

STATE OF IDAHO
DEPARTMENT OF ENVIRONMENTAL QUALITY

DRINKING WATER
STATE REVOLVING FUND
ANNUAL REPORT

for
State Fiscal Year 2012
July 1, 2011 - June 30, 2012

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**STATE OF IDAHO
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INTRODUCTION

This annual report is prepared for and submitted to the United States Environmental Protection Agency (EPA) in compliance with the requirements of Section 1452 of the Safe Drinking Water Act. The reporting period is state fiscal year (SFY) 2012, which began July 1, 2011 and ended June 30, 2012. This report describes how the Department of Environmental Quality (DEQ) has met the goals and objectives of its Drinking Water State Revolving Fund (DWSRF) as identified in the Intended Use Plans and Capitalization Grant Applications. In addition to addressing these documents, this report reflects the sources and uses of all DWSRF funds during SFY 2012.

At the end of SFY 2012 the DWSRF was capitalized with sixteen federal capitalization grants and the corresponding state match. Figure 1 shows these funds by federal fiscal year (FFY) as well as the allocation of the funds for set-aside activities and for loans.

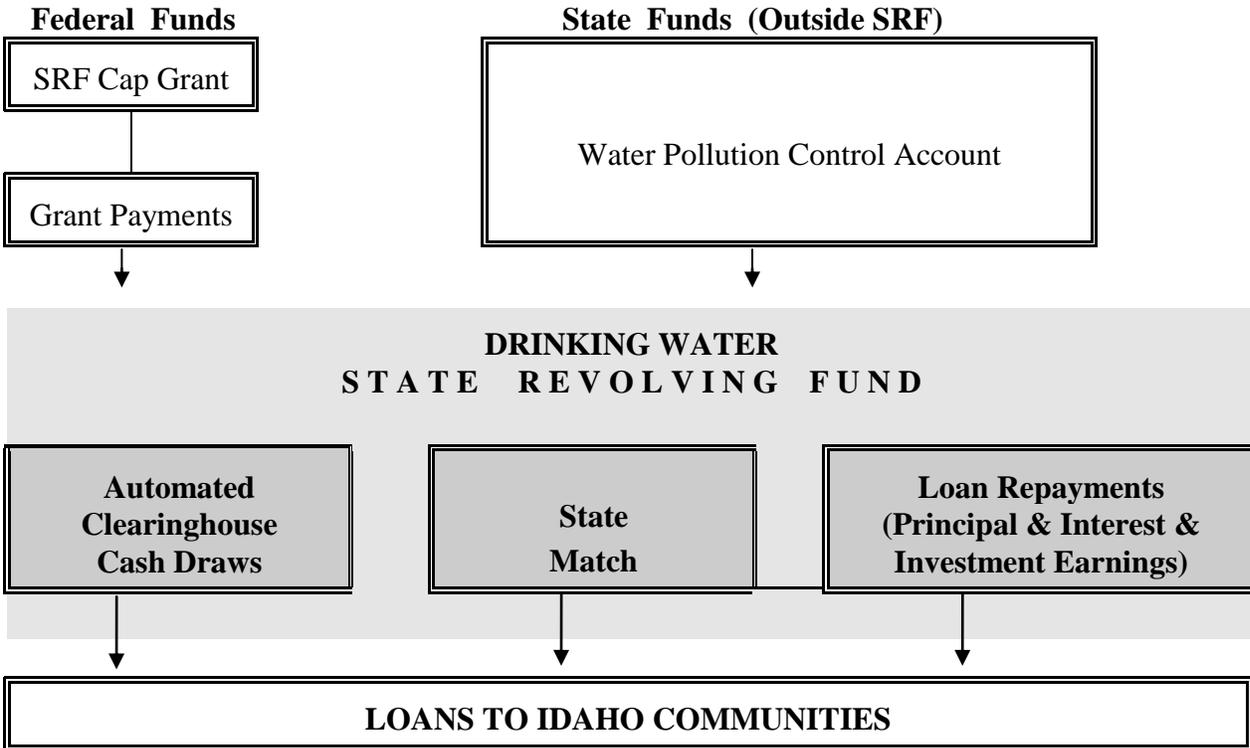
TABLE 1. IDAHO DWSRF FUNDING THROUGH 6/30/12

Federal Fiscal Year	Capitalization Grant Amount	Less: Set-Asides	Balance of Cap. Grant	20% State Match	Net Available for Drinking Water Loans
1997	\$14,157,800	\$2,406,826	\$11,750,974	\$2,831,560	\$14,582,534
1998	7,121,300	1,182,279	5,939,021	1,424,260	7,363,281
1999	7,463,800	1,791,312	5,672,488	1,492,760	7,165,248
2000	7,757,000	2,404,670	5,352,330	1,551,400	6,903,730
2001	7,789,100	2,414,621	5,374,479	1,557,820	6,932,299
2002	8,052,500	2,496,275	5,556,225	1,610,500	7,166,725
2003	8,004,100	2,481,271	5,522,829	1,600,820	7,123,649
2004	8,303,100	2,573,961	5,729,139	1,660,620	7,389,759
2005	8,285,500	2,568,505	5,716,995	1,657,100	7,374,095
2006	8,229,300	2,563,328	5,665,972	1,653,760	7,319,732
2007	8,229,000	2,550,990	5,678,010	1,645,800	7,323,810
2008	8,146,000	2,525,260	5,620,740	1,629,200	7,249,940
ARRA	19,500,000	0	19,500,000	N/A	19,500,000
2009 *	8,146,000	2,525,260	5,620,740	6,629,200	12,249,940
2010	13,573,000	3,911,894	9,661,106	2,714,600	12,375,706
2011	9,418,000	2,919,580	6,498,420	1,883,600	8,382,020
Total	\$152,175,500	\$37,316,032	\$114,859,468	\$31,543,000	\$146,402,468

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

Figure 2 illustrates the flow of monies through the DWSRF. The Idaho Water Pollution Control Account is perpetually appropriated to provide the state match.

FIGURE 1. STATE REVOLVING FUND AND ACCOUNTS FLOW CHART



AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GOALS AND PROGRESS

ARRA GOAL 1

Ensure that ARRA-funded projects are compliant with ARRA-specific requirements such as Davis-Bacon wage provisions, the Green Project Reserve, use of American manufactured products, and the reporting requirements needed to highlight accountability. This oversight function will be performed on loan commitments that have already been entered into, but require a heightened level of on-going transparency.

Progress

Oversight efforts are ongoing until ARRA loan closures. At year end all ARRA funds had been expended and the ARRA projects are in the final phases of completion.

ARRA GOAL 2

Comply with ARRA reporting requirements so as to demonstrate a transparent accountability and the creation or retention of jobs .

Progress

DEQ has maintained compliance with reporting requirements.

BASE GRANT LONG TERM GOALS AND PROGRESS

Five long-term goals were identified in the Intended Use Plan (IUP) that was previously submitted to EPA with the capitalization grant application. DEQ has made progress toward achievement of these long-term goals.

BASE GRANT GOAL 1

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

Progress

By June 30, 2012 DEQ had completed sixteen annual rounds of establishing priority lists in order to make the funding available. However, because the need of all communities is much larger than the available funds, DEQ has attempted to base funding for projects as much as possible on priority order and readiness to proceed. Loan applications are only solicited for amounts equal to the funds available. This prevents communities from having to incur the cost of preparing an application for which funds are not available.

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

BASE GRANT GOAL 2

Assist public water systems as they strive to achieve and maintain statewide compliance with federal and state drinking water standards. DEQ will provide information and technical assistance in the form of brochures and the quarterly Drinking Water Bulletin, which contains articles on such topics as the DWSRF, operator training and certification, and ground water under the direct influence monitoring and treatment technology.

Progress

DEQ has provided information and technical assistance in the form of brochures and articles in the quarterly Drinking Water Newsletter, on such topics as the DWSRF, operator training and certification, and ground water under the direct influence of surface water monitoring and treatment technology.

BASE GRANT GOAL 3

Implement a capacity development strategy. The goal of the capacity development program is to ensure that our current capacity to deliver safe, reliable water is not only maintained but is expanded to meet future needs. This goal is facilitated by supporting public water systems in the maintenance and expansion of their technical, financial, and managerial capacity.

Progress

The focus of the capacity development strategy is to ensure that our current capacity to deliver safe, reliable water is not only maintained but is expanded to meet future needs. DEQ has expended significant effort in the development of a capacity development strategy and is implementing the strategy. This goal has been facilitated by assisting communities in the maintenance and expansion of their technical, financial and managerial capacity. A recent addition has been the support of operator training needs, funding planning grant efforts with the Capacity Development set-aside and hiring a Capacity Development coordinator.

BASE GRANT GOAL 4

Implement a source water assessment and protection strategy. A source water assessment provides information on the potential threats to public drinking water sources. (In Idaho most of those sources are ground water.)

Progress

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

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

assessments as new information becomes available. In 2011, DEQ completed the developed an online Source Water Assessment reporting tool that allows DEQ to post SWA delineation, potential contaminant inventory, and susceptibility ranking information online in an interactive mapping format. DEQ also integrated SDWIS and GIS information, developed an online susceptibility scoring application and an auto generated report feature. The website allows users (PWS, local governments, developers, public, etc.) to easily locate source water protection delineation areas within a geographic area and provide regularly updated PCI information. In 2012, DEQ completed data entry for all previously completed source water assessments into the online database. There are currently 3,320 sources entered in the database and accessible to the public through the online website. The Source Water Assessment interactive website is available on DEQ's website at www.deq.idaho.gov/water/SWAonline.

In 2012, 52 source water delineations and 41 source water assessment reports were completed. All reports/delineations are available on the DEQ website.

Planning: DEQ assists communities develop state certified drinking water protection plans and regional planning efforts. To date 138 protection plans have been state certified.

Implementation: DEQ assists communities with implementation activities by providing technical assistance, educational materials, and training opportunities. DEQ has also implemented an online grant program to provide financial assistance to PWS and communities to implement drinking water protection projects. Twelve projects were funded in 2012.

BASE GRANT GOAL 5

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

Progress

Loan applications have been and will be carefully scrutinized to assure technical, managerial and financial capacity and thereby loan repayment. In most cases loans will be secured by revenue bonds which will be held as collateral for the loan. In the case of projects that are funded using the "ordinary and necessary" provisions allowed by the *Idaho Constitution*, covenants are required which give the DWSRF rights to recover in case of nonpayment. "Ordinary and necessary" loans also are collateralized by promissory notes. All loan ordinances establish reserve accounts to be drawn upon to make a loan repayment in case of a shortfall in the collection of user charges.

SHORT TERM GOALS AND PROGRESS

In its Intended Use Plan DEQ identified five short-term goals to be implemented in SFY 2012. These have been addressed as follows:

SHORT TERM GOAL 1

Perform all necessary tasks to assure that all loan assistance requested for SFY 2012 funding is provided to projects on the list in a timely manner.

Progress

DEQ staff has worked diligently to obtain loan applications from any and all projects that were willing and able to proceed. Many meetings were held with potential loan applicants. DEQ signed eleven new loans, provided increases to five existing loans and at year end there were several loan applications in various stages of being processed.

SHORT TERM GOAL 2

Maintain the on-line loan handbook.

Progress

The loan handbook had several chapters (at year end) with updates being drafted.

SHORT TERM GOAL 3

Comply with: the requirement to direct twenty percent (20%) of funding to Green Project Reserve efforts; and the provision of 30% principal forgiveness.

Progress

The goal to meet the EPA grant requirement was to equitably distribute \$2,780,400 of principal forgiveness and this was accomplished. The following narrative explains the process:

Loan Repayment Reductions

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

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

- ◆ If any of the systems identified on the annual Priority List do not come forward for loans during the year, the amount of repayment reduction associated with those systems will be allocated to those systems that did come forward for loans during the year.
- ◆ The repayment reductions are only available to loans recipients for a given year's IUP (i.e. closed loans are not eligible for retroactive repayment reductions).
- ◆ Reallocations of repayment reductions are only available to those loan recipients that entered into loans during the year the annual reduction amount was offered.
- ◆ Whenever a loan recipient with a repayment reduction closes their loan, no further repayment reductions may occur. However, if the first loan recipient with a repayment reduction closes and their project is under budget then the repayment reduction savings will be shared with the other loan recipients (that entered into loans in the same year) that have a reduced repayment schedule. Subsequent loan reduction projects that close under budget will have the remaining principal forgiveness retained by the loan corpus.
- ◆ If a loan recipient's project cost is reduced to the extent that rates no longer exceed the "disadvantaged community" threshold of 1.5% of median household income, then the loan recipient will not receive a repayment reduction.

The goal for Green Project Reserve (GPR) was to identify \$1,883,600 of GPR costs to meet grant requirements. DEQ in partnership with the communities was able to identify \$3,616,520 of GPR costs, primarily related to water conservation and energy conservation measures.

**TABLE 2. FY12 DW SRF Funding List
Green Project Reserve Infrastructure Estimated Costs**

Project (Region)/ Total SRF \$/ Contact	Green Project Reserve (GPR) Infrastructure Description	Estimated GPR \$ /Cost Category	Final GPR \$ (Status)
Clearwater WD (LRO) \$544,163 SRF Loan Heather Calkins 746-0938	WATER EFFICIENCY: 50 new water Meters (C 2.2-3) \$80,000. INNOVATIVE: New wells and distribution system to eliminate existing chemical treatment and reduce pumping cost (B.4.5-2a, B4.5-2b) (\$600,000).	Water Efficiency = \$ 80,000 Innovative = <u>\$ 464,163</u> \$ 544,163	\$544,163 (FP/EID)
Riverbend Estates (PRO) \$200,000; B Phinney 238-2146	ENERGY EFFICIENCY: Install 2 VFDs to control two existing well pumps (B3.5-1) \$15,000.	Energy Efficiency = \$ 15,000	\$15,000 (Pre-Design)
Hauser Lake Water Assoc. (CRO) \$1,974,700 Welch Comer: Necia 664-9382	ENERGY EFFICIENCY: New 234,000 gallon storage tank and transmission main eliminating an existing booster station (B3.5-4) \$1,510,700; New premium well pump \$297,000; New Woodlake premium booster pump (C3.2-3) \$167,000.	Energy Efficiency = \$1,974,700	\$1,974,700 (Plan, EID)
Fernwood W&SD (CRO) \$676,300 Mountain Waterworks: Tim Farrell 850-9978	ENERGY EFFICIENCY: Existing 1" diameter main replaced with 1,150 feet of 8" PVC (B3.5-1) \$75,000; One high efficiency premium replacement pump to be installed in Well #3 (C3.2-3) \$20,000. WATER EFFICIENCY: 150 upgraded water Meters (C 2.2-3) \$275,000.	Energy Efficiency = \$ 95,000 Water Efficiency = <u>\$ 275,000</u> \$ 370,000	\$370,000 (FP/ EID)
City of Victor (IFRO) \$2M Robert Heuseveldt 787-2940; Jason Linford (307) 885-8500	ENERGY EFFICIENCY: Premium energy efficient pump (C3.2-3) \$66,987; VFD (B3.5-1) \$27,370; 7,400 LF of new 10" DIP waterlines to replace undersized lines (B3.5-1) \$420,200.	Energy Efficiency = \$ 514,557	\$514,557 (Bid Eval)
City of Dietrich (TFRO) \$1,330,000 Justin Walker 288-1992	ENERGY EFFICIENCY: Two Premium energy efficient well pumps (C3.2-3) \$80,000. WATER EFFICIENCY: 98 meters to be replaced (C 2.2-3) \$50,000.	Energy Efficiency = \$ 80,000 Water Efficiency = <u>\$ 50,000</u> \$ 130,000	\$130,000 (Design)
Hidden Estates POA (IFRO) \$200,000; B Phinney 238-2146	ENERGY EFFICIENCY: Premium energy efficient pump (C3.2-3) \$45,000; VFD (B3.5-1) \$3,500.	Energy Efficiency = \$ 48,500	\$48,500 (Pre-Design)
Evergreen Terrace Wtr Asso (CRO) \$448,000 Dennis Ownbey 664-9382	ENERGY EFFICIENCY: Premium energy efficient well pump (C3.2-3) \$12,670; VFD (B3.5-1) \$6,930.	Energy Efficiency = \$ 19,600	\$19,600 (Construct)
	Total GPR Costs =	\$3,616,520	\$3,616,520

SHORT TERM GOAL 4

Implement a Tier II environmental process, as allowed for under §35.3580(d).

Progress

Completed the amendment of initial loan handbook procedure to more clearly explain the process. Changes will be exposed for public comment in the Fall of 2012.

SHORT TERM GOAL 5

Make necessary changes to the FFY 2011 EPA capitalization grant application.

Progress

The FFY2011 grant application was successfully submitted.

DWSRF LOAN AND SET-ASIDE ACTIVITIES

The following is a detailed discussion of the DWSRF activities during SFY 2012. Details are provided on the sources of program funding, the status of loan activities and the status of set-aside activities.

Table 3 and Table 4 (on pages 12 and 13) provide information about the sources and uses of DWSRF funding. Table 3 shows new sources of DWSRF funds available in SFY 2012. It also shows the binding commitments, work plan commitments, and administrative funding commitments made each year from those funds. Table 4 shows Idaho's actual disbursements in SFY 2012. (Note: disbursed funds reflect cash outlays from the current year's committed funds as well as from the funds committed in previous years.)

SOURCES OF DWSRF FUNDING

The DWSRF received funding from the following sources in SFY 2012:

◆ Capitalization Grants

EPA has awarded Idaho \$152,175,500 in federal capitalization grants through 6/30/2012. The EPA has awarded Idaho \$9,418,000 of regular SRF federal capitalization grants for FFY 2011.

◆ State Match

Idaho provided \$1,883,600 as the required 20 percent state match for the FFY 2011 capitalization grant. The state match was provided from the Water Pollution Control Account which is perpetually appropriated to DEQ by statute. When Automated Clearing House cash draws are made the appropriate state match is provided.

◆ Interest Earnings

There was \$513,046 in cash basis interest earnings on investments during the reporting period.

◆ Repayments

DEQ received \$7,725,461 in cash basis loan repayments during SFY 2012. The repayments consisted of \$2,380,709 in interest and \$5,344,752 in principal.

USES OF DWSRF FUNDS

To fund set-aside activities \$2,919,580 was made available from the FFY 2011 capitalization grant. Specific information regarding set-asides is provided later in this document.

LOAN ASSISTANCE STATUS

The DWSRF entered into loan agreements with an additional eleven (11) public water systems and increased the award on five (5) existing loans for a total of new commitments of \$10,992,786 during the reporting period. A list and description of the funded projects follows on Table 5.

◆ Binding Commitments

On a cumulative basis, the DWSRF has obligated \$185,337,494 of available loan funds to projects. This amount of commitments exceeds the total capitalization grants *available for loans* and their related state match by \$29,006,365.

◆ Small Systems

All states are required to provide at least 15% of DWSRF funds to small systems that serve fewer than 10,000 people. To date 82 small systems have been funded totaling \$143,368,287 or 77% of the funds committed.

◆ Disadvantaged Community Systems

Nine disadvantaged loans were issued during SFY 2012 with \$6,763,951 in total commitments and \$2,780,400 of principal forgiveness.

◆ Disbursements

\$7,120,944 was disbursed to loan recipients during SFY 2012.

TABLE 3. SOURCES AND USES OF COMMITTED DWSRF FUNDING

Sources	
Capitalization Grant	\$9,418,000
State Match	1,883,600
Investment Interest Earnings	513,046
Principal Repayments	5,344,752
Loan Interest Earnings	2,380,709
SOURCES TOTAL	\$19,540,107

Uses	
<i>LOANS</i>	
DWSRF Loan Account Binding Commitments	\$10,992,786
LOANS SUBTOTAL	10,992,786
<i>SET-ASIDE WORKPLAN COMMITMENTS</i>	
Technical Assistance (maximum of 2%) - 1452(g)(2)	188,360
State Program Management (maximum of 10%) - 1452(g)(2)	
PWSS Program	\$941,800
Operator Certification	<u>0</u>
<i>State Program Management Subtotal</i>	941,800
Wellhead Protection	941,800
Capacity Development	470,900
SET-ASIDE WORKPLAN COMMITMENTS SUBTOTAL	2,542,860
<i>SET-ASIDE ADMINISTRATION COMMITMENTS</i>	
Administration (maximum of 4%) - 1452(g)(2)	<u>376,720</u>
SET-ASIDE ADMINISTRATION COMMITMENTS SUBTOTAL	376,720
USES TOTAL	\$13,912,366

TABLE 4. USES OF DISBURSED DWSRF FUNDING*

Loan Uses		
Standard Loans - 1452(a)		\$0
Small Systems (<10,000 pop.) - 1452(a)(2)		
Standard	\$1,250,987	
Disadvantaged Communities - 1452(d)	<u>5,869,957</u>	
<i>Committed Subtotal</i>		<u>7,120,944</u>
LOAN DISBURSEMENT SUBTOTAL		<u><u>\$7,120,944</u></u>
Set-Aside Uses		
Technical Assistance (maximum of 2%) - 1452(g)(2)		\$271,460
State Program Management (maximum of 10%) - 1452(g)(2)		
PWSS Program		2,177,727
Other State Programs (maximum of 15%) - 1452(k)		
Capacity Development	171,070	
Wellhead Protection	<u>1,131,429</u>	
<i>Other State Programs Subtotal</i>		1,302,499
DWSRF Administration (maximum of 4%) - 1452(g)(2)		375,018
SET-ASIDE SUBTOTAL		<u><u>\$4,126,703</u></u>
USES TOTAL		<u><u>\$11,247,647</u></u>

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

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

- 80.5825243% for Federal Fiscal Year (FFY) 1997;
- 80.6572641% for FFY 1998;
- 79.1666667% for FFY 1999;
- 77.5280899% for FFY 2000 through 2005;
- 77.4904566% for FFY 2006; and
- 77.5280899% for FFY 2007 through 2011.

TABLE 5. Funded Projects in State Fiscal Year 2012

Loan #	Loan Recipient	Loan Date	Loan Amount	Subsidy	Pop.
DW1010 - C	AMERICAN FALLS (ARRA) (AMENDMENT 3)	22-Sep-11	\$645,238.00	\$0.00	3895
DW-9924(a)	BANCROFT (AMENDMENT 1)	24-Jan-12	\$34,135.00	\$0.00	353
DW1211	CLEARWATER WATER DISTRICT	18-Jun-12	\$544,163.00	\$221,652.00	100
DW1209	DIETRICH	01-May-12	\$1,330,000.00	\$645,350.00	332
DW1201	EVERGREEN TERRACE	04-Nov-11	\$396,000.00	\$209,065.00	75
DW1201 (A)	EVERGREEN TERRACE (AMENDMENT 1)	25-Apr-12	\$52,000.00	\$0.00	75
DW1212	FERNWOOD WATER AND SEWER DISTRICT	26-Jun-12	\$676,300.00	\$324,022.00	519
DW1210	HAUSER LAKE HOMEOWNERS ASSOCIATION	18-Jun-12	\$1,974,700.00	\$0.00	1000
DW1207	HIDDEN ESTATES	10-Mar-12	\$200,000.00	\$95,598.00	28
DW1203	NORTH KOOTENAI - CHILCO LID3	03-Nov-11	\$400,000.00	\$191,643.00	250
DW1204	NORTH KOOTENAI - CHILCO LID4	05-Jan-12	\$440,000.00	\$210,806.00	250
DW1202	ODEN WATER ASSOCIATION	17-Oct-11	\$1,640,250.00	\$786,442.00	885
DW1206	RIVERBEND ESTATES WATER ASSOCIATION	10-Feb-12	\$200,000.00	\$95,822.00	100
DW-9932(b)	SAGLE VALLEY (AMENDMENT 2)	10-Aug-11	\$220,000.00	\$0.00	758
DW1208	VICTOR	14-Mar-12	\$2,000,000.00	\$0.00	1817
DW1014(a)	WESTON (AMENDMENT 1)	18-Jul-11	\$240,000.00	\$0.00	425
			<u>\$10,992,786.00</u>	<u>\$2,780,400.00</u>	

Set-Aside Activity Status

The following pages provide an overview of activities funded with DWSRF set-aside monies in SFY 2012.

Set-Aside: Administration

\$542,920 was set-aside from the FFY 2010 capitalization grant. The majority of funds from this set-aside paid salaries and associated expenses of personnel administering the DWSRF program. The DWSRF program is not currently charging fees to supplement available set-aside funds. In the last year the DWSRF staff has completed the following administrative activities:

- ◆ Development of comprehensive priority list of projects
- ◆ Project selection and development of IUP
- ◆ Conduct public notice of priority list and IUP
- ◆ Preparation of capitalization grant application
- ◆ Development of set-aside workplans
- ◆ Solicitation of applications
- ◆ Awarding of 12 new loans and increases to 5 existing loans
- ◆ Closing of 3 existing loans

TABLE 6.

Funds Available 7/1/11	Spent During SFY 2012	Funds Available 6/30/12
FFY09- \$306,025	\$306,025	\$0
FFY10- \$542,920	\$68,993	\$473,927
FFY11- \$376,720	\$0	\$376,720

Set-Aside: Small Systems Technical Assistance

\$188,360 was set-aside from the FFY 2011 capitalization grant. The FFY 2011 set-aside amount will be used to complete Plan and Specification reviews for drinking water systems serving populations under 10,000. This level of funding is sufficient to cover approximately 40 percent of the cost associated with this activity.

TABLE 7.

Funds Available 7/1/11	Spent During SFY 2012	Funds Available 6/30/12
FFY10- \$271,460	\$271,460	\$0
FFY11- \$188,360	\$0	\$188,360

Set-Aside: State Program Management

\$941,800 was set-aside from the FFY 2011 capitalization grant. These funds have been used mostly to maintain the Drinking Water Program’s computer databases and related compliance

activities. A portion of the funding has been used for contracts with the District Health Departments around the state that assist small drinking water systems.

TABLE 8.

Funds Available 7/1/11	Spent During SFY 2012	Funds Available 6/30/12
FFY09- \$679,004	\$679,004	\$0
FFY10- \$1,061,564	\$74,682	\$679,004
FFY11- \$941,800	\$0	\$941,800

Set-Aside: Local Assistance and Other Programs

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

◆ Set-Aside: Wellhead Protection

\$941,800 was set-aside from the FFY 2011 capitalization grant to implement Wellhead Protection efforts. These funds were, and are continuing to be, utilized to (a) perform delineations and assess the vulnerability of new public water sources to contamination, and (b) develop and implement drinking water and source water protection activities throughout the state.

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

TABLE 9.

Funds Available 7/1/11	Spent During SFY 2012	Funds Available 6/30/12
FFY09- \$582,484	\$582,484	\$0
FFY10- \$1,357,300	\$548,945	\$808,355
FFY11- \$941,800	\$0	\$941,800

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

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

\$470,900 set-aside from the FFY 2011 capitalization grant and designated for Capacity

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

TABLE 10.

Funds Available 7/1/11	Spent During SFY 2012	Funds Available 6/30/12
FFY07- \$36,508	\$251,867	\$0
FFY09- \$407,300	\$145,318	\$261,982
FFY11- \$470,900	\$0	\$470,900

COMPLIANCE WITH OPERATING AGREEMENT AND GRANT CONDITIONS

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

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

Payments were received based upon the schedule included in the grant awards for SFY 2012.

- ◆ Deposit state matching funds

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

- ◆ Submit Annual Report and Annual Audit

The next required Annual Report, this report, is due 9/30/2012.

The Legislative Auditor shall conduct an annual audit of the DWSRF. The completed audit shall be submitted to EPA to fulfill that responsibility.

◆ Assure that borrowers have dedicated source of repayment

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

◆ Use funds in a timely and expeditious manner

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

◆ Ensure recipient compliance with applicable federal cross-cutting authorities

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

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

◆ Encourage loan recipients to comply with Single Audit Act requirements

DEQ included Office of Management and Budget Circular A-133 Single Audit Act (SAA) compliance requirements in loan agreements that met or exceeded the amount of capitalization grants received. Compliance is not evidenced until months after the end of the municipalities' fiscal year-end, so the most recent evidence that DEQ has of compliance relates to the FFY 2010 funding cycle. DEQ noted SAA compliance totaling \$15.2 million related to the receipt of \$9.4 million, thereby exceeding the capitalization grant requirement. The SAA reporting entities were Central Shoshone Water District \$3.8m, Cities of Ammon \$1.2m, Blackfoot \$3.1m, Grace \$2.8m, American Falls \$0.6m, and Kimberly \$2.7m.

◆ Conduct environmental reviews

Of the 11 water systems receiving DWSRF loans during the last year; 4 required a Categorical Exclusion; there were no Environmental Impact Statements prepared; and 7 systems required Findings of No Significant Impact.

◆ Implement operator certification program

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