

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

**ANNUAL REPORT
FOR
FEDERAL FISCAL YEAR 2018
(10/01/17 through 09/30/18)**



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



MISSISSIPPI STATE DEPARTMENT OF HEALTH

and the

Local Governments and Rural Water Systems

Improvements Board

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**FFY-2018 OVERVIEW
DWSIRLF PROGRAM
FOR
MISSISSIPPI**

Total Federal Investment: \$225.8 million (Table 4)

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

New Project Funding (Executed Assistance Agreements): \$22.8 million (Table 1)

Total Population Served (New Construction Projects): 108,904 (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: 11 systems for a total of \$13.9 million (Table 1)

Disadvantaged Community Funding: 9 systems for a total of \$6.5 million (Table 1)

Total Cumulative Set-Aside Assistance: \$34.4 million (Table 4)

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

**Cumulative Assistance to Projects as a % of total Federal Grant funds received: 162%
(Table 4)**

DRINKING WATER STATE REVOLVING FUND ANNUAL REPORT Federal Fiscal Year (FFY) 2018

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) 2018. The report outlines the operation of the DWSIRLF program during the time period from October 1, 2017, through September 30, 2018.

This report outlines the accomplishments of the DWSIRLF program as related to the goals and objectives set forth in the FFY-2018 Intended Use Plan (IUP) and amendments. Provided herein are the details regarding the short-term and long-term goals of the program, funding sources, financial stability, and compliance with Federal Drinking Water State Revolving Fund requirements.

II. Executive Summary

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

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

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

- The State Director of the United States Department of Agriculture - Rural Development (USDA-RD)
- A manager of a rural water system (RWSM)

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

The purpose of an IUP is to convey Mississippi's DWSIRLF plan to the EPA, other agencies, the state's public water supplies, and the general public. The FFY-2018 IUP and amendments describe how the State of Mississippi will obligate the DWSIRLF Cap grant allotment.

The IUP for FFY-2018 showed the following:

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

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

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

III. Goals and Accomplishments

The Board established goals for the DWSIRLF Program with the objective of improving the Program on an ongoing basis. The goals were classified into three categories; basic, long-term, and short-term. These goals were developed to address the necessary requirements of federal and state regulations and the state's need and desire to maintain and enhance the Program. Congress and the State of Mississippi have placed particular emphasis on assisting smaller drinking water systems under the DWSIRLF to ensure that

these systems have adequate technical, managerial, and financial resources to achieve or maintain compliance and provide safe drinking water.

A. Basic DWSIRLF Program Goals

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

The State of Mississippi again met the established Basic Goals for FFY-2018. This was accomplished by continuing to operate the DWSIRLF Program with the approach which has proven successful in previous years. Interest rates were reviewed (and adjusted if necessary) to assure both the competitiveness and long-term financial stability of the Fund. Standard financial reports were produced, reviewed for accuracy, and reconciled on a monthly basis. During preparation of the annual IUP, a determination was made that adequate funding would be available from the federal payment schedules, state match, scheduled repayments and projected interest earnings for all projects on the fundable portion of the priority list. Each community's financial capability summary and user charge system were reviewed and approved prior to loan award (to insure the community could afford the project; that funds were adequate to repay the loan and operate/maintain the project). A proactive public information program was continued to assure public awareness of the DWSIRLF. The Priority System utilized is designed to assure that the most urgent needs are met first and to give priority to projects that:

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

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

B. Long-Term DWSIRLF Program Goals

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

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

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

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

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

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

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

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

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

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

C. Short-Term DWSIRLF Program Goals

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

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

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

Progress has been made toward this goal. Once the web-based checklists and forms are completed, information will be stored electronically and provide project management information in a more efficient manner.

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

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

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

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

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

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

6. Implement an Automatic Repayment Collection System

The Program is instituting a payment requirement which will ensure a more timely receipt of monthly repayments as well as make the repayment process much more convenient and attractive for our loan recipients. This repayment/collection system is not totally in place at this time, due to difficulties the state is encountering in implementing a new state-wide financial accounting system. We have entered into agreement with Mississippi Interactive to create the capability at no cost to the program.

D. Appropriation Provision Goals

1. Green Project Reserve

Since FFY-2016 federal appropriation did not require that 20% of the funds appropriated for the Revolving Funds be designated for projects that exhibit the elements of green infrastructure, water efficiency improvements, energy efficiency improvements or other environmentally innovative projects. However, projects that wished to be classified with these elements may be reported as green infrastructure to the EPA through its “Project and Benefits Report Database”. Since FFY-2016 no recipient in Mississippi has chosen to have its project classified as a project that exhibited the elements of green infrastructure, water efficiency improvements, energy efficiency improvements, or other environmentally innovative projects.

2. Principal Forgiveness

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

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

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

IV. DWSIRLF Revolving Fund Financial Information

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

A. Sources of DWSIRLF Funding

1. Capitalization Grant

Each year, the State of Mississippi applies for a Cap grant from the Environmental Protection Agency (EPA) in accordance with Section 1452 of the Federal Safe Drinking Water Act. The State's annual allotment is based on the EPA Drinking Water Needs Survey that is performed every four years. Since the Program's inception, Cap grants totaling \$222,765,565 (Table 4) have been received. Revenue for the current reporting period is shown in Tables 3, 4, and 5.

The FFY-2018 Cap grant in the amount of \$11,957,000 (Table 4) was awarded July 24, 2018. The FFY-2017 EPA Cap grant in the amount of \$8,534,000 was awarded September 13, 2017.

Other available sources of funds for the FFY-2018 reporting period were "Loan Repayments" (\$14,436,476) (Table 3), Interest Earned on State Funds deposited into the Fund (\$1,137,625) (Table 3) and Loan Decreases (\$6,285,441) (Table 3).

Available funding for projects since the DWSIRLF inception totals \$397.6 million (Table 4). This does not include set-asides but does include the special ARRA appropriation which was received in 2009 (Table 3 & 4). The various sources of funding for the DWSIRLF program include Federal Cap Grants, state match, interest on deposits, special appropriations, and repayments. The State of Mississippi does not utilize leveraging in funding the DWSRF Program. Further details of these funding sources are provided below and in Table 4.

2. State Match

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

Water Systems Emergency Loan Fund (DWSELF) program (a state funded loan program) as additional state match for the Cap Grant funds.

For the FFY-2018 Reporting Period, the FFY-2017 EPA Cap grant in the amount of \$8,534,000 (which received its State match of \$1,706,800 in 2018) was the only source of Federal Cap grant funds available to the program.

3. Interest Earnings

Since the Program's inception, the DWSIRLF has received interest on deposits in the State treasury totaling \$16,095,972 (Tables 3, 4 & 5). For FFY-2018, interest received totaled \$1,137,625 (Tables 3, 4 & 5).

4. Repayments

Since the Program's inception, the DWSIRLF has received repayments totaling \$165,082,090 (Tables 3, 4 & 5). During FFY-2018, the repayments received totaled \$14,436,476 (Tables 3, 4 & 5).

5. Administrative Fees Received and Disbursed

For FFY-2018, the total amount of Administrative Fees received from Improvement Loan Repayments equaled \$844,911 (FFY Monthly Deposits Report & Magic Revenue Report).

In FFY-2018 disbursements for DWSRF Administrative expenses totaled \$662,482 (Table 7 & Magic Expenditure Reports).

DWSRF Administrative expenses covered by Cap Grant set-asides equaled \$419,380 (Table 8) and DWSRF Administrative expenses covered by State Funds (Administrative Fees from Improvement Loan Repayments) equaled \$273,103 (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-2018 Cap grant in the amount of \$11,957,000 (Table 4) was awarded July 24, 2018. The FFY-2017 EPA Cap grant in the amount of \$8,534,000 was awarded September 13, 2017. These were both used to operate the DWSRF program in FFY-2018.

In FFY-2018 the total funding available for project improvement loans was \$58,925,574. This amount is the balance of funds from the previous year (\$37,066,032) (Table 3) and the additional revenue received during the FFY-2018 reporting period, \$21,859,542 (Table 3 Repayments \$14,436,476 + Interest Earned \$1,137,625 + Loan Adjustments (decreases) \$6,285,441).

1. Binding Commitments

Table 1 provides details on the projects receiving assistance during FFY-2018. During the FFY-2018 reporting period, DWSIRLF awarded 13 loans totaling approximately \$22.8 million. Loans made during the reporting period had an interest rate of 1.95% with a 20-year repayment period, and the individual loan amounts ranged in size from \$476,160 to \$5,213,285. A combined population of 108,904 benefited from these loans. Individual populations affected by each loan ranged from 1,261 to 45,000.

Bypassed Projects

During FFY-2018 no projects on the “Priority List” which provided the required information were bypassed due to lack of funding.

Small Systems

During FFY-2018 approximately \$13.9 million (Table 1) in DWSIRLF loans were awarded to small water systems, serving populations of 10,000 or less. Of the \$13.9 million, approximately \$6.5 million (Table 1) was awarded to “extra small” water systems, serving populations of 5,000 or less. The State of Mississippi tracks the funding to the extra small systems since the smaller water systems make up a majority of the systems throughout rural portion of Mississippi.

In FFY-2018, 60.96% (Table 1) of all available DWSIRLF funds were awarded to small communities with populations of 10,000 or less; additionally 28.55% (Table 1) of available loan funds were awarded to very small communities with populations of 5,000 or less.

Disadvantaged Community Systems

In FFY-2018 with the Federal funds which became available at the end of 2017, the funding provided by the State legislature and the repayments from previous loans, thirteen (13) initial loans were awarded in an amount of \$22,795,471.

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

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

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

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

In the event that an awarded loan recipient declines their loan award which includes PF funds, the PF funds will be reallocated to other awarded projects that are eligible for PF. The returned PF will be awarded to loan recipients which did not receive PF or which did not receive their full amount of PF or the PF funds will be carried over to the next funding year.

2. Set-Aside Activity Status

During the FFY-2018 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)

The Administration and Technical Assistance set-aside allows states to use up to 4% of the capitalization grant, \$400,000, or 1/5th percent of the current valuation of the fund (whichever is greater), for costs associated with administering and implementing the state’s DWSRF Program and providing technical assistance to systems of all sizes.

In addition to the 4% Administrative set-aside, DWSRF Mississippi charges a 5% Administrative fee in an amount equal to 5% of the loan recipient’s (LRs) initial loan amount. The administrative fee is paid back to the program as a

portion of the loan repayment. This insures a continuous source of funding for the administration of the DWSRF program.

For loans executed from the Program's inception through FFY-2009, the 5% Administrative fee was added to the loan amount, processed in the first payment request (PR) received from the loan recipient (LR) and deposited directly into an administrative fee account. Currently, the 5% administrative fee is collected from the interest portion of the loan repayments of each loan until the 5% administrative fee is repaid.

During the FFY-2018 reporting period, \$662,482 (Table 7) was disbursed for DWSRF program administrative expenses, of which \$419,380 were FFY-2016 Program Set-aside funds (Table 8).

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

The funds expended during the FFY-2018 reporting period totaled \$133,617 (Table 8). Contracts for the Small Systems Technical Assistance operated on the State Fiscal Year (SFY) July 1 to June 30 of the next year.

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

a. Special Assistance to Referred Systems.

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

This contract is based on the State Fiscal Year (SFY) July 1 through June 30 of the following year. The contract requires the contractor provide comprehensive technical assistance to address major deficiencies in the public water systems selected for assistance during the contract year. For the contract period from July 1, 2017 to June 30, 2018, long-term technical assistance was to be provided to an equivalent of twelve (12) public water systems per contract year, and for the contract period from July 1, 2018 to June 30, 2019, long-term technical assistance was to be provided to an equivalent of twelve (12) public water systems per contract year. At a minimum, the contractor is required to provide, during the contract period, long term comprehensive assistance to at least one half the number of small public water systems selected from the list of troubled

small water systems provided by MSDH. For the remainder of the contract, the contractor may elect to substitute intermediate projects for long-term assistance projects at a ratio of 2 intermediate projects to 1 long-term project. Short-term or unplanned assistance is still performed as needed. The information listed for the reporting period will be separated into two different time periods.

Accomplishments: For Contract Year 2018 (July 1, 2017 to June 30, 2018) long-term technical assistance was provided under contract by Communities Unlimited (CU) seven (7) small community public water systems referred by MSDH. Intermediate assistance was provided to ten (10) water systems.

For Contract Year 2019 (July 1, 2018, to June 30, 2019) a contract was executed with a new contractor, Mississippi State University Extension Service, to provide assistance to an equivalent of twelve (12) public water systems. During the time period of July 1, 2018, through September 30, 2018, the new contractor began providing long term assistance to one (1) system. Quarterly reports submitted by the contractor are used by MSDH to evaluate contractor activity and monitor progress made in attaining and maintaining essential technical capabilities of referred systems.

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

Objective: Contractual activities involve coordinating the Board Management Training (BMT) for Public Water System Officials. State law requires that board management training be provided to all newly elected board members of private, non-profit water supplies, to inform them of their duties. The state law also requires the training for officials of municipal systems with a population of 10,000 and less. The contractor, along with the selected training partners, provides training throughout the state for system officials. The contractor coordinates the training, gathers the training data, and maintains an up-to-date database of the individuals who received the training. The contractor shall attend a minimum of two training sessions per training provider to ensure that the basic water system operation and management for governing boards and managers of small community water systems is provided according to MSDH's approved training manual and insure that the training sessions are conducted by approved organizations using training materials approved by the MSDH. This contract follows the state fiscal year and the information shown will span two different state fiscal years; Contract Year 2018 (July 1, 2017 to June 30, 2018); Contract Year 2019 (July 1, 2018 to June 30, 2019).

Accomplishments: During the period between October 1, 2017, and June 30, 2017, fourteen (14) training sessions provided training to 359 board members and managers. During the period July 1, 2018, to September 30,

2018, four (4) sessions provided training to 57 board members and managers. Reports were compiled and provided to both MSDH and the Drinking Water SRF Board.

Additional accomplishments included, but were not limited to, related activities such as: the establishment, distribution, and maintenance of a master calendar of training dates; the preparation and delivery of training material and notebooks in a timely manner to the training organization(s); the preparation of meeting facilities; providing qualified instructors and instruction as needed; the preparation and distribution of evaluation forms by attendees; random attendance at meetings to evaluate instructor(s) and material presented; the maintenance of a computerized database that tracks the attendance of each board member attending any board member training session(s); the preparation and distribution of reports for each training event and quarterly reports to both MSDH and Drinking Water SRF Board Members; and maintain an online training program; online Board Member Management Training.

c. Hands-On Operator Training for Small Systems.

Objective: The Hands-On Operator Training Program is designed to train existing certified operators of small systems through the use of “hands-on” instruction with real equipment, real water supply examples and training materials approved by MSDH. For the contract year 2018 (July 1, 2017, through June 30, 2018) the contractor must perform a minimum of 14 “Hands-On Operator Training” sessions. For the contract year 2019 (July 1, 2018, through June 30, 2019) the contractor must perform a minimum of 14 “Hands-On Operator Training” sessions. This contract follows the state fiscal year and the information shown will span two state fiscal years.

Accomplishments: The Hands-On Operator Training program for the period between October 1, 2017, and June 30, 2018, provided 13 training sessions attended by 262 licensed water operators representing 138 different water suppliers. For the period July 1, 2018, to September 30, 2018, one (1) training session was conducted which was attended by 15 licensed water operators representing 5 different water suppliers. Reports were compiled and provided to both MSDH and the Drinking Water SRF Board.

d. Peer Review Program.

Objectives: The objective of the Peer Review Program is to train experienced operators and managers to perform a peer review, advertise the Peer Review Program, and conduct the Peer Reviews for systems which request assistance. For the Contract Year 2018 (July 1, 2017, through June 30, 2018) the contractor must conduct a minimum of 14 “Peer Reviews”. For the Contract Year 2019 (July 1, 2018, through June

30, 2019) the contractor must conduct a minimum of 14 “Peer Reviews”. This contract follows the state fiscal year and therefore the information will span two different state fiscal years.

Accomplishments: For the period October 1, 2017 to June 30, 2017, the Peer Review Program, trained new team members and conducted eleven (11) Peer reviews; during the period from July 1, 2018, to September 30, 2018, no (0) Peer reviews were performed. Reports were compiled and provided to both MSDH and the Drinking Water SRF Board.

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

In the FFY-2018 reporting period the 10% State Program Management Set-aside from the FFY-2017 Cap grant, \$853,400 (Table 4) was used to assist the State Management program. The State Program Management Set-aside for the FFY-2018 Cap Grant is \$1,195,700 (Table 4) was awarded on July 24, 2018.

During the FFY-2018 reporting period, remaining amounts from the State Program Management Set-asides were used to fund the Public Water Systems Supervision (PWSS) program functions. Reimbursements from the DWSRF program during FFY-2017 to the State Program Management Program totaled \$932,213 (Table 8).

PWSS Program activities include:

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

In FFY-2018, the State Program Management set-aside funded the salaries, fringe benefits, and indirect costs associated with the operation of this program.

Capacity Assessment Program Activities:

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

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

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

Only \$750,000 (Table 4) is taken from each Capitalization Grant for the Local Assistance and Other State Programs Set-aside. In FFY-2018 the set-aside from the FFY-2017 Cap Grant was used for this program; the FFY-2018 Cap Grant was not awarded until July 24, 2018.

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

During the FFY-2018 reporting period only one contract, Well Decommissioning Coordinator, was executed. The other contract the Well Decommissioning Contractor was not executed due to a change in State Contracting procedures which has caused a delay. The contract operates on the State Fiscal Year (SFY) July 1 of the present year to June 30 of the next year.

Disbursements for the Local Assistance and Other State Programs set-aside during the FFY-2018 reporting period (October 1, 2017 through September 30, 2018) totaled \$16,287 (Table 8).

V. Financial Summary

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

A. Loan Completion Status

Since the Program's inception 324 DWSIRLF improvement loans totaling \$416.1 million (Table 3) have been awarded. As of September 30, 2018, DWSIRLF has awarded thirteen (13, Tables 1 & 3) improvement loans totaling \$22,795,471 for the FFY-2018 reporting period. Table 3 provides a summary of the source and use of the DWSIRLF project funds and Table 1 shows the status of all DWSIRLF project assistance provided during the FFY-2018 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-2018 reporting period, disbursements from the DWSIRLF to the various loan recipients totaled \$18,245,382 (Table 5). Of these disbursements, \$11,401,911 (Table 5) was made from Federal funds and \$6,843,471 was disbursed from State funds. Mississippi has disbursed \$297.6 million (Table 5) since the Program's inception.

Approximately \$11,401,911 (Table 5) in Cap grant moneys were drawn from the Automated Clearing House (ACH) during the FFY-2018 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-2018 the amount of federal funds disbursements to projects was approximately 62.5% (calculated using amounts from Table 5) of the total disbursements to projects.

C. Administrative Disbursements

During the FFY-2018 reporting period (October 1, 2017 through September 30, 2018) Administrative expenses for the DWSIRLF Program totaled \$662,482 (Table 7). The amount of disbursements from federal grant funds equaled \$419,380 (Table 8).

DWSRF program administrative expenses which exceeded the Administrative Set-asides were covered by the administrative fees received from the interest portion of the improvement loan repayments. The DWSIRLF Program administration costs covered by the improvement loan repayment fees during the FFY-2018 reporting period totaled \$273,103 (Table 8).

D. Annual Repayments

Table 3 shows that the DWSIRLF Program has received \$181,178,061 in loan repayments (principal \$165,082,089 + interest \$16,095,972) through the end of the FFY-2018 reporting period, of which \$15,574,101 (principal \$14,436,476 + interest \$1,137,625) was received in FFY-2018.

E. Loan Portfolio Analysis

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

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

F. Investments

As outlined in the FFY-2018 IUP, the Mississippi State Treasurer manages the DWSIRLF funds in compliance with State investment practices. The DWSIRLF Program staff monitors the DWSIRLF investments monthly to confirm that the Treasurer credits interest to the DWSIRLF account in a timely fashion.

Interest accrued in the DWSRF Fund through the end of the FFY-2017 totaled \$16,095,972 (Table 3) of which, \$1,137,625 (Table 3) was received in FFY-2018. 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 are currently being performed for SFY-2018 (July 1, 2017 through June 30, 2018) by a contracted CPA auditor, BKD, LLP.

As of the date of this report, the audit has not been finalized. The final audit report will be made available at a later date.

VI. Operating Agreement Provisions and Capitalization Grant Conditions

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

A. Provide a State Match

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

The State deposited \$10,000,000 into the DWSIRLF for state match funds in SFY-1997; \$5,000,000 in SFY-2001; \$1,740,000 in SFY-2005; \$4,003,000 in SFY-2006; \$4,000,000 in SFY-2008; and \$4,100,000 in SFY-2011. This total captured all the Cap grant funds through FFY-2011. The State legislature did not provide State match funds to capture the FFY-2012 Cap grant; however, a remaining portion of a previous

State matching fund (\$655,509) captured a portion of the FFY-2012 total Cap Grant which was \$9,341,000.

In 2013 State Legislature authorized \$1,000,000 in additional spending authority for the sale of bonds to be used by the DWSIRLF Program as match for the federal funds. These funds, in addition to funds from the State Drinking Water Systems Emergency Loan Fund (DWSELF) Program (\$620,000), were used to capture the remainder of the FFY-2012 Cap grant and the set-aside amount in the FFY-2013 Cap Grant. However, in the FFY-2013 reporting period the DWSIRLF Program was not able to use any of the State match funds for the FFY-2013 Cap grant because of a delay in the sale of state bonds until after the end of the FFY-2013 reporting period. During the FFY-2013 reporting period, the remainder of the FFY-2012 Cap grant funds were drawn down with the remainder of a previous state bond issue and funds designated from other state funds.

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

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

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

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

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

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

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

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

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

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

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

additional \$500,000 from DWSELF as the State match; an amount of \$32,064.20 will remain to be used as match for the FFY-2017 Capitalization Grant.

In 2017 the State Legislature did not provide an appropriation for the 20% State match (\$1,706,800) for the FFY-2017 EPA Capitalization Grant (\$8,534,000); therefore, the Board will be requested to authorized the use of additional funds from DWSELF and/or other sources as the State match. With the \$32,064.20 remaining from 2017, an additional \$1,674,735.80 will be required as match for the FFY-2017 Capitalization Grant.

In 2018, the LGRWSIB approved the transfer of \$500,000 from the DWSELF to be used as match for the FFY-2017 Grant. This still left a deficit in the match account of \$1,174,735.80. In 2018, the State Legislature authorized \$3,000,000 in bonds to be used as match for the DWSRF. Of this authorization, \$1,174,735.80 will be used to match the FFY-2017 grant and the balance of \$1,825,264.20 will be used to match the FFY-2018 Grant.

B. Binding Commitments within One Year

Federal regulations require the State to make binding commitments in an amount equal to 120% of each quarterly Cap Grant payment within one year of the payment. The State of Mississippi has entered into binding commitments which provide assistance from the DWSIRLF in amounts substantially exceeding the required 120% of each quarterly grant payment within the one year time frame. Table 6 lists Federal letter of credit (LOC) payments received by quarter and the cumulative binding commitments. Cumulative payments into the Federal LOC at the end of the FFY-2017 reporting period totaled \$197,613,084 (includes ARRA) with the state having made \$393,321,755 in binding commitments; thus exceeding the 120% binding commitment requirement of \$226,807,301 (Table 6).

C. Expeditious Construction and Timely Disbursements

The State of Mississippi has disbursed DWSIRLF funds in a timely and expeditious manner. During FFY-2018 disbursements totaling \$18,245,382 (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-2018 DWSRF Cap grant.

As calculated for the “MBE/WBE Annual Report” for contract amounts through September 30, 2018, the “MBE/WBE Utilization Under Federal Grants, Cooperative Agreements, and Interagency Agreements”, the MBE participation achieved was 0% and the WBE participation achieved was 6%. While the MBE participation percentage is below than the MBE goal, the WBE participation percentage is higher than the WBE goal.

The 2018 “MBE/WBE Annual Report” has been submitted to the EPA.

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

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

F. State Environmental Review Process (SERP)

Environmental reviews, similar to reviews required for projects under the National Environmental Protection Act, are conducted for all construction projects. During FFY-2018 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-2018 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-2018, \$11,401,911 (Table 5) was drawn from the ACH for project funding and a total of \$419,380 (Table 8) was disbursed from Administrative set-aside funds. Table 5 and Table 8 provide additional information regarding the DWSIRLF ACH payment schedule and disbursements.

K. Disbursement Schedule/Commitment

Table 6 shows the actual Federal LOC disbursements made in FFY-2018 to the disbursement projections submitted to EPA in the FFY-2018 IUP.

L. State Attorney General Certification

During FFY-2018 the State submitted the Attorney General's Certification with the FFY-2018 Capitalization Grant Application.

M. Administration Funding

Table 4 identifies the portion of the FFY-2018 EPA Cap grant (\$484,280) which was set-aside to fund administration costs.

Administrative fees received from loan repayments in FFY-2017 totaled \$844,911 (from Magic Revenue Report). These funds were captured by the Program's Administrative Fee capture method from the interest portion of the loan repayments.

N. Attendance at EPA Approved/Sponsored Seminars

DWSIRLF staff members attended all EPA approved/sponsored seminars, workshops, conferences, etc., in 2018 that were determined to be useful by the State.

O. Annual Audit

A financial audit of the DWSIRLF Program is currently being performed for State Fiscal Year (SFY-2018). As of the date of this report, the audit has not been finalized. The final audit report will be made available at a later date.

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 2: PROJECT ACTIONS in FFY-2018

ACTION DATE	QUARTER	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
11/22/2017	1	JACKSON COUNTY UA - JACKSON CO	YES	L300164-01-1	DECREASE		\$733,950			S		
12/4/2017	1	PEARL, CITY OF - RANKIN CO	NO	L610017-06-2	FINAL DECREASE		\$50,476			L	\$0	\$0
12/15/2017	1	HOMESTEAD WA - PIKE CO	YES	L570003-01-1	INCREASE	\$189,526				S		\$0
12/22/2017	1	HORN LAKE, CITY OF - DESOTO CO	NO	L170022-03-2	FINAL DECREASE		\$125,232			L	\$0	\$0
1/10/2018	2	HIWANNEE WA - WAYNE CO	YES	L770005-01-2	FINAL		\$0			S	\$192,238	\$192,238
1/15/2018	2	BRANDON, CITY OF - RANKIN CO	NO	L610003-03-1	DECREASE		\$3,150,550			L	\$0	\$0
1/2/2018	2	TUNICA COUNTY UTILITY DIST. - TUNICA CO-terminated their 2018 Loan of \$702,000		L720024-03-1	FINAL DECREASE		\$702,000			S	\$0	\$0
2/23/2018	2	NORTH LAUDERDALE - LAUDERDALE	YES	L380006-02-1	DECREASE		\$454,134			S		
4/2/2018	3	LEBANON WA - HOLMES CO	YES	L260011-01-1	INCREASE	\$43,706				S		
4/9/2018	3	CULKIN WD - WARREN CO	NO	L750002-06-1	INCREASE	\$248,270				L		
4/27/2018	3	TUPELO, CITY OF - LEE CO	NO	L410015-05-2	FINAL DECREASE		\$722,974			L		
6/11/2018	3	CENTRAL YAZOO WA - YAZOO CO	YES	L820004-02-1	AMENDMENT		\$0			S	\$0	\$280,471
7/6/2018	4	WHITE OAK WATER ASSOCIATION	YES	L6500113-01-2	FINAL DECREASE		\$68,450			S	\$0	\$91,650
7/2/2018	4	WILLOW GROVE WA - COVINGTON CO	YES	L160010-01-1	FINAL DECREASE		\$170,250			S	\$0	\$170,250
7/16/2018	4	WHITE OAK WATER ASSOCIATION	YES	L650013-01	FINAL DECREASE		\$16,610			S		
7/16/2018	4	CITY OF FAYETTE	YES	L320001-02	INITIAL			\$940,000	\$423,000	S		
7/16/2018	4	KOKOMO-SHILOH WATER ASSN	YES	L460014-01	INITIAL			\$1,636,300	\$424,075	S		
7/30/2018	4	CITY OF BROOKHAVEN	NO	L430002-01-1	AMENDED DECREASE		\$90,815			L		
8/28/2018	4	CITY OF WIGGINS	YES	L660005-02	INITIAL			\$1,664,857		S		
8/30/2018	4	NORTH PIKE WA	YES	I570008-01	INITIAL			\$2,130,602		S		
9/14/2018	4	CITY OF BRANDON	NO	L610003-04	INITIAL			\$5,213,285		L		
9/28/2018	4	Southeast Rankin WA	YES	L610025-03	Initial			\$780,000		S		
9/28/2018	4	Fannin Water Association	YES	L610008-03	Initial			\$1,210,736		S		
9/28/2018	4	BEAR CREEK WATER ASSOC., INC	NO	L450002-12	Initial			\$4,890,000		L		
9/28/2018	4	Town of Bay Springs	YES	L310002-01	Initial			\$1,086,019	\$380,107	S		
9/28/2018	4	City of Collins	YES	L160002-01	Initial			\$832,437	\$374,597	S		
9/28/2018	4	Town of Walnut	YES	L700011-01	Initial			\$476,160	\$214,272	S		
9/28/2018	4	HARLAND CREEK WA - HOLMES CO	YES	L260022-02	Initial			\$1,344,000	\$500,000	S		
9/28/2018	4	West Madison Utility District	YES	L450016-01	Initial			\$591,075	\$90,349	S		
					Year:	\$481,502	\$6,285,441	\$22,795,471	\$2,406,400		\$0	\$542,371
					4th Quarter:	\$0	\$346,125	\$22,795,471	\$346,125			
					3rd Quarter:	\$291,976	\$722,974	\$0	\$380,107			
					2nd Quarter:	\$0	\$4,306,684	\$0	\$847,075			
					1th Quarter:	\$189,526	\$909,658	\$0	\$0			
						\$481,502	\$6,285,441	\$22,795,471	\$1,573,307			

TABLE 2: PROJECT ACTIONS in FFY-2018

Calculations:

Net Funding for All Loans: \$16,991,532 (This amount includes both project loan increases and project loan decreases)

Total Funding for Small Communities: \$12,692,186

Loan Decreases for Small Communities: \$ 2,145,394

Net Loan Amount to Small Communities: \$10,546,792

Total Funding for Large Communities: \$10,103,285

Loan Decreases for Large Communities: \$ 4,140,047

Net Loan Amount to Large Communities: \$5,963,238

Total Net Funding: \$30,753,362 (This amount only includes project loan decreases, does not include project loan increases)

TABLE 3: SOURCE AND USE OF FUNDS for FFY-2018

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	\$1,206,926	\$1,620,000	\$559,551	\$21,132,301	\$13,506,644	(\$829,876)	\$12,676,768	9	88,909	\$31,112,555
2014	\$31,112,555	\$18,955,251	\$3,177,291	\$443,681	\$12,269,098	\$21,136,914	(\$1,711,306)	\$19,425,608	16	137,357	\$46,532,268
2015	\$46,532,268	\$6,936,956	\$1,819,800	\$598,937	\$12,311,407	\$20,323,503	(\$5,005,390)	\$15,318,113	13	191,408	\$52,881,255
2016	\$52,881,255	\$6,498,320	\$1,721,400	\$790,199	\$13,103,177	\$31,968,116	(\$3,634,673)	\$28,333,443	14	285,314	\$46,660,908
2017	\$46,660,908	\$6,359,920	\$1,706,800	\$879,811	\$14,171,495	\$36,808,606	(\$4,095,705)	\$32,712,901	19	192,123	\$37,066,032
2018	\$37,066,032	\$9,287,880	\$1,825,264	\$1,137,625	\$14,436,476	\$22,795,471	(\$6,285,441)	\$16,510,030	13	108,904	\$47,243,248
TOTALS		\$189,996,897	\$40,713,555	\$16,095,972	\$165,082,089	\$416,117,226	(\$51,471,960)	\$364,645,266	324	3,183,341	

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

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

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

*** Fund Balance From Previous Year

TABLE 4: SUMMARY OF REVENUE AND COMMITMENTS for FFY-2018

FEDERAL FISCAL YEAR (FFY)	CAP GRANT TOTALS	Set-Asides					Funds Available for Projects						BALANCE OF FUNDS AVAILABLE FOR PROJECTS	TOTAL PROGRAM REVENUE (Cap + G + H + I)
		ADMIN. (B)	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)	NET LOAN AWARDS		
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*	\$8,607,000	\$325,840	\$172,140	\$750,000	\$860,700	\$2,108,680	\$6,498,320	\$790,199	\$13,103,177	\$1,721,400	\$22,113,096	\$28,333,443	\$48,019,376	\$24,221,776
2017*	\$8,534,000	\$400,000	\$170,680	\$750,000	\$853,400	\$2,174,080	\$6,359,920	\$879,811	\$14,171,495	\$32,064	\$15,083,370	\$32,712,901	\$30,389,845	\$23,617,370
2018	\$11,957,000	\$484,280	\$233,140	\$750,000	\$1,195,700	\$2,663,120	\$9,293,880	\$1,137,625	\$14,436,476	\$500,000	\$16,074,101	\$16,510,030	\$29,953,916	\$28,031,101
TOTALS	#####	\$6,814,176	\$4,509,048	\$5,827,630	\$17,253,346	\$34,404,200	\$191,361,365	\$16,095,972	\$165,082,090	\$40,713,555	\$394,599,182	\$364,645,266		\$416,626,081

Total Cumulative Revenue Available for Projects Since Beginning of Program: **\$394,599,182**

Total Cumulative Net Loan Obligations for Projects Since Beginning of Program: **\$364,645,266**

Balance: **\$29,953,916**

Total Cumulative Assistance as a % of Total Cumulative Available Funds for Projects: **92%**

Total Cumulative Assistance Provided as a % of Total Federal Grant Funds Provided for Projects: **162%**

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

TABLE 5: DISBURSEMENTS / CASH BALANCES through FFY-2018

Federal Fiscal Year (FFY)	Deposits of State Match A	ACH Draws for Projects B	Disbursed To Projects C	Interest Earned on Account D	Repayment Deposits E	Year's Balance (A+B+D+E) - C	Cumulative Balance
1997	\$10,000,000	\$0	\$441,669	\$0	\$0	\$9,558,331	\$9,558,331
1998	\$0	\$6,048,786	\$7,443,882	\$541,668	\$27,708	(\$825,720)	\$8,732,611
1999	\$0	\$5,024,163	\$6,124,876	\$593,954	\$425,450	(\$81,309)	\$8,651,302
2000	\$0	\$7,971,833	\$9,436,490	\$807,675	\$1,037,720	\$380,738	\$9,032,039
2001	\$5,000,000	\$8,498,589	\$10,349,303	\$782,161	\$1,620,836	\$5,552,282	\$14,584,322
2002	\$0	\$13,592,430	\$16,593,795	\$450,125	\$3,856,538	\$1,305,297	\$15,889,619
2003	\$0	\$15,845,693	\$19,502,287	\$258,188	\$3,097,324	(\$301,082)	\$15,588,537
2004	\$0	\$3,383,013	\$10,302,333	\$173,422	\$5,228,781	(\$1,517,117)	\$14,071,420
2005	\$1,740,000	\$5,771,303	\$5,984,665	\$420,431	\$5,455,940	\$7,403,009	\$21,474,429
2006	\$4,003,000	\$7,541,353	\$9,056,139	\$830,827	\$5,434,026	\$8,753,067	\$30,227,496
2007	\$0	\$6,443,789	\$9,509,832	\$1,580,179	\$6,047,052	\$4,561,188	\$34,788,684
2008	\$4,000,000	\$7,342,052	\$12,458,165	\$1,665,021	\$7,291,214	\$7,840,122	\$42,628,806
2009	\$0	\$7,018,243	\$15,758,218	\$1,561,383	\$7,667,390	\$488,798	\$43,117,604
2010	\$1,400,000	\$19,239,171	\$34,967,414	\$965,854	\$8,341,654	(\$5,020,735)	\$38,096,869
2011	\$2,700,000	\$25,856,165	\$31,466,489	\$645,318	\$10,093,087	\$7,828,081	\$45,924,951
2012	\$0	\$5,746,527	\$15,471,367	\$409,962	\$12,033,417	\$2,718,539	\$48,643,490
2013	\$1,360,000	\$4,124,353	\$13,747,267	\$559,551	\$21,132,301	\$13,428,938	\$62,072,428
2014	\$3,177,291	\$5,790,827	\$7,887,862	\$443,681	\$12,269,098	\$13,793,035	\$75,865,463
2015	\$1,819,800	\$6,432,977	\$12,403,418	\$598,937	\$12,311,407	\$8,759,703	\$84,625,165
2016*	\$1,721,400	\$7,781,545	\$16,257,985	\$790,199	\$13,103,177	\$7,138,336	\$91,763,501
2017*	\$1,706,800	\$3,935,781	\$14,174,223	\$879,811	\$14,171,495	\$6,519,664	\$98,283,166
2018*	\$1,825,264	\$11,401,911	\$18,245,382	\$1,137,625	\$14,436,476	\$10,555,894	\$108,839,060
FFY-2017 TOTALS	\$40,453,555	\$184,790,504	\$297,583,062	\$16,095,972	\$165,082,090	\$108,839,060	

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

Table 6: Binding Commitments and Federal Payments to the Federal Letter of Credit (LOC) for FFY-2018

Capitalization Grant Payments into ACH																Cumulative Deposits into LOC	Required Binding Commitments	Year's Total Loan Awards	Cumulative Actual Binding Commitments
Federal FY (FY)	Quarter	FFY-2006 Cap Grant	FFY-2007 Cap Grant	FFY-2008 Cap Grant	FFY-2009 Cap Grant	FFY-2009 ARRA	FFY-2010 Cap Grant	FFY-2011 Cap Grant	FFY-2012 Cap Grant	FFY-2013 Cap Grant	FFY-2014 Cap Grant	FFY-2015 Cap Grant	FFY-2016 Cap Grant	FFY-2017 Cap Grant	FFY-2018 Cap Grant				
FFY1997-2005																\$76,040,018			\$111,448,236
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	\$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							\$8,000,000								\$150,831,918	\$171,398,302	\$20,169,446	\$245,312,643
2012	1							\$1,802,000								\$152,633,918	\$171,398,302		
	2															\$152,633,918	\$171,398,302		
	3															\$152,633,918	\$171,398,302		
	4								\$3,300,000							\$155,933,918	\$180,998,302	\$24,265,329	\$269,577,972
2013	1							\$9,166								\$155,943,084	\$183,160,702		
	2															\$155,943,084	\$183,160,702		
	3															\$155,943,084	\$183,160,702		
	4								\$6,041,000							\$161,984,084	\$187,120,702	\$13,506,644	\$283,084,616
2014	1								\$8,423,000							\$170,407,084	\$187,131,701		
	2								\$341,000							\$170,748,084	\$187,131,701		
	3															\$170,748,084	\$187,131,701		
	4															\$170,748,084	\$194,380,901	\$21,136,914	\$304,221,530
2015	1									\$1,823,000						\$172,571,084	\$204,488,501		
	2															\$172,571,084	\$204,897,701		
	3															\$172,571,084	\$204,897,701		
	4								\$7,336,000							\$179,907,084	\$204,897,701	\$20,323,503	\$324,545,033
2016	1										\$2,162,044					\$182,069,128	\$207,085,301		
	2															\$182,069,128	\$207,085,301		
	3															\$182,069,128	\$207,085,301		
	4										\$6,936,956					\$189,006,084	\$215,888,501	\$31,968,116	\$356,513,149
2017	1												\$2,151,750			\$191,157,834	\$218,482,954		
	2												\$2,151,750			\$193,309,584	\$218,482,954		
	3												\$2,151,750			\$195,461,334	\$218,482,954		
	4												\$2,151,750			\$197,613,084	\$226,807,301	\$36,808,606	\$393,321,755
2018	1													\$2,133,500		\$199,746,584	\$229,389,401		
	2													\$2,133,500		\$201,880,084	\$231,971,501		
	3													\$2,133,500		\$204,013,584	\$234,553,601		
	4													\$2,133,500		\$206,147,084	\$237,135,701	\$22,795,471	\$416,117,226
2019	1														\$2,989,250	\$209,136,334	\$239,695,901		
	2														\$2,989,250	\$212,125,584	\$242,256,101		
	3														\$2,989,250	\$215,114,834	\$244,816,301		
	4														\$2,989,250	\$218,104,084	\$247,376,501	\$0	\$416,117,226
TOTALS		\$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	\$8,607,000	\$8,534,000	\$11,957,000				\$416,117,226

TABLE 7: DWSRF Administrative Expenses for FFY-2018 Annual Report*

	Direct Salaries	Fringe	Total Salaries & Fringe	Indirect Costs	Other	Total Administrative Expenditures
FFY- 2017 Expenditures	\$363,310	\$117,096	\$480,406	\$106,970	\$75,106	\$662,482

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

TABLE 8: Actual DWSIRLF/PWSS Expenses for FFY-2018

October 1, 2017 through September 30, 2018

CATEGORY	DWSRF Administrative		Public Water Systems Supervision (PWSS)	Small Systems Technical Assistance	Source Water & Local Assistance	TOTAL
	Federal* (Set-aside)	State (Admin Fee)				
Personnel (Salaries)	\$267,487	\$125,823	\$597,903			\$991,213
Fringe	\$79,691	\$37,405	\$174,374			\$291,470
Total Direct:	\$347,178	\$163,229	\$772,277			\$1,282,683
Total Indirect:	\$72,202	\$34,768	\$159,936			\$266,906
TOTAL Costs:	\$419,380	\$197,997	\$932,213			\$1,549,589
Contracts			\$0	\$133,617	\$16,287	\$149,904
Travel		\$18,698	\$0			\$18,698
Other		\$56,408	\$0			\$56,408
TOTAL ALL COSTS:	\$419,380	\$273,103	\$932,213	\$133,617	\$16,287	\$1,774,599

Total DWSRF Admin.
Expenses all sources:

\$692,482

Appendix A

Audited DWSIRLF Financial Statement
June 30, 2018

(to be added when final report is available)

Local Governments and Rural Water Systems Improvements Board
Drinking Water Systems Improvements Revolving Loan Fund,
as administered by the Mississippi State Department of Health,
an agency of the State of Mississippi
Jackson, Mississippi

As part of our audit of the financial statements of the Drinking Water Systems Improvements Revolving Loan Fund (the Fund), 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, 2018, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under 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

An audit performed 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, is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Fund's significant accounting policies are described in *Note 1* of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

No matters are reportable.

Financial Statement Disclosures

The following area involves particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Loan receivable and due from other governments

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

- Unearned revenue
- Fund balance
- Accrued liabilities
- Loan forgiveness
- Loans receivable
- Subsidies
- License, fees and permits
- Due from federal government and other governments
- Cash

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

No matters are reportable.

Disagreements with Management

No matters are reportable.

Significant Issues Discussed with Management

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Complexity of the loan summary schedule
- Segregation of duties

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matter:

- Difficulty auditing the loan summary schedule

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the Fund as of and for the year ended June 30, 2018, 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, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant

deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 of the Fund's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 Fund's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matter that we consider to be a material weakness.

Material Weakness

Refer to the 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* - Independent Auditor's Report.

This communication is intended solely for the information and use of management, the Board, others within the organization and the Mississippi State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

February 18, 2019



MISSISSIPPI STATE DEPARTMENT OF HEALTH

February 18, 2019

BKD, LLP
Certified Public Accountants
190 East Capitol Street, Suite 500
Jackson, MS 39201

We are providing this letter in connection with your audit of our financial statements Drinking Water Systems Improvements Revolving Loan Fund (the Fund), 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, 2018. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated August 31, 2018, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial

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statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

5. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of meetings of the governing body held through the date of this letter.
 - (e) All significant contracts and grants.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by the Fund's procedures with respect to:
 - (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets, liabilities or net position.
8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
9. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Fund received in communications from employees, customers, regulators, suppliers or others.
11. We have disclosed to you the identity of the Funds's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the Fund may deal

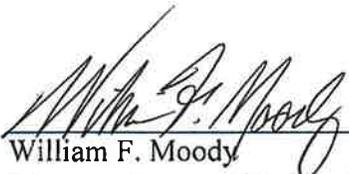
if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.

12. Except as reflected in the financial statements, there are no:
 - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - (b) Material transactions omitted or improperly recorded in the financial statements.
 - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - (d) Events occurring subsequent to the statement of financial position date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - (e) Agreements to purchase assets previously sold.
 - (f) Restrictions on cash balances or compensating balance agreements.
 - (g) Guarantees, whether written or oral, under which the Fund is contingently liable.
13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We have no reason to believe the Fund owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
15. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
16. Adequate provisions and allowances have been accrued for any material losses from:
 - (a) Uncollectible receivables.
 - (b) Loan commitments, including those unable to be fulfilled.
 - (c) Purchase commitments in excess of normal requirements or above prevailing market prices.

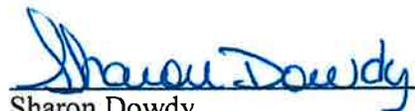
17. Except as disclosed in the financial statements, we have:
 - (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
18. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
19. With regard to deposit and investment activities:
 - (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
20. With respect to any nonattest services you have provided us during the year, including drafting the financial statements and proposing journal entries:
 - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
21. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
22. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
23. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be

considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

24. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
25. We have a process to track the status of audit findings and recommendations.
26. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
27. We have provided our views on any findings, conclusions and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.
28. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of financial position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.



William F. Moody
Director, Bureau of Public Water Supply,
Mississippi State Department of Health



Sharon Dowdy
Chief Financial Officer, Mississippi State
Department of Health

Mississippi State Department of Health

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Drinking Water Systems Improvement Revolving Loan Fund

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	257,505,524	230,452	257,735,976	0.09%
Total Liabilities & Deferred Inflows	(4,497,965)		(4,497,965)	
Total Fund Balance	(253,007,559)	(230,452)	(253,238,011)	0.09%
Revenues	(17,473,501)		(17,473,501)	
Expenditures	2,244,038	(230,452)	2,013,586	-10.27%
Change in Fund Balance	(15,229,463)	(230,452)	(15,459,915)	1.51%

Client: Mississippi State Department of Health

Period Ending: June 30, 2018

Drinking Water Systems Improvement Revolving Loan Fund

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred		Liabilities &		Revenues			Expenditures			Fund Balance		Net Effect on Following Year			
			Outflows		Deferred Inflows										Change in Fund		Fund	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
To record loan forgiveness		J	230,452		0		0		(230,452)		0		0		0		0	
	Subsidies								(230,452)				0		0		0	
	Accounts Receivable		230,452										0		0		0	
Total passed adjustments			<u>230,452</u>		<u>0</u>		<u>0</u>		<u>(230,452)</u>		<u>0</u>		<u>0</u>		<u>0</u>		<u>0</u>	
											Impact on Change in Fund Balance:		(230,452)					
											Impact on Fund Balance		(230,452)					

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)

Independent Auditor's Reports and Financial Statements

June 30, 2018



Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)

June 30, 2018

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Independent Auditor's Report

Local Governments and Rural Water Systems Improvements Board
Drinking Water Systems Improvements Revolving Loan Fund,
as administered by the Mississippi State Department of Health,
an agency of the State of Mississippi
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the Drinking Water Systems Improvements Revolving Loan Fund (the Fund), 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, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic 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, 2018, and the changes in its financial position 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 the changes in financial position of the Drinking Water Systems Improvements Revolving Loan Fund, as administered by the Mississippi State Department of Health, an agency of the State of Mississippi. These statements are not intended, and do not purport, to present the financial position and the changes in financial position of the State of Mississippi or the Mississippi State Department of Health. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2019, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
February 18, 2019

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)
Statement of Financial Position
June 30, 2018

Assets

Equity in internal investment pool	\$ 90,031,152
Receivables:	
Loans receivable	59,808,713
Due from other governments	102,645,194
Due from federal government	4,984,643
Due from other funds	<u>35,822</u>
Total assets	<u><u>\$ 257,505,524</u></u>

Liabilities and Net Assets

Liabilities

Warrants payable	\$ 102,830
Accounts payable	1,347,089
Due to other funds	154,464
Due to other governments	<u>2,893,582</u>
Total liabilities	<u>4,497,965</u>

Fund Balance

Restricted for health and social service	<u>253,007,559</u>
Total liabilities and fund balance	<u><u>\$ 257,505,524</u></u>

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2018

Revenues	
Interest on loans	\$ 2,168,290
Interest on investments	1,037,082
Loan administration fee	948,707
Federal program grants	<u>13,319,422</u>
Total revenues	<u>17,473,501</u>
 Expenditures	
Administrative expenses	189,644
Principal forgiveness	<u>2,054,394</u>
Total expenditures	<u>2,244,038</u>
Excess of Revenues over Expenditures	<u>15,229,463</u>
 Other Financing Uses	
Transfers out, net	<u>(1,310,431)</u>
Total other financing uses	<u>(1,310,431)</u>
Excess of Revenues Over Expenditures and Other Financing Uses	13,919,032
Fund Balance, Beginning of Year	<u>239,088,527</u>
Fund Balance, End of Year	<u><u>\$ 253,007,559</u></u>

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)

Notes to Financial Statements

June 30, 2018

Note 1: Background Information and Summary of Significant Accounting Policies

Background Information

The State of Mississippi (State) Legislature established the Drinking Water Systems Improvements Revolving Loan Fund (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 (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 allocated share of the U.S. Environmental Protection Agency (EPA) 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. \$29,843,000 of the proceeds from the sale of these bonds has been deposited into the Fund. During the year ended June 30, 2018, the State authorized \$3,000,000 in bonds which were issued subsequent to June 30, 2018, bringing the total of State funds available for match to \$32,843,000. These funds are invested by the State Treasurer until such time that the funds are needed to meet State matching requirements on loan payments. The Fund also receives direct appropriations from the State Legislature and amounts from other funds authorized by the Board. As of June 30, 2018, the EPA had awarded \$194,308,565 in capitalization grants to the State, requiring a minimum of \$38,861,713 in State matching funds.

In 2009, the Fund also received \$19,500,000 of American Recovery and Reinvestment Act (ARRA) funds; however, these funds were not subject to 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

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)

Notes to Financial Statements

June 30, 2018

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. Nonappointed 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.

The Fund represents Funds 5331500000, 6330300000, 6331B00000 and 6331C00000 selected for audit by the State of Mississippi, Office of the State Auditor, and the accompanying statements are not intended, and do not purport, to present the financial position and results of operations for the State of Mississippi or MSDH.

Basis of Presentation

The accompanying fund financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting/Measurement Focus

The Fund presents its financial statements as a governmental 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 GASB pronouncements.

The Fund first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

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.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)

Notes to Financial Statements

June 30, 2018

of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash consists of amounts on deposit with the State Treasury.

Loans Receivable and Due From Other Governments

The Fund operates as a direct loan program, whereby loans made to drinking water systems are approximately 80% funded by the federal capitalization grant and 20% 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.

Loans receivable represents amounts due from water associations. Due from other governments represents amounts due from cities and counties.

Interfund Receivables/Payables

Transactions between funds that are representative of short-term lending/borrowing arrangements that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “due to other funds” or “due from other funds.” Noncurrent portions of interfund payables, if any, are reported as “advances to other funds” or “advances from other funds.”

Fund Balance – Governmental Funds

Although governmental funds can contain five classifications, all the fund balance of the Fund are restricted. The fund balance for the Fund’s governmental funds are displayed as applicable in five components. Restricted funds are amounts that can be spent only for the specific purposes stipulated by external resource providers constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Risk Management

The Fund is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. 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.

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)

Notes to Financial Statements

June 30, 2018

Note 2: Equity in Internal Investment Pool

All monies of the Fund are deposited with the State Treasury 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, 2018, the State's total pooled deposits and investments for State agencies were approximately \$3.325 billion, and the average remaining life of the securities invested was 2.01 years. The earnings for the total pooled investments for the year ended June 30, 2018 were approximately \$13.3 million.

Equity in internal investment pool is cash equity with the Treasurer and consists of pooled deposits and investments carried at cost, which approximates fair value. At June 30, 2018, the Fund had approximately \$90 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.

Custodial risk is the risk that in the event of bank failure, a government's deposits may not be returned. The Fund's deposit policy for protection of custodial risk is handled under a statewide collateral program. The collateral for public entities' deposits in financial institutions is held by the depository bank in the name of the State Treasurer under a program established by the State of Mississippi Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entities' funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Note 3: 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, 2018, are described below.

In the event of a default on a loan obligation by a public entity, MSDH has certain legal remedies that are intended to provide for ultimate collection of amounts due. Based on past history, management believes that no allowance for doubtful accounts is necessary.

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)

Notes to Financial Statements

June 30, 2018

Loans by Category

Loans receivable (including amounts due from other governments) at June 30, 2018, are as follows:

Description	Loans Authorized	Authorized Amount Remaining	Loan Balance
Completed projects	\$ 239,810,664	\$ -	\$ 146,377,970
Projects in progress	<u>75,035,679</u>	<u>58,959,748</u>	<u>16,075,937</u>
Totals	<u>\$ 314,846,343</u>	<u>\$ 58,959,748</u>	162,453,907
Less amount due within one year on completed projects			<u>(10,385,361)</u>
Loans receivable and due from other governments, long-term			<u>\$ 152,068,546</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 administrative fee revenue of \$948,707 was collected in 2018.

Major Loans to Drinking Water Systems

As of June 30, 2018, the Fund had made loans to 42 drinking water systems that, in the aggregate, exceeded \$1,500,000, net of principal forgiveness. The outstanding balances of these loans represent approximately 75% of the total loans receivable, as follows:

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)

Notes to Financial Statements

June 30, 2018

Local Agency	Authorized Loan Amount	Outstanding Balance
Adams County Water Association	\$ 2,844,725	\$ 1,027,156
Bear Creek Water Association	14,046,420	3,432,106
Center Water	1,905,594	1,751,117
Central Yazoo	1,663,587	1,401,944
City of Baldwin	1,610,110	1,354,758
City of Brookhaven	2,500,000	95,925
City of Clinton	4,552,211	3,140,646
City of Columbia	1,741,864	1,451,103
City of Hernando	2,177,042	700,940
City of Horn Lake	4,636,612	2,121,995
City of Laurel	4,804,390	4,074,940
City of Long Beach	1,521,484	315,766
City of Madison	1,957,707	1,774,126
City of Meridan	8,114,960	254,212
City of Ocean Springs	5,497,240	2,951,516
City of Pearl	4,924,984	3,225,497
City of Picayune	3,758,705	86,811
City of Port Gibson	2,389,835	2,279,535
City of Richland	3,823,889	557,773
City of Ridgeland	2,750,338	2,108,445
City of Southaven	11,270,753	5,561,498
City of Tupelo	10,629,045	9,266,113
City of West Point	1,536,148	506,909
Collinsville Water Association	1,530,000	566,004
Corinth Utilities Commission	47,034,278	34,305,756
Culkin Water District	8,037,597	2,987,219
Fannin Water Association	1,566,435	511,544
Fisher Ferry Water District	3,105,984	1,514,163
Gautier	2,677,171	1,397,176
Greenfield Water Association	2,150,808	1,014,389
Greenwood Utilities	2,822,302	2,673,290
Hilldale Water District	5,406,481	3,629,382
Jackson County Utility Authority	15,909,268	2,766,686
Lewisburg Water Association	1,948,907	756,299
Northeast Mississippi Regional Water Supply District	2,677,553	593,336
Pleasant Hill Water Association	1,935,359	-
Progress Community Water Association	1,748,791	732,386
Southwest Jones Water Association	1,871,292	1,240,730
Town of Caledonia	3,285,745	2,236,635
Town of Lampton	1,856,966	1,276,176
Town of Morton	2,188,373	1,101,602
Town of Taylorsville	1,589,730	556,405
Tunica County Utility District	1,589,995	1,264,517
Walls Water Association	3,775,222	1,549,896
West Jackson Utility District	12,870,006	9,892,769
Yazoo City	5,427,188	-
	233,663,094	122,007,191

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)

Notes to Financial Statements

June 30, 2018

Local Agency	Authorized Loan Amount	Outstanding Balance
Total major loans	\$ 233,663,094	\$ 122,007,191
Combined nonmajor loans	81,183,249	40,446,716
	\$ 314,846,343	\$ 162,453,907

Note 4: 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, 2018, the EPA has awarded capitalization grants of \$194,308,566 to the State, of which \$183,139,367 has been drawn for loans and administrative expenses. The State has provided matching funds of \$32,843,000 from nine 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. State appropriations, reallocation of set asides and earned interest are also sources of matching funds. The following summarizes the capitalization grants awarded, amounts drawn on each grant and balances available for future loans:

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)

Notes to Financial Statements

June 30, 2018

Year	Grant Amount	Draws			Available June 30, 2018
		Through June 30, 2017	2018 Draws	Through June 30, 2018	
1997	\$ 16,474,200	\$ 16,474,200	\$ -	\$ 16,474,200	\$ -
1998	8,271,700	8,271,700	-	8,271,700	-
1999	8,669,500	8,669,500	-	8,669,500	-
2000	9,010,100	9,010,100	-	9,010,100	-
2001	9,047,400	9,047,400	-	9,047,400	-
2002	8,052,500	8,052,500	-	8,052,500	-
2003	8,004,100	8,004,100	-	8,004,100	-
2004	8,303,100	8,303,100	-	8,303,100	-
2005	8,285,500	8,285,500	-	8,285,500	-
2006	8,229,300	8,229,300	-	8,229,300	-
2007	8,229,000	8,229,000	-	8,229,000	-
2008	8,146,000	8,146,000	-	8,146,000	-
2009	8,146,000	8,146,000	-	8,146,000	-
2010	14,125,000	14,125,000	-	14,125,000	-
2011	9,811,166	9,811,166	-	9,811,166	-
2012	9,341,000	9,341,000	-	9,341,000	-
2013	8,764,000	8,764,000	-	8,764,000	-
2014	9,159,000	9,119,455	-	9,119,455	39,545
2015	9,099,000	4,500,836	4,292,904	8,793,740	305,260
2016	8,607,000	1,139,803	713,427	1,853,230	6,753,770
2017	8,534,000	-	4,463,376	4,463,376	4,070,624
	<u>\$ 194,308,566</u>	<u>\$ 173,669,660</u>	9,469,707	<u>\$ 183,139,367</u>	11,169,199
Receivable, June 30, 2017			(1,134,928)		-
Receivable, June 30, 2018			<u>4,984,643</u>		<u>(4,984,643)</u>
Grant revenues, modified accrual basis			<u>\$ 13,319,422</u>		
Amount available, modified accrual basis					<u>\$ 6,184,556</u>

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)

Notes to Financial Statements

June 30, 2018

Note 5: Significant Estimates and Concentrations

Certain significant estimates and current vulnerabilities due to certain concentrations of the Fund include the following:

Economic Dependency

The Program is economically dependent upon revenue from the EPA. During 2018, the Fund received approximately 76% of total revenue in the form of federal grants.

Program Set Asides

The Fund has four set aside funds. These set aside funds make up to 31% of the annual capitalization grant awarded each year. These funds are used to provide for reimbursement of expenses of the Fund. Through federal regulations, the EPA has allowed states to redirect and reserve set asides as needed to ensure proper management of funds. Although the set asides have expiration dates, management continues to redirect those funds and has not had exposure to any recall of funds in the past five years.

Principal Forgiveness Loans

The EPA requires the Fund to provide loan forgiveness to eligible borrowers. Management provides loan forgiveness in compliance with the EPA guidelines. Principal forgiveness for the year ended June 30, 2018 totaled approximately \$2 million.

Contingency

The Fund is capitalized by state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Fund has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable at June 30, 2018, may be impaired. In the opinion of management of the Fund, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such a contingency.

**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***

Independent Auditor's Report

Local Governments and Rural Water Systems Improvements Board
Drinking Water Systems Improvements Revolving Loan Fund,
as administered by the Mississippi State Department of Health,
an agency of the State of Mississippi
Jackson, Mississippi

We have audited, 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, the financial statements of the Drinking Water Systems Improvements Revolving Loan Fund (Fund), as administered by the Mississippi State Department of Health, an agency of the State of Mississippi, which are comprised of the statement of financial position as of June 30, 2018, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2019, which contained an *Emphasis of Matter* paragraph regarding the entity reflected in the financial statements and an *Other Matter* paragraph regarding the omission of management's discussion and analysis.

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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-006 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fund's financial statements are free from 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*.

Management's Response to Findings

Management's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

BKD, LLP

Jackson, Mississippi
February 18, 2019

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)
Schedule of Findings and Responses
Year Ended June 30, 2018

Reference Number	Findings
2018-006	<p><i>Criteria or Specific Requirement</i> - Management is responsible for establishing and maintaining effective internal control over financial reporting, including the basic financial statements and related notes to the financial statements.</p> <p><i>Condition</i> - Drinking Water Systems Improvements Revolving Loan Fund (Fund) relies on its outside auditors to assist in the preparation of external financial statements and the related notes. Under auditing standards generally accepted in the United States of America (GAAP), outside auditors cannot be considered part of the Fund’s internal control structure for financial reporting.</p> <p><i>Cause</i> - Due to the nature of the relationship between the Fund and the Mississippi Department of Health, responsibility for reconciliation, review and approval of the financial statements has not been designated to a Fund employee.</p> <p>In addition, there is no review and approval process for the daily posting of repayments in the Excel schedules used for tracking loans receivable and due from other governments. Also, no back-up exists for the same Excel schedules.</p> <p><i>Effect</i> - The potential exists for material misstatements to occur in the daily processing or year-end financial statements due to errors or fraud and not be detected in a timely manner.</p> <p><i>Recommendation</i> - We recommend management assign an employee knowledgeable about Fund activities throughout the year be responsible of overseeing preparation of the GAAP financial statements. The loan summary balance consists of over 250 loans, with the disbursements and repayments of those loans maintained in Excel schedules. Numerous errors were found related to loan forgiveness from several years ago. While adjustments to numerous individual loans in the Excel schedule were made, there had been an unreconciled difference in the schedule; therefore, no material error in the overall balance was identified.</p> <p>Management maintains comprehensive information and numerous schedules for its annual Intended Use Plans. Much of the information for the notes to the financial statements is contained in the Intended Use Plan. We recommend an individual at the Fund be assigned to gather the information needed for the notes to the financial statements.</p>

Drinking Water Systems Improvements Revolving Loan Fund
(As administered by the Mississippi State Department
of Health, an agency of the State of Mississippi)
Schedule of Findings and Responses
Year Ended June 30, 2018

**Reference
Number**

Findings

Views of Responsible Officials and Planned Corrective Actions - Management concurs with this finding. In response, we have identified staff that will be responsible for the oversight of the preparation of the GAAP financial statements and to gather the information needed for the notes to the financial statements. In addition, management has made changes to ensure proper segregation of duties. Management is also in the process of testing new software to track loans that will alleviate the need for the large Excel schedules.