s “Median Household Income” (MHI - in the service area of the water supply as compared to the MHI of the State of Mississippi). The maximum amount of PF may not exceed \$500,000; generally this enables the Program to provide PF to all eligible loan recipients. In FFY-2015 thirteen (13) initial loans were awarded in the amount of \$20,323,503; nine (9) of the initial loans received PF in the amount of \$2,094,699. Based on the FFY-2015 Cap grant amount of \$9,099,000 the amount of subsidization required by EPA must be between \$1,819,800 and \$2,729,700. In FFY-2015 three (3) loans from previous years which completed construction during the FFY-2015 reporting period received additional PF in the amount of \$1,112,621.

Total revenue received by or returned to DWSIRLF during FFY-2015 was \$17,915,733.70; this is the total of “Interest Earned on State Funds” (\$598,924.64 + \$0.29 + \$11.95), “Loan Repayments” (\$12,311,406.82), and “Loan Decreases” (\$5,005,390) as shown in Table 3 during the reporting period. State match funds in the amount of \$1,819,800 (Table 3) were made available for the FFY-2015 Cap Grant, however, the FFY-2015 EPA Cap Grant (\$9,099,000) award was not received until after October 1, 2015; the funds from the FFY-2014 Cap Grant (\$9,159,000) were used during the FFY-2015 reporting period.

In the FFY-2015 the amount of actual expenditures for all DWSIRLF programs (excluding loan awards) was \$2,141,361 (Table 8). The expenses for administering the FFY-2015 DWSIRLF Program were covered by the FFY-2014 DWSRF Administrative set-aside (\$332,124) and the administrative fees collected on loan repayments; technical assistance contracts were covered by the FFY-2014 Small Systems Technical Assistance set-aside (\$183,180) with carryover from previous years; the well abandonment program was covered by the FFY-2014 Source Water & Local Assistance set-aside (\$500,000); and the Public Water Systems Supervision (PWSS) program was covered by the FFY-2014 State Program set-aside (\$915,900) with carryover from previous years.

**FFY-2015 OVERVIEW  
DWSIRLF PROGRAM  
FOR  
MISSISSIPPI**

**Total Federal Investment: \$196.7 million (Table 4)**

**New Construction Projects (Executed Assistance Agreements): 13 (Table 1)**

**New Project Funding (Executed Assistance Agreements): \$20.3 million (Table 1)**

**Total Population Served (New Construction Projects): 191,408 (Table 1)**

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

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

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

**Small Systems Funded: 8 systems for a total of \$6.8 million (Table 1)**

**Disadvantaged Community Funding: 5 systems for a total of \$4.8 million (Table 1)**

**Total Cumulative Set-Aside Assistance: \$27.5 million (Table 4)**

**Cumulative Assistance to Projects as a % of funds available: 84% (Table 4)**

**Cumulative Assistance to Projects as a % of total Federal Grant funds received: 146% (Table 4)**

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

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

During FFY-2015 the Mississippi State Department of Health (MSDH) evaluated existing Program requirements along with state requirements. Procedures were established to streamline the DWSIRLF Program so that application and repayment procedures are more user-friendly, attractive and beneficial, in addition to ensuring continued compliance with all federal and state regulations and requirements.

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

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

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

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

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

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

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

Progress toward this goal has been slow; 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 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.

During the 2014 Regular Legislative Session, the State Legislature (House Bill No. 1495) authorized \$1,000,000 in direct funding and the use of \$2,000,000 in an existing MSDH account for the DWSIRLF program. The direct appropriation from the legislature was below the required 20% State match for the outstanding Cap grants, therefore, the Board in addition to the State appropriation authorized the use of \$180,000 from the State Drinking Water Systems Emergency Loan Fund (DWSELF) program (a state funded loan program) as additional state match funds. These funds matched all outstanding EPA Cap Grant funds from previous years; the FFY-2014 EPA Cap Grant (\$9,159,000) and the remainder of the FFY-2013 EPA Cap Grant (\$6,727,455).

During the 2015 Regular State Legislative Session, the State Legislature (House Bill No. 1555) authorized \$1,200,000 in direct funding for the State DWSRF program; however, due to a shortfall in State funds the authorized \$1,200,000 was reduced to \$1,100,479.80. Using the revised amount from the State Legislature, the remainder (\$2,709) of State match funds from 2014 and \$728,611.20 from the State Drinking Water Systems Emergency Loan Fund (DWSELF), the required State match amount of \$1,831,800 was provided for the FFY-2015 EPA Cap Grant (\$9,159,000). However, the FFY-2015 EPA Federal Cap Grant was reduced by EPA at award to \$9,099,000 to comply with Federal debt reduction requirements so a State match of only \$1,819,800 was needed; \$12,000 from DWSELF remains of the 2015 State match to be used for future State matches. The FFY-2015 EPA Cap Grant of \$9,099,000 was not awarded until September 16, 2015, and the funds will not be received until after October 1, 2015.

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

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

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

Progress continues to be made on this short-term goal. DWSIRLF loan applicants are required to address capacity assessment deficiencies during the facilities planning phase of their projects. Free assistance is available to applicants through technical assistance contracts funded with the capitalization grant set-asides (as described in the “Set-Aside Activity Status” section). Applicants are encouraged to use this free technical assistance by receiving additional priority ranking points for participation in the technical assistance program and additional points for implementing any resulting recommendations.

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

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

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

In FFY-2015 thirteen (13) initial loans were awarded for an amount of \$20,323,503; nine (9) of the initial loans received Principal Forgiveness (PF) in the amount of \$2,094,699. Based on the FFY-2015 Cap grant amount of \$9,099,000 the amount of subsidization for FFY-2015 was required by EPA to be between \$1,819,800 and \$2,729,700. Also, in FFY-2015 three (3) loans from previous years which completed construction during the FFY-2015 reporting period received additional PF in the amount of \$1,112,621.

**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.

## **D. Appropriation Provision Goals**

### **1. Green Project Reserve**

The FFY-2015 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". For FFY-2015 no recipient in Mississippi chose to have their project classified as a project that exhibited the elements of green infrastructure, water efficiency improvements, energy efficiency improvements or other environmentally innovative projects.

### **2. Principal Forgiveness**

The FFY-2012, FFY-2013, FFY-2014 and the FFY-2015 Cap Grant agreements required that a minimum of 20% of the appropriation and 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. 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.

In 2012 the State legislature did not appropriate State match funds for the FFY-2012 Cap Grant and only appropriated a portion (\$1,000,000) of the required match funds needed for the FFY-2013 Cap Grant; therefore, PF was only available to projects which were under development or construction when the Federal funds became available during this time period. State match funds did not become available until after the FFY- 2013 reporting period closed; therefore, no PF was awarded to new initial projects in FFY-2013, however, additional PF in the amount of \$356,045 was able to be awarded to projects which were completed in FFY-2013 since some Federal funds had become available.

In FFY-2014 progress in this goal improved. With the Federal funds which became available at the end of 2013 and the additional funding provided by the State legislature in 2014, sixteen (16) initial loans were awarded for an amount of \$21,136,914. Of these initial loans, five (5) loans received PF in the amount of

\$1,680,174; also, four (4) loans on which construction was completed during FFY-2014 reporting period received additional PF in the amount of \$518,261. The total amount of PF awarded in FFY-2014 was \$2,198,435; based on the FFY-2014 grant amount of \$9,159,000 the amount of subsidization was required to be between \$1,831,800 and \$2,747,700.

For FFY-2015, loan recipients eligible for PF were notified in the loan award correspondence that they were eligible to receive a reduction in a portion of their loan principal based on their median household income. In FFY-2015 thirteen (13) initial loans were awarded for an amount of \$20,323,503; nine (9) of the initial loans received PF in the amount of \$2,094,699. Based on the FFY-2015 Cap grant amount of \$9,099,000 the amount of subsidization for FFY-2015 was required by EPA to be between \$1,819,800 and \$2,729,700. Also, in FFY-2015 three (3) loans from previous years which completed construction during the FFY-2015 reporting period received additional PF in the amount of \$1,112,621.

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

This section includes details concerning the sources of DWSIRLF funding and the use of the funds both within the loan program and the State set-asides. Table 3 provides a breakdown of FFY-2015 DWSIRLF funding sources and related uses.

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

Each year, the State of Mississippi applies for a Cap grant from the Environmental Protection Agency (EPA) in accordance with Section 1452 of the Federal Safe Drinking Water Act. The State's annual allotment is based on the EPA Drinking Water Needs Survey that is performed every four years. Since the Program's inception, Cap grants totaling \$196,667,565 (Table 4) have been received. The FFY-2015 Cap grant in the amount of \$9,099,000 (Table 4) was awarded on September 16, 2015, but the funds from this Cap Grant did not become available until after October 1, 2015. Current revenues for the FFY-2015 reporting period are shown in Tables 3, 4, and 5. A majority of the Cap Grant funds available for projects in FFY-2015 were the Cap Grant funds from previous years and the funds available through the actions of the State Legislature in 2014.

During the 2014 Regular Legislative Session, the State Legislature (House Bill No. 1495) authorized \$1,000,000 in direct funding and the use of \$2,000,000 in an existing MSDH account for the DWSIRLF program. Additionally, \$180,000 was used from the State Drinking Water Emergency Loan Fund (DWSELF) program which is a State funded program. The State match funds matched all outstanding EPA grant funds from previous years; 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 in State match funds 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

During the 2015 Regular State Legislative Session, the State Legislature (House Bill No. 1555) authorized \$1,200,000 in direct funding for the State DWSRF program; however, due to a shortfall in State funds the authorized \$1,200,000 was reduced to \$1,100,479.80. Using the revised amount from the State Legislature, the remainder (\$2,709) of State match funds from 2014 and \$728,611.20 from the State Drinking Water Systems Emergency Loan Fund (DWSELF), the required State match amount (\$1,831,800) was provided for the FFY-2015 EPA Cap Grant (\$9,159,000). However, the FFY-2015 EPA Federal Cap Grant was reduced by EPA at award to \$9,099,000 to comply with Federal debt reduction requirements so a State match of only \$1,819,800 was needed; \$12,000 remains from the DWSELF funds obtained in 2015 to be used for future State matches. This provided \$8,756,836 for funding construction projects in the FFY-2015 reporting period. Other available sources of funds for the FFY-2015 reporting period were “Loan Repayments” (\$12,311,406.82) (Table 4), Interest Earned on State Funds deposited into the Fund (\$598,936.88) (Table 4) and Loan Decreases (\$5,005,390) (Table 2).

## **1. State Match**

Since the Program’s inception, the State of Mississippi has provided the required 20% state match through the sale of state general obligation bonds which total \$30,463,000; however, in 2014 and 2015 the State Legislature began providing direct funding for the program. The direct appropriation from the legislature was below the required 20% State match for the Cap grants, therefore, in 2014 and 2015 the Board in addition to the State appropriation 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 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 the Board again authorized the use of funds (\$180,000) from the Drinking Water Systems Emergency Loan Fund (DWSELF) Program 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. These funds, however, did not become available until after the close of the FFY-2014 reporting period. Further state match details are outlined in Table 3 and Table 4.

In 2015 the State Legislature (House Bill No. 1555) authorized \$1,200,000 in direct funding for the State DWSRF program; however, due to a shortfall in State funds the authorized \$1,200,000 was reduced to \$1,100,479.80. Using the revised amount from the State Legislature, the remainder (\$2,709) of State match funds from 2014 and \$728,611.20 from the State Drinking Water Systems Emergency Loan Fund (DWSELF), the required State match amount (\$1,831,800) was provided for the FFY-2015 EPA Cap Grant (\$9,159,000). The



FFY-2015 EPA Federal Cap Grant was reduced by EPA at award to \$9,099,000 to comply with Federal debt reduction requirements so a State match of only \$1,819,800 was needed; \$12,000 remained of the existing 2015 State match funds to be used for future State matches.

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.

## **2. Interest Earnings**

Since the Program's inception, the DWSIRLF has received interest on deposits totaling \$13,288,337 (Tables 3, 4 & 5). During FFY-2015, interest on deposits totaled \$598,937 (Tables 3, 4 & 5).

## **3. Repayments**

Since the Program's inception, the DWSIRLF has received repayments totaling \$123,370,942 (Tables 3, 4 & 5). During FFY-2015, the repayments received totaled \$12,311,407 (Tables 3, 4 & 5).

Available funding for projects since the DWSIRLF inception totals \$341.3 (Table 4) million (this does not include Set-asides but includes the special ARRA appropriation as shown in Table 4). The various sources of funding for the DWSIRLF program includes Cap Grants, state match, interest on deposits, special appropriations and repayments. The State of Mississippi does not utilize leveraging in funding the SRF Program. Further details of these funding sources are provided below and in Table 4.

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

During FFY-2015 the Administrative Fee fund receipts totaled \$732,271 (Magic Revenue Report) and disbursements were \$363,200 (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-2015 DWSRF program operated on the Federal funds from the FFY-2014 and previous years Cap Grants. For FFY-2015, the FFY-2015 Cap Grant was not awarded until September 16, 2015; therefore, the funds from the FFY-2015 Cap Grant were not available until after the end of the FFY-2015 reporting period.

At the beginning of the FFY-2015 reporting period, the FFY-2014 set-aside funds \$1.931 Million (Table 4) were available for the administration of the DWSRF program, the small system technical assistance, the local assistance and the state management program assistance.

In FFY-2015 the total funding available for project loans was \$46,672,536, this amount is based on total FFY-2015 revenues of \$17,915,734 (Table 3 – Repayments \$12,311,407 + Interest Earned \$598,937 + Loan Adjustments (decreases) \$5,005,390), plus the beginning balance from the previous year of \$28,756,802 (Table 3).

## **1. Binding Commitments**

Table 1 provides details on the projects receiving assistance during FFY-2015. During the FFY-2015 reporting period, DWSIRLF awarded 13 loans totaling approximately \$20.3 million. Loans made during the FFY-2015 reporting period had an interest rate of 1.95% with a 20-year repayment period, and the individual loan amounts ranged in size from \$477,600 to \$6,281,298. A combined population of 191,408 received the benefit of these loans. Individual populations affected by each loan ranged from 1,037 to 43,680.

### **Bypassed Projects**

During FFY-2015 no projects which wished funding on the “Priority List” were bypassed due to lack of funding.

### **Small Systems**

During FFY-2015 approximately \$6.8 million (Table 1) in DWSIRLF loans were awarded to small water systems, serving populations of 10,000 or less. Of the \$6.8 million, approximately \$4.8 million (Table 1) was awarded to “extra small” water systems, serving populations of 5,000 or less. The State of Mississippi tracks the funding to the extra small systems since the smaller water systems make up a majority of the systems throughout rural Mississippi.

In FFY-2015, 33.5% (Table 1) of all available DWSIRLF funds were awarded to small communities with populations less than 10,000. Additionally, 23.5% (Table 1) of available funds were awarded to very small communities with populations less than 5,000.

### **Disadvantaged Community Systems**

In FFY-2015 with the funds which became available at the end of 2014 and the additional funding provided by the State legislature in 2015, thirteen (13) initial loans were awarded for an amount of \$20,323,503. Of these initial loans, nine (9) loans received PF in the amount of \$2,094,699. The FFY-2015 grant amount was \$9,099,000; the amount of subsidization for FFY-2015 was

required to be between \$1,819,800 and \$2,729,700 to meet the Grant agreement requirement. In addition to the above amount of PF, four (4) loans which construction was completed during FFY-2015 reporting period received additional PF in the amount of \$1,112,621 (Table 2). The total amount of PF awarded in FFY-2015 was \$3,207,320.

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

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

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

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

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

During the FFY-2015 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 Grant, in the FFY-2015 reporting period the 4% Administrative Set-aside from the FFY-2014 Cap grant (\$332,124) was drawn down and used for

the administration of the program. In the FFY-2015 Cap grant application, the state reserved the 4% Set-aside (\$366,360) to be used at a later date. In addition to the Administrative set-aside, Mississippi is currently charging a 5% Administrative fee based on the loan recipient's (LRs) initial loan amount. Charging an administrative fee throughout the life of the Program will insure a continuing steady source of funding for the administration of the 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-2015 reporting period, \$530,334 (Table 7) was disbursed for DWSRF program administrative expenses, of which \$213,694 were FFY-2014 Program Set-aside funds (Table 8).

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

The State set-aside for the Small Systems Technical Assistance (Tech Assist) program in the FFY -2015 Cap grant was \$181,980 (Table 4). During the FFY-2015 reporting period the Technical Assistance Set-aside funds from the FFY-2014 Cap Grant (\$183,180) were drawn down with the state match funding which was received in December 2014. The Small Systems Technical Assistance program was operated with the funds from the FFY-2014 Cap Grant along with set-aside funds carried over from previous EPA Cap Grants. The funds expended during FFY-2015 reporting period totaled \$175,605 (Tables 8 & 9); this amount is smaller than the set-aside amount because some of the funds were expended prior to the reporting period. Contracts for the Small Systems Technical Assistance operated on the State Fiscal Year (SFY) July 1, 2014 through June 30, 2015.

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 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 a State Fiscal Year (SFY) July 1 through June 30 of the following year. The contract required that contractor provide comprehensive technical assistance to address major deficiencies in an equivalent of sixteen (16) public water systems per contract year. At a minimum, the contractor would provide comprehensive assistance to at least eight (8) small public water systems annually from a list of troubled small water systems provided by MSDH. (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 projects are still performed as needed. The information listed for the reporting period will be separated into two different time periods.

Accomplishments: From July 1, 2014 to June 30, 2015, long-term technical assistance was provided under contract by Community Resources Group, Inc. (CRG) to 15 small community public water systems referred by MSDH. Intermediate assistance was provided to 4 public water systems. During the period of July 1, 2015, through September 30, 2015, long term assistance was begun for 16 systems selected for long-term assistance; no intermediate projects were begun. Monthly reports submitted by the contractor were used by MSDH to evaluate contractor activity and monitor progress made in attaining and maintaining essential technical capabilities of referred systems.

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

Objective: Contractual activities involve coordinating the Board Management Training (BMT) for Public Water System Officials. State law requires that board management training be provided to all newly elected board members of private, non-profit water supplies, to inform them of their duties. The state law also requires the training for officials of municipal systems with a population of 10,000 and less. The contractor, along with the selected training partners, provides training throughout the state for system officials. The contractor coordinates the training, gathers the training data and maintains an up-to-date database of the individuals who received the training. The objective for the period of October 1, 2014, through September 30, 2015, was for the contractor to 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. The training sessions must be conducted by approved organizations using training materials approved by the MSDH. This contract follows the state fiscal year and therefore the information shown here will span two different state fiscal years; the information will be separated into two different time periods.

Accomplishments: During the period between July 1, 2014, and June 30, 2015, Mississippi State University Extension Service, the chosen

contractor, successfully administrated the completion of 12 sessions to train 245 board members and managers in various technical and management skills necessary to effectively fulfill their duties. The accomplishments during the period between July 1, 2015, and September 30, 2015, include the completion of 3 sessions to train 85 board members and managers. Additional accomplishments included, but were not limited to, related activities such as: the establishment, distribution, and maintenance of a master calendar of training dates; the preparation and delivery of training material and notebooks in a timely manner to the training organization(s); the preparation of meeting facilities; providing qualified instructors and instruction as needed; the preparation and distribution of evaluation forms by attendees; random attendance at meetings to evaluate instructor(s) and material presented; the maintenance of a computerized database that tracks the attendance of each board member attending any board member training session(s); the preparation and distribution of reports for each training event and quarterly reports to both MSDH and Board members; and other related duties.

c. Hands-On Operator Training for Small Systems.

Objective: The Hands-On Operator Training Program is designed to train existing certified operators for small systems through “hands-on” instruction of equipment and real water supply examples. Using training materials approved by MSDH, for the contract year 2015 (July 1, 2014, through June 30, 2015) the contractor must perform a minimum of 16 “Hands-On Operator Training” sessions; for the contract year 2016 (July 1, 2015, through June 30, 2016) the contractor must perform a minimum of 16 “Hands-On Operator Training” sessions. This contract follows the state fiscal year and therefore the information shown will span two state fiscal years.

Accomplishments: The Hands-On Operator Training program for the period between October 1, 2014, and June 30, 2015, provided 12 training sessions attended by 266 licensed water operators representing 145 different water supplies. From July 1, 2015, to September 30, 2015, three (3) training sessions were conducted which were attended by 71 licensed water operators representing 33 different water supplies.

d. Peer Review Program.

Objectives: The objective of the Peer Review Program is designed to train experienced operators and managers to perform a peer review, advertise the Peer Review Program and conduct the Peer Reviews. For the contract year 2015 (July 1, 2014, through June 30, 2015) the contractor must conduct a minimum of 16 “Peer Reviews”; for the contract year 2016 (July 1, 2015, through June 30, 2016) the contractor must conduct a minimum of 16 “Peer Reviews”. This contract follows the state fiscal

year and therefore the information will span two different state fiscal years.

Accomplishments: For the period between October 1, 2014, and June 30, 2015, the Peer Review Program, trained new team members and conducted 15 Peer reviews; during the period from July 1, 2015, to September 30, 2015, six (6) PEER Reviews were performed. Reports are compiled and distributed to both MSDH and the Drinking Water SRF Board members.

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

The State Program Management Set-aside for the FFY -2015 Cap Grant was \$909,900 (Table 4); however, in the FFY-2015 reporting period the state was not able to use any of the FFY-2015 Cap Grant State Program Management Set-aside funds. The EPA FFY-2015 Cap Grant funds did not become available until after the end of the FFY-2015 reporting period.

During the FFY-2015 reporting period, remaining amounts of the FFY-2012 and the FFY-2013 Cap Grant State Program Management Set-aside funds along with the FFY-2014 Cap Grant State Program Management Set-aside funds (which were drawn down with the state match in October 2014) were used for program functions. Reimbursements during FFY-2015 for the State Program Management Program totaled \$1,075,089 (Table 8).

PWSS Program activities include:

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

In FFY-2015, the State Program Management set-aside funded 8.33 FTEs which included the salaries, fringe benefits, and indirect costs associated with the operation of this program.

Capacity Assessment Program Actives:

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

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

The Local Assistance and Other State Programs set-aside 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 posed risks to the state's existing active public water supply source water wells.

The Local Assistance and Other State Programs set-aside, used \$500,000 (5.46%) of the FFY-2014 Cap Grant (Table 4) during the FFY-2015 reporting period. The Local Assistance and Other State Programs Set-Aside funds from the FFY-2014 Cap Grant (\$500,000) were drawn down with the state match funding which was received in December 2014.

During FFY-2015 two contracts for the Well Decommissioning Program were executed to properly decommission and abandon inactive wells. Disbursements for the Local Assistance and Other State Programs set-aside totaled \$360,333 (Table 8); this amount is smaller than the set-aside amount because some funds were expended prior to the reporting period. Contracts for the Well Decommissioning Program operated on the State Fiscal Year (SFY) July 1, 2014 through June 30, 2015.



## **V. Financial Summary**

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

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

Since the Program's inception 278 DWSIRF projects totaling \$324.5 million have been completed (Table 1). As of September 30, 2015, the DWSIRLF has awarded \$20,323,503 in loans during FFY-2015 reporting period (Tables 1 & 3). Table 3 provides a summary of the source and use of the DWSIRLF project funds since program inception. Table 1 shows the status of all DWSIRLF project assistance provided during the FFY-2015 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-2015 reporting period, disbursements from the DWSIRLF to the various loan recipients totaled \$12,403,418 (Table 5). Of these disbursements, \$6,432,977 (Table 5) was made from Federal funds and \$5,970,441 was disbursed from State funds. Mississippi has disbursed \$248,905,471 (Table 5) since the Program's inception.

Approximately \$6.4 million (Table 5) in Cap grant moneys were drawn from the Automated Clearing House (ACH) during the FFY-2015 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-2015 the federal percentage of total disbursements was approximately 51.9% (calculated using amounts from Table 5).

### **C. Administrative Disbursements**

During the FFY-2015 reporting period the funds from the FFY-2014 Cap Grant Administrative Set-aside were used for the administrative costs of the DWSIRLF Program; the amount of the FFY-2014 Administrative Set-aside was \$332,124 (Table 4). The FFY-2014 Cap Grant Administrative Set-aside funds were drawn down with the state match funding in December 2014.

Disbursements from the Federal Cap grant Administrative Set-aside during the FFY-2015 reporting period totaled \$213,694 (Table 8), this amount is smaller than the set-aside amount because some administrative funds were disbursed prior to the beginning of the FFY-2015 reporting period. The Administrative Set-aside funds for

the DWSIRLF Program administration costs are disbursed over the State Fiscal Year (SFY) July 1, 2014 through June 30, 2015.

Administrative expenses exceeding the amount of the Administrative Set-aside are covered by the administrative fees recouped from loan repayments; DWSIRLF Program administration costs covered from repayments during the FFY-2015 reporting period totaled \$316,640 (Table 8).

#### **D. Annual Repayments**

Table 3 shows that the DWSIRLF Program has received \$123,370,942 in loan repayments (principal and interest only) through the end of the FFY-2015 reporting period, of which, \$12,910,343,88 (principal \$12,311,406.82 + interest \$598,936.88) was received in FFY-2015.

#### **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 short fall in revenue, the loan recipient must enter into an agreement to increase their rates to cover the necessary repayments. Loans are not made to systems that do not meet the State's funding criteria.

#### **F. Investments**

As outlined in the FFY-2015 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-2015 totaled \$13,288,337 (Table 3) of which, \$598,937 (Table 3) was received in FFY-2015. 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-2015 (July 1, 2014 through June 30, 2015) by a contracted CPA auditor, Windham and Lacey, PLLC.

The audited financial statements are current through SFY-2015 with comparative data from SFY-2014. 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.

In 2015 the State Legislature (House Bill No. 1555) authorized \$1,200,000 in direct funding for the State DWSRF program; however, due to a shortfall in State funds the authorized \$1,200,000 was reduced to \$1,100,479.80. Using the revised amount from the State Legislature, the remainder (\$2,709) of State match funds from 2014 and \$728,611.20 from the DWSELF program, the required State match amount (\$1,831,800) was provided for the FFY-2015 EPA Cap Grant (\$9,159,000). When the FFY-2015 EPA Federal Cap Grant was awarded, the amount of the grant was reduced by EPA to \$9,099,000 to comply with Federal debt reduction requirements so a State match of only \$1,819,800 was needed; \$12,000 remains of the existing 2015 State match funds to be used for future State matches. The FFY-2015 Cap Grant funds will not become available until after the close of the FFY-2015 reporting period. Further state match details are outlined in Table 3 and Table 4.

Funds available for projects in the FFY-2015 are the funds which became available through the actions of the State Legislature in 2014. 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 remains to be use for future State match funds

This provided \$6,727,455 (from the FFY-2013 Cap Grant) and \$7,227,796 (from the FFY-2014 Cap Grant) for funding construction projects in the FFY-2015 reporting period. Other available sources of funds for the FFY-2015 reporting period were Loan Repayments (\$12,311,407) (Table 3), Interest Earned on State Funds deposited into the Fund (\$598,937) (Table 3) and Loan Decreases (\$5,005,390) (Tables 2 & 3).

The 2016 State legislature will be requested to provide the necessary match funds to fully capture the FFY-2016 Cap grant.

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

Federal regulations require the State to make binding commitments in an amount equal to 120% of each quarterly Cap Grant payment within one year of the payment. The State of Mississippi has entered into binding commitments 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 to the Federal LOC at the end of the reporting period totaled \$179,907,084 (includes ARRA) with the state having made \$324,545,033 in binding commitments; thus exceeding the 120% binding commitment requirement of \$196,824,755 (Table 6).

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

The State of Mississippi has disbursed DWSIRLF funds in a timely and expeditious manner. During FFY-2015 disbursements totaling \$12,403,418 (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-2015 DWSRF Cap grant.

As calculated for the “MBE/WBE Annual Report” for contract amounts through 2015, the “MBE/WBE Utilization Under Federal Grants, Cooperative Agreements, and Interagency Agreements”, the MBE participation achieved was 0.9% and the WBE participation achieved was 1.8%. The 2015 “MBE/WBE Annual Report” has been submitted to 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-2015 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-2015 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-2015, \$6,432,977 (Table 5) was drawn from the ACH for project funding and a total of \$213,694 (Table 8) was disbursed from Administrative set-aside funds. Table 5 and Table 8 provide additional information regarding the DWSIRLF ACH payment schedule and disbursements.

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

Table 6 compares the actual Federal LOC disbursements made in FFY-2015 to the disbursement projections submitted to EPA in the FFY-2015 IUP.

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

During FFY-2015 the State submitted the Attorney General's Certification with the FFY-2015 Capitalization Grant Application.

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

Table 4 identifies the portion of the FFY-2015 DWSIRLF Cap grant (\$320,164) which was set-aside to fund administration costs; however, in the FFY-2015 reporting period the state was not able to use any of the FFY-2015 Administration Set-aside, since the FFY -2015 Cap Grant award did not become available until the end of the FFY-2015 reporting period. During the FFY-2015 reporting period administration costs were covered by the Administration Set-aside funds (\$332,124) from the FFY-

2014 Cap Grant which were drawn down with the funds obtained in December 2014. Administrative fees received from loan repayments in FFY-2015 totaled \$732,271 (from Magic Revenue Report); these funds were captured via the Program's Administrative Fee capture method.

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

DWSIRLF staff members attended all EPA approved/sponsored seminars, workshops, conferences, etc., in 2015 which were determined to be useful by the State.

**O. Annual Audit**

A financial audit of the DWSIRLF Program was performed for State Fiscal Year (SFY-2015); see Appendix A.

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

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

# Tables



**TABLE 1: PROJECTS FUNDED IN FFY-2015**

NO.	PROJECT NAME COMMUNITIES SERVED	LOAN NUMBER - DWI-	TOTAL ASSISTANCE AMOUNT	AWARD DATE	* AGREEMENT TYPE	SMALL COMMUNITY	INTEREST RATE	POPULATION SERVED	ELIGIBLE PRINCIPAL FORGIVENESS	AWARDED** PRINCIPAL FORGIVENESS
1	BEAR CREEK WA - MADISON CO	L450002-09-0	\$1,429,700	8/31/2015	L/SUB	NO	1.95%	40,000	\$0	\$0
2	BROOKHAVEN, CITY OF - COPIAH CO	L430002-01-0	\$3,000,000	9/30/2015	L/SUB	NO	1.95%	12,515	\$500,000	\$500,000
3	BUDE, TOWN OF - FRANKLIN CO	L190001-01-0	\$1,643,000	8/31/2015	L/SUB	YES	1.95%	1,037	\$500,000	\$500,000
4	CENTER WA - PEARL RIVER CO	L550001-02-0	\$908,500	8/31/2015	L/SUB	YES	1.95%	5,760	\$136,275	\$136,275
5	DUFFEE WA - NEWTON CO	L510005-01-0	\$746,307	9/30/2015	L/SUB	YES	1.95%	2,617	\$111,946	\$111,946
6	JACKSON CO UTILITY AUTHORITY	L300164-01-0	\$6,281,298	9/30/2015	L/SUB	NO	1.95%	43,680	\$0	\$0
7	JUMPERTOWN, TOWN OF - PRENTISS CO	L590009-01-0	\$1,013,500	9/30/2015	L/SUB	YES	1.95%	1,500	\$152,025	\$152,025
8	MAGEE'S CREEK WA -WALTHALL CO	L740076-02-0	\$642,500	6/26/2015	L/SUB	YES	1.95%	7,992	\$224,875	\$224,875
9	OLD RIVER WA - WILKINSON CO	L790005-01-0	\$477,600	9/30/2015	L/SUB	YES	1.95%	3,575	\$214,920	\$214,920
10	PEARL, CITY OF - RANKIN CO	L610017-06-0	\$1,150,000	9/30/2015	L/SUB	NO	1.95%	26,232	\$0	\$0
11	TAYLORSVILLE, TOWN OF - SMITH CO	L650011-01-0	\$885,000	3/16/2015	L/SUB	YES	1.95%	2,000	\$132,750	\$132,750
12	TUNICA COUNTY UTILITY DISTRICT	L720024-01-0	\$487,630	6/26/2015	L/SUB	YES	1.95%	10,000	\$121,908	\$121,908
13	TUPELO, CITY OF - LEE CO	L410015-05-0	\$1,658,468	9/30/2015	L/SUB	NO	1.95%	34,500	\$0	\$0
			<b>\$20,323,503</b>					<b>191,408</b>	<b>\$2,094,699</b>	<b>\$2,094,699</b>

**Total Funding for FFY-2015 Loans \$20,323,503**

**Net Funding for FFY-2015 Loans \$15,318,113** (This amount only includes decreases to project amounts listed in Table 2)

**Large Communities - Total Funding for Communities with Populations Greater than 10,000 \$13,519,466 5 Communities**

**Small Communities - Total Funding for Communities with Populations of 10,000 or Less \$6,804,037 8 Communities**

**Extra Small Communities - Total Funding for Communities with Populations of 5,000 or Less \$4,765,407 5 Communities**

**Funds for Small Communities Less than 10,000 as a % of Binding Commitments 33.48%**

**Funds for Extra Small Communities Less than 5,000 as a % of Binding Commitments 23.45%**

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

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

**TABLE 2: PROJECT ACTIONS in FFY-2015**

ACTION DATE	LOANEE	SMALL COMMUNITY	PROJECT NUMBER DWI	ACTION DESCRIPTION	LOAN INCREASE AMOUNT	LOAN DECREASE AMOUNT	INITIAL LOANS	INITIAL PRINCIPAL FORGIVENESS	INITIAL PRINCIPAL FORGIVENESS	FINAL PRINCIPAL FORGIVENESS	ADDITIONAL PRINCIPAL FORGIVENESS
10/22/2014	GOOD HOPE WA - JEFFERSON DAVIS CO	YES	L330004-01-2	FINAL DECREASE		\$148,555			\$0	\$492,535	\$492,535
10/22/2014	WIGGINS, CITY OF - STONE CO	YES	L660005-01-2	FINAL	\$0	\$0			\$299,480	\$299,480	\$0
11/19/2014	MADISON, CITY OF - MADISON CO	NO	L450010-01-1	DECR AMEND		\$2,798,702			\$0	\$0	\$0
12/19/2014	WEST JACKSON UD - JACKSON CO	NO	L300156-06-1	FINAL DECREASE		\$1,420,715			\$0	\$0	\$0
12/19/2014	CENTRAL YAZOO WA - YAZOO CO	YES	L820004-01-2	FINAL DECREASE		\$89,041			\$0	\$377,393	\$377,393
12/19/2014	GUNTOWN, TOWN OF - LEE CO	YES	L410006-01-1	INCREASE AMEND	\$170,659						
1/16/2015	SONTAG-WANILLA WA - LAWRENCE CO	YES	L390006-01-1	INCREASE AMEND	\$35,000					\$0	\$0
2/6/2015	TUPELO, CITY OF - LEE CO	NO	L410015-03-1	INCREASE AMEND	\$1,374,196						\$0
3/16/2015	UNION WA - RANKIN CO	YES	L610030-02-1	FINAL DECREASE		\$97,465			\$0	\$0	\$0
3/16/2015	TAYLORSVILLE, TOWN OF - SMITH CO	YES	L650011-01-0	INITIAL LOAN			\$685,000	\$132,750			\$0
5/22/2015	RICHLAND, CITY OF - RANKIN CO	NO	L610023-01-1	DECREASE		\$6,950					\$0
5/22/2015	CLINTON, CITY OF - HINDS CO	NO	L250003-03-1	INCREASE	\$131,744						\$0
5/22/2015	LAMPTON WA - MARION CO	YES	L460009-02-1	DECREASE		\$124,000					\$0
5/22/2015	CENTRAL RANKIN WA - RANKIN CO	YES	L610081-02-1	FINAL DECREASE		\$137,533			\$0	\$0	\$0
5/22/2015	RIDGELAND, CITY OF - MADISON CO	NO	L450013-02-1	DECREASE		\$56,815					\$0
6/26/2015	TUNICA COUNTY UTILITY DISTRICT	YES	L720024-01-0	INITIAL LOAN			\$487,630	\$121,908			
6/26/2015	MAGEE'S CREEK WA - WALTHALL CO	YES	L740076-02-0	INITIAL LOAN			\$642,500	\$224,875			
7/10/2015	IMPROVE WA - WALTHALL CO	YES	L740002-02-1	INCREASE AMEND	\$60,000						
7/20/2015	STAR WATER COMPANY-RANKIN CO	YES	L610027-01-1	INCREASE AMEND	\$36,000						
7/20/2015	EVERGREEN WA - RANKIN CO	YES	L610007-02-1	FINAL DECREASE		\$23,636			\$0	\$0	\$0
7/20/2015	TAYLORSVILLE, TOWN OF - SMITH CO	YES	L650011-01-1	INCREASE AMEND	\$131,850						
8/28/2015	GUNTOWN, TOWN OF - LEE CO	YES	L410006-01-2	FINAL DECREASE		\$61,273			\$0	\$0	\$0
8/31/2015	BEAR CREEK WA - MADISON CO	NO	L450002-09-0	INITIAL LOAN			\$1,429,700	\$0			
8/31/2015	CENTER WA - PEARL RIVER CO	YES	L550001-02-0	INITIAL LOAN			\$908,500	\$136,275			
8/31/2015	BUDE, TOWN OF - FRANKLIN CO	YES	L190001-01-0	INITIAL LOAN			\$1,643,000	\$500,000			
9/25/2015	NEW HOPE WA - SIMPSON CO	YES	L640008-04-1	INCREASE	\$257,760			\$0	\$0	\$33,750	\$36,750
9/25/2015	CENTER WA - PEARL RIVER CO	YES	L550001-01-2	FINAL DECREASE		\$13,375			\$0	\$205,943	\$205,943
9/25/2015	DREW, TOWN OF - SUNFLOWER CO	YES	L670004-01-1	INCREASE	\$62,486						
9/25/2015	TCHULA, CITY OF - HOLMES CO	YES	L260016-01-1	INCREASE	\$32,691						
9/25/2015	IMPROVE WA - WALTHALL CO	YES	L740002-02-2	FINAL DECREASE		\$27,330			\$88,000	\$88,000	\$0
9/25/2015	CULKIN, WD - WARREN CO	YES	L750002-05-1	INCREASE	\$175,804						
9/30/2015	DUFFEE WA - NEWTON CO	YES	L510005-01-0	INITIAL LOAN			\$746,307	\$111,946			
9/30/2015	TUPELO, CITY OF - LEE CO	NO	L410015-05-0	INITIAL LOAN			\$1,658,468	\$0			
9/30/2015	PEARL, CITY OF - RANKIN CO	NO	L610017-06-0	INITIAL LOAN			\$1,150,000	\$0			
9/30/2015	OLD RIVER WA - WILKINSON CO	YES	L790005-01-0	INITIAL LOAN			\$477,600	\$214,920			
9/30/2015	JUMPERTOWN, TOWN OF - PRENTISS CO	YES	L590009-01-0	INITIAL LOAN			\$1,013,500	\$152,025			
9/30/2015	JACKSON CO UTILITY AUTHORITY	NO	L300164-01-0	INITIAL LOAN			\$6,281,298	\$0			
9/30/2015	BROOKHAVEN, CITY OF - COPIAH CO	YES	L430002-01-0	INITIAL LOAN			\$3,000,000	\$500,000			
				Year:	\$2,468,190	\$5,005,390	\$20,323,503	\$2,094,699	\$387,480	\$1,497,101	\$1,112,621
				4th Quarter:	\$756,591	\$125,614	\$18,308,373	\$1,615,166			
				3rd Quarter:	\$131,744	\$325,298	\$1,130,130	\$346,783			
				2nd Quarter:	\$1,409,196	\$97,465	\$885,000	\$132,750			
				1st Quarter:	\$170,659	\$4,457,013	\$0	\$0			
					\$2,468,190	\$5,005,390	\$20,323,503	\$2,094,699			

Amendment 1 provided PR

\$20,323,503 FFY 2015 Initial Loans (13)  
 \$2,094,699 FFY 2015 Initial PF (9)  
 \$1,112,621 FFY 2015 Additional PF (4)  
 \$3,207,320 Total FFY2015 PF

**TABLE 3: SOURCE AND USE OF FUNDS for FFY-2015**

DWSRF Program Funds by Fiscal Year						DWSRF Project Loans by Fiscal Year					
Federal Fiscal Year A	***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	Fund Balance B+C+D+E+F-I
1997	\$0	\$1,505,152	\$10,000,000	\$0	\$0	\$10,297,670	\$0	\$10,297,670	17	92,886	\$1,207,482
1998	\$1,207,482	\$8,240,000	\$0	\$541,668	\$27,708	\$5,502,190	(\$774,742)	\$4,727,448	9	122,033	\$5,289,410
1999	\$5,289,410	\$8,501,874	\$0	\$593,954	\$425,450	\$8,614,140	(\$1,085,309)	\$7,528,831	14	172,635	\$7,281,857
2000	\$7,281,857	\$7,631,094	\$0	\$807,675	\$1,037,720	\$12,327,484	(\$1,168,746)	\$11,158,738	17	181,210	\$5,599,607
2001	\$5,599,607	\$7,893,500	\$5,000,000	\$782,161	\$1,620,836	\$22,365,070	(\$986,752)	\$21,378,318	28	203,830	(\$482,214)
2002	(\$482,214)	\$15,694,350	\$0	\$450,125	\$3,856,538	\$20,820,563	(\$3,033,337)	\$17,787,226	24	193,183	\$1,731,572
2003	\$1,731,572	\$3,802,418	\$0	\$258,188	\$3,097,324	\$13,055,216	(\$1,177,146)	\$11,878,070	12	179,365	(\$2,988,568)
2004	(\$2,988,568)	\$7,989,100	\$0	\$173,422	\$5,228,781	\$10,132,582	(\$1,725,679)	\$8,406,903	11	144,040	\$1,995,832
2005	\$1,995,832	\$13,567,084	\$1,740,000	\$420,431	\$5,455,940	\$8,333,321	(\$429,107)	\$7,904,214	11	60,817	\$15,275,073
2006	\$15,275,073	\$416,600	\$4,003,000	\$830,827	\$5,434,026	\$11,766,802	(\$1,814,627)	\$9,952,175	13	110,559	\$16,007,351
2007	\$16,007,351	\$8,395,972	\$0	\$1,580,179	\$6,047,052	\$15,888,454	(\$1,632,273)	\$14,256,181	17	160,392	\$17,774,373
2008	\$17,774,373	\$6,325,640	\$4,000,000	\$1,665,021	\$7,291,214	\$33,569,703	(\$1,791,356)	\$31,778,347	11	130,170	\$5,277,901
**2009	\$5,277,901	\$12,490,140	\$0	\$1,561,383	\$7,667,390	\$37,475,118	(\$3,521,678)	\$33,953,440	21	150,864	(\$6,956,626)
2010	(\$6,956,626)	\$28,815,980	\$1,400,000	\$965,854	\$8,341,654	\$14,994,884	(\$6,456,640)	\$8,538,244	15	68,475	\$24,028,618
2011	\$24,028,618	\$4,323,760	\$2,700,000	\$645,318	\$10,093,087	\$20,169,446	(\$1,914,716)	\$18,254,730	10	130,256	\$23,536,054
2012	\$23,536,054	\$5,158,980	\$0	\$409,962	\$12,033,417	\$24,265,329	(\$2,397,461)	\$21,867,868	10	78,611	\$19,270,545
2013	\$19,270,545	\$350,166	\$1,620,000	\$559,551	\$21,132,301	\$13,506,644	(\$829,876)	\$12,676,768	9	88,909	\$30,255,795
2014	\$30,255,795	\$2,036,545	\$3,177,291	\$443,681	\$12,269,098	\$21,136,914	(\$1,711,306)	\$19,425,608	16	137,357	\$28,756,802
2015	\$28,756,802	\$15,886,455	\$1,819,800	\$598,937	\$12,311,407	\$20,323,503	(\$5,005,390)	\$15,318,113	13	191,408	
2016											
<b>TOTALS</b>		<b>\$159,024,810</b>	<b>\$35,460,091</b>	<b>\$13,288,337</b>	<b>\$123,370,942</b>	<b>\$324,545,033</b>	<b>(\$37,456,141)</b>	<b>\$287,088,892</b>	<b>278</b>	<b>2,597,000</b>	

State Appropriations Less Current Year: **\$33,640,291**

- \* "Federal Capital" is based on the fiscal year in which ACH/ASAP deposit was made.
- \*\* ARRA - FFY-2009 Cap Grant Total: \$19,500,000
- \*\*\* Fund Balance From Previous Year

**TABLE 4: SUMMARY OF REVENUE AND COMMITMENTS for FFY-2015**

FEDERAL FISCAL YEAR (FFY)	CAP GRANT TOTALS	Set-Asides					Funds Available for Projects					NET LOAN AWARDS	BALANCE OF FUNDS AVAILABLE FOR PROJECTS	TOTAL PROGRAM REVENUE (Cap + G + H + I)
		ADMIN. (E)	SMALL SYSTEMS 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)			
1997	\$16,474,200	\$658,968	\$329,484	\$827,630	\$0	\$1,816,082	\$14,658,118	\$0	\$0	\$10,000,000	\$24,658,118	\$10,297,670	\$14,360,448	\$26,474,200
1998	\$8,271,700	\$330,868	\$165,434	\$0	\$0	\$496,302	\$7,775,398	\$541,668	\$27,708	\$0	\$8,344,774	\$4,727,448	\$17,977,774	\$8,841,076
1999	\$8,669,500	\$346,780	\$173,390	\$0	\$268,156	\$788,326	\$7,881,174	\$593,954	\$425,450	\$0	\$8,900,578	\$7,528,831	\$19,349,521	\$9,688,904
2000	\$9,010,100	\$360,404	\$180,202	\$0	\$300,000	\$840,606	\$8,169,494	\$807,675	\$1,037,720	\$0	\$10,014,889	\$11,158,738	\$18,205,671	\$10,855,495
2001	\$9,047,400	\$361,896	\$180,948	\$0	\$350,000	\$892,844	\$8,154,556	\$782,161	\$1,620,836	\$5,000,000	\$15,557,552	\$21,378,318	\$12,384,906	\$16,450,396
2002	\$8,052,500	\$322,100	\$161,050	\$0	\$400,000	\$883,150	\$7,169,350	\$450,125	\$3,856,538	\$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	\$8,146,000	\$325,840	\$162,920	\$0	\$814,600	\$1,303,360	\$6,842,640	\$1,665,021	\$7,291,214	\$4,000,000	\$19,798,875	\$31,778,347	\$11,301,385	\$21,102,235
2009	\$8,146,000	\$0	\$162,920	\$0	\$814,600	\$977,520	\$7,168,480	\$1,561,383	\$7,667,390	\$0	\$16,397,253	\$33,953,440	(\$6,254,802)	\$17,374,773
2009 ARRA	\$19,500,000	\$300,000	\$390,000	\$0	\$1,462,500	\$2,152,500	\$17,347,500	\$0	\$0	\$0	\$17,347,500		\$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	\$1,943,020	\$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						\$0	\$0				\$0		\$54,239,723	\$0
<b>TOTALS</b>	<b>\$196,667,565</b>	<b>\$5,604,056</b>	<b>\$3,933,088</b>	<b>\$3,577,630</b>	<b>\$14,343,546</b>	<b>\$27,458,320</b>	<b>\$169,209,245</b>	<b>\$13,288,337</b>	<b>\$123,370,942</b>	<b>\$35,460,091</b>	<b>\$341,328,615</b>	<b>\$287,088,892</b>		<b>\$368,786,935</b>

Total Cumulative Revenue Available for Projects Since Beginning of Program: **\$341,328,615**

Total Cumulative Net Loan Obligations for Projects Since Beginning of Program: **\$287,088,892**

Balance: **\$54,239,723**

Total Cumulative Assistance as a % of Total Cumulative Available Funds for Projects: **84%**

Total Cumulative Assistance Provided as a % of Total Federal Grant Funds Provided for Projects: **146%**

\*FFY-2015 - The amounts shown for the FFY2015 Cap Grant and Set-asides did not become available until after the end of the FFY-2015 reporting period.

**TABLE 5: DISBURSEMENTS / CASH BALANCES through FFY-2015**

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
<b>FFY-2015 TOTALS</b>	<b>\$35,200,091</b>	<b>\$161,671,267</b>	<b>\$248,905,471</b>	<b>\$13,288,337</b>	<b>\$123,370,942</b>	<b>\$84,625,165</b>	

\*FFY-2015 State Match did not become available until the end of the FFY-2015 reporting period

Table 6: Binding Commitments and Federal Payments to the Federal Letter of Credit (LOC) for FFY-2015

Capitalization Grant Payments into ACH															Cumulative Deposits into LOC	Required Binding Commitments	Year's Total Loan Awards	Cumulative Actual Binding Commitments
Federal FY (FFY)	Quarter	FFY-2005 Cap Grant	FFY-2006 Cap Grant	FFY-2007 Cap Grant	FFY-2008 Cap Grant	FFY-2009 Cap Grant	FFY-2009 ARRA	FFY-2010 Cap Grant	FFY-2011 Cap Grant	FFY-2012 Cap Grant	FFY-2013 Cap Grant	FFY-2014 Cap Grant	FFY-2015 Cap Grant	FFY-2016 Cap Grant				
FFY1997-2004															\$60,649,068			\$103,114,915
2005	1														\$62,449,068	\$67,241,902		
	2														\$64,829,068	\$69,413,902		
	3														\$67,109,068	\$71,841,622		
	4	\$7,868,900													\$76,040,018	\$72,778,882	\$8,333,321	\$111,448,238
2006	1														\$76,040,018	\$74,938,882		
	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	\$416,600	\$2,000,000												\$80,456,618	\$91,248,022		
	3		\$2,500,000												\$82,956,618	\$91,248,022		
	4		\$1,729,300	\$2,800,000											\$87,485,918	\$91,248,022	\$15,888,454	\$139,103,492
2008	1			\$3,000,000											\$90,485,918	\$93,648,022		
	2			\$2,400,000											\$92,885,918	\$96,547,942		
	3			\$29,000											\$92,914,918	\$99,547,942		
	4														\$92,914,918	\$104,983,102	\$33,569,703	\$172,673,195
2009	1				\$2,200,000										\$95,114,918	\$108,583,102		
	2				\$2,200,000										\$97,314,918	\$111,463,102		
	3				\$1,800,000	\$5,000,000									\$104,114,918	\$111,497,902		
	4				\$1,800,000	\$5,000,000									\$110,914,918	\$111,497,902	\$37,475,118	\$210,148,313
2010	1				\$146,000	\$275,000	\$5,000,000								\$116,335,918	\$114,137,902		
	2					\$1,650,000	\$4,500,000								\$122,485,918	\$116,777,902		
	3					\$4,950,000		\$8,000,000							\$135,435,918	\$124,937,902		
	4					\$1,271,000		\$6,125,000							\$142,831,918	\$133,097,902	\$14,994,884	\$225,143,197
2011	1														\$142,831,918	\$139,603,102		
	2														\$142,831,918	\$146,983,102		
	3														\$142,831,918	\$162,523,102		
	4								\$6,000,000						\$148,831,918	\$171,398,302	\$20,169,446	\$245,312,843
2012	1								\$3,802,000						\$152,633,918	\$171,398,302		
	2														\$152,633,918	\$171,398,302		
	3														\$152,633,918	\$171,398,302		
	4									\$9,000,000					\$161,633,918	\$178,598,302	\$24,265,329	\$269,577,972
2013	1								\$9,166	\$341,000					\$161,984,084	\$183,160,702		
	2														\$161,984,084	\$183,160,702		
	3														\$161,984,084	\$183,160,702		
	4														\$161,984,084	\$193,960,702	\$13,506,644	\$283,084,616
2014	1									\$1,902,240					\$163,886,324	\$194,380,901		
	2									\$134,305					\$164,020,629	\$194,380,901		
	3														\$164,020,629	\$194,380,901		
	4														\$164,020,629	\$194,380,901	\$21,136,914	\$304,221,530
2015	1									\$6,727,455	\$1,823,000				\$172,571,084	\$196,663,589		
	2														\$172,571,084	\$196,824,755		
	3														\$172,571,084	\$196,824,755		
	4											\$7,336,000			\$179,907,084	\$196,824,755	\$20,323,503	\$324,545,033
2016	1														\$179,907,084	\$207,085,301		
	2												\$2,162,044		\$182,069,128	\$207,085,301		
	3														\$182,069,128	\$207,085,301		
	4												\$6,936,956		\$189,006,084	\$215,888,501	\$0	\$324,545,033
2017	1														\$189,006,084	\$215,888,501		
	2														\$189,006,084	\$218,482,954		
	3														\$189,006,084	\$218,482,954		
	4														\$189,006,084	\$226,807,301	\$0	\$324,545,033
<b>TOTALS</b>		\$8,285,500	\$8,229,300	\$8,229,000	\$8,146,000	\$8,146,000	\$19,500,000	\$14,125,000	\$9,811,166	\$9,341,000	\$8,764,000	\$9,159,000	\$9,099,000	\$0				

**TABLE 7: DWSRF Administrative Expenses for FFY-2015 Annual Report\***

	<b>Direct Salaries</b>	<b>Fringe</b>	<b>Total Salaries/Fringe</b>	<b>Indirect</b>	<b>Other</b>	<b>Total Administrative Expenditures</b>
<b>FFY- 2015 Expenditures</b>	\$326,907	\$89,368	\$416,275	\$71,172	\$42,887	\$530,334

**Note:** \*Amounts include both Federal Set-Aside funds and State funds but no travel.

**TABLE 8: Actual DWSIRLF/PWSS Expenses for FFY-2015**

**October 1, 2014 through September 30, 2015**

CATEGORY	DWSRF Administrative		Public Water Systems Supervision (PWSS)	Small Systems Technical Assistance (Table 9)	Source Water & Local Assistance (Table 9)	TOTAL
	Federal* (Set-aside)	State (Admin Fee)				
Personnel (Salaries)	\$142,951	\$183,956	\$658,051			\$984,958
Fringe	\$40,320	\$49,048	\$188,527			\$277,895
<b>Total Direct:</b>	<b>\$183,271</b>	<b>\$233,004</b>	<b>\$846,578</b>			<b>\$1,262,853</b>
<b>Total Indirect:</b>	<b>\$30,423</b>	<b>\$40,749</b>	<b>\$143,589</b>			<b>\$214,761</b>
<b>TOTAL Costs:</b>	<b>\$213,694</b>	<b>\$273,753</b>	<b>\$990,167</b>			<b>\$1,477,614</b>
Contracts			\$80,727	\$175,605	\$360,333	\$616,665
Travel	\$0	\$12,716	\$4,195			\$16,911
Other	\$0	\$30,171	\$0			\$30,171
<b>TOTAL ALL COSTS:</b>	<b>\$213,694</b>	<b>\$316,640</b>	<b>\$1,075,089</b>	<b>\$175,605</b>	<b>\$360,333</b>	<b>\$2,141,361</b>

\* Only Federal Set-Aside funds are shown



Appendix A

Audited DWSIRLF Financial Statement  
June 30, 2015

# Windham and Lacey, PLLC

*Certified Public Accountants*

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

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

December 28, 2015

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

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

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

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

Our audit of the financial statements of the Fund for the year ended June 30, 2015, was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting, or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute assurance about the financial statements. We believe that our audit accomplished that objective.

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

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

### **Audit Adjustments**

We are proposing audit adjustments to the financial statements of the Fund. Those adjustments have been reviewed and approved by the accounting personnel of Mississippi State Department of Health. A copy of those adjustments is attached.

### **Uncorrected Misstatements**

We did not detect any uncorrected misstatements for the Fund.

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

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

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

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

### **Disagreements with Management**

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

### **Consultations with Other Accountants**

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

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

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

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

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

### **Closing**

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

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



Windham and Lacey, PLLC

MSDH - SRF  
 PROPOSED ADJUSTING ENTRIES  
 6/30/2015

Entry #	Account/Code	Description	Debit	Credit
AJE 1	63303-67000 63303-13110 63303-15110	SUBSIDIES DUE FROM OTHER GOVERNMENTS-NON LOANS RECEIVABLE-NON-CURRENT	2,161,184.00	1,047,981.00 1,113,203.00
	to record principal forgiveness for 2015			
AJE 2	63303-40100 63303-13510	SALES TAX DUE FROM OTHER FUNDS	284,548.00	284,548.00
	A receipt of loan repayments from sales tax diversion was booked as a "due from". However the receipt had actually been recorded as sales tax revenue in account 40100. This entry reclasses that accrual to reverse the actual receipt.			
AJE 3	63303-43100 63303-37200	LIC, FEES, PERMITS FUND BALANCE RESTRICTED HS	4,172,074.00	4,172,074.00
	to reclass entry to recognize deferred administrative fees as income in current year per GASB. Should be a prior period adjustment.			
AJE 4	63303-13110 63303-15110 63303-68600	DUE FROM OTHER GOVERNMENTS-NON LOANS RECEIVABLE-NON-CURRENT LOANS	769,688.00 251,812.00	1,021,500.00
	to properly reclassify loan disbursements			
TOTALS			<u>7,639,306.00</u>	<u>7,639,306.00</u>

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

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Audited Financial Statements  
June 30, 2015  
(With Comparative Totals for June 30, 2014)

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

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# Windham and Lacey, PLLC

## *Certified Public Accountants*

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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, 2015, 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, 2015, 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 December 28, 2015, 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  
December 28, 2015

STATE OF MISSISSIPPI  
DEPARTMENT OF HEALTH  
DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND  
BALANCE SHEET  
JUNE 30, 2015  
(WITH COMPARATIVE TOTALS FOR 2014)

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Equity in internal investment pool	\$ 68,256,191	57,997,415
Receivables:		
Loans receivable	60,647,599	55,994,175
Due from other governments	94,393,475	93,410,699
Due from federal government	459,862	33,684
Interest receivable on investments	<u>45,538</u>	<u>41,039</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>223,802,665</u></b>	<b><u>207,477,012</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Warrants payable	\$ 5,689	97,216
Accounts payable	610,504	35,981
Due to other funds	20,926	
Due to local governments	<u>1,209,957</u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<b><u>1,847,076</u></b>	<b><u>133,197</u></b>
<b>FUND BALANCE</b>		
Restricted for health and social service	<u>221,955,589</u>	<u>207,343,815</u>
<b>TOTAL FUND BALANCE</b>	<b><u>221,955,589</u></b>	<b><u>207,343,815</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ <u>223,802,665</u></b>	<b><u>207,477,012</u></b>

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, 2015  
(WITH COMPARATIVE TOTALS FOR 2014)

	<u>2015</u>	<u>2014</u>
REVENUES		
Interest on loans	\$ 2,513,565	2,932,728
Interest on investments	557,896	502,887
Loan administration fee	692,631	700,600
Federal programs	<u>8,220,958</u>	<u>8,171,885</u>
TOTAL REVENUES	<u>11,985,050</u>	<u>12,308,100</u>
EXPENDITURES:		
Administrative expenses	806,503	689,382
Principal forgiveness - Other	<u>2,161,184</u>	<u>0</u>
TOTAL EXPENDITURES	<u>2,967,687</u>	<u>689,382</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>9,017,363</u>	<u>11,618,718</u>
OTHER FINANCING SOURCES (USES):		
Proceeds from bonds issued	1,000,000	1,000,000
Transfers, net	<u>422,337</u>	<u>(1,389,563)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,422,337</u>	<u>(389,563)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>10,439,700</u>	<u>11,229,155</u>
FUND BALANCE		
Fund Balance - Beginning, as previously stated	207,343,815	196,114,660
Prior period adjustment	<u>4,172,074</u>	<u></u>
Fund Balance - Beginning, as restated	<u>211,515,889</u>	<u>196,114,660</u>
Fund Balance - Ending	<u>\$ 221,955,589</u>	<u>207,343,815</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, 2015

**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 and 2015, the State legislature authorized a direct appropriation for a portion of the State match and the Board authorized the use of \$620,000 and \$180,000, respectively, from other funds as additional match funds. As of June 30, 2015, the EPA had awarded \$168,068,566 in capitalization grants to the State, requiring \$33,613,713 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, 2015

**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, 2015, the State's total pooled deposits and investments for state agencies were approximately \$3.6 billion, and the average remaining life of the securities invested was 2.4 years. The earnings for the total pooled investments for the year ended June 30, 2015 were approximately \$3.0 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, 2015, the Fund had approximately \$68.3 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, 2015

**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, 2015, 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, 2015, are as follows:

<u>Description</u>	<u>Loans Authorized</u>	<u>Authorized Amount Remaining</u>	<u>Loan Balance</u>
Completed projects	\$ 207,470,296	\$	\$ 140,274,998
Projects in progress	<u>41,621,357</u>	<u>26,855,281</u>	<u>14,766,076</u>
Totals	<u>\$ 249,091,653</u>	<u>\$ 26,855,281</u>	155,041,074
Less amount due within one year on completed projects			<u>(9,656,167)</u>
Loans receivable and due from other governments, long-term			<u>\$ 145,384,907</u>

Loans mature at various intervals through June 30, 2035. The scheduled principal payments on loans maturing in subsequent years are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
Completed projects:	
2016	\$ 9,656,167
2017	10,002,633
2018	10,152,697
2019	10,108,548
2020	10,163,237
Thereafter	90,191,716
Projects in progress	<u>14,766,076</u>
	<u>\$ 155,041,074</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 \$692,631 was collected in 2015.

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Prior to July 1, 2009, these administrative fees were added to the loan amount as the loan principal to be repaid by the loan recipient. Financial Accounting Standards Board Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Direct Initial Costs of Leases* (FASB 91), considers these fees to be origination fees and required that loan origination fees be deferred and recognized over the life of the loan as an adjustment to the interest rate. FASB 91 also required that the unamortized balance of such fees be reported as part of the loan to which it relates. However, in 2015, the Fund implemented Governmental Accounting Standards Boards' Statements 65 and 66 as described in Note 7 below. As a result, the remaining balance of the unamortized administrative fees added prior to 2009 were charged to income as a prior period adjustment.

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

As of June 30, 2015, the Fund had made loans to 39 drinking water systems that, in the aggregate, exceeded \$1,500,000. The outstanding balances of these loans represent approximately 76.18% 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	889,490
Adams County Water Association	2,844,725	1,479,357
Bear Creek Water Association	8,989,445	5,422,184
City of Clinton	5,056,888	2,393,062
City of Columbia	1,741,864	1,647,916
City of Gautier	2,677,171	1,801,559
City of Hernando	2,177,042	824,469
City of Horn Lake	3,825,927	982,575
City of Long Beach	1,521,484	601,436
City of Laurel	5,005,986	4,576,114
City of Madison	4,793,310	282,458
City of Ocean Springs	5,497,240	3,768,675
City of Pearl	3,809,906	2,689,679
City of Port Gibson	2,746,903	1,019,848
City of Ridgeland	1,771,699	1,415,465
City of Southaven	11,270,753	7,292,710
City of Tupelo	9,074,563	4,310,680
City of West Point	1,536,148	762,717
Collinsville Water Association	1,530,000	815,139
Corinth Utilities Commission	47,034,278	40,538,361
Culkin Water District	4,638,937	1,802,323
Fannin Water Association	1,566,435	807,100
Fisher Ferry Water District	3,105,984	1,962,449
Good Hope Water Association	1,530,817	1,189,566
Greenfield Water Association	2,150,808	1,337,346
Greenwood Utilities	2,949,025	92,624
Hilldale Water District	5,670,580	4,217,404
Lampton Water Association	1,842,049	774,783
Lewisburg Water Association	1,948,907	1,046,534
Town of Morton	2,188,373	1,429,051
Northeast Mississippi Regional Water Supply District	2,677,553	1,058,361
Pleasant Hill Water Association	1,935,359	58,051

(Continued)

STATE OF MISSISSIPPI  
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 Notes to Financial Statements  
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<u>Local Agency</u>	<u>Authorized Loan Amount</u>	<u>Outstanding Balance</u>
Progress Community Water Association	1,748,791	866,918
Southeast Rankin Water Association	1,921,226	863,133
Southwest Jones Water Association	1,871,292	1,504,061
Town of Baldwin	1,938,518	1,850,131
Town of Caledonia	3,285,745	2,693,684
Walls Water Association	3,775,223	1,918,588
West Jackson Utility District	13,846,050	9,126,856
	<u>\$ 185,098,575</u>	<u>118,112,857</u>

**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, 2015, the EPA has awarded capitalization grants of \$168,068,566 to the State, of which \$158,735,805 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 and 2015, 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:

<u>Year</u>	<u>Grant Amount</u>	<u>Draws</u>		<u>Through June 30, 2015</u>	<u>Available June 30, 2015</u>
		<u>Through June 30, 2014</u>	<u>2015 Draws</u>		
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	8,638,276	653,460	9,291,736	49,264
2013	8,764,000	1,498,183	5,774,140	7,272,323	1,491,677
2014	9,159,000	0	1,367,180	1,367,180	7,791,820
	<u>\$ 168,068,566</u>	<u>\$ 150,941,025</u>	7,794,780	<u>\$ 158,735,805</u>	9,332,761
Receivable, June 30, 2014			(33,684)		
Receivable, June 30, 2015			459,862		(459,862)
Grant revenues, modified accrual basis			<u>\$ 8,220,958</u>		
Amount available, modified accrual basis					<u>\$ 8,872,899</u>



STATE OF MISSISSIPPI  
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As of June 30, 2014 and 2015, state matching contributions were as follows:

<u>Description</u>	Contributions Through June 30, 2014	Fiscal Year 2015 Contributions	Contributions Through June 30, 2015
State of Mississippi	\$ 30,462,994	\$ 3,180,000	\$ 33,642,994

**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.

**7. CHANGE IN ACCOUNTING STANDARD – PRIOR PERIOD ADJUSTMENT.**

The Fund implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

<u>Explanation</u>	<u>Amount</u>
Implementation of GASB Statement 65, <i>Items Previously Reported as Assets and Liabilities</i> - Loan administrative fees	\$ 4,172,074
Total prior period adjustment	\$ 4,172,074

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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, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2015.

### **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  
December 28, 2015

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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, 2015, and have issued our report thereon dated December 28, 2015.

We have also audited the Fund's compliance with requirements governing:

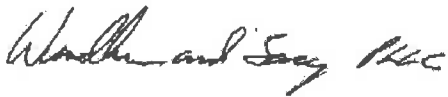
- Activities allowed or unallowed,
- Allowable costs/cost principles,
- Cash management,
- State matching,
- Period of availability of federal funds and binding commitments,
- Procurement, suspension and debarment,
- Program income,
- Reporting,
- Subrecipient monitoring, and
- Special tests and provisions

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, 2015. 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, 2015.

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  
December 28, 2015