



State of Arkansas
Drinking Water State Revolving Fund
Intended Use Plan for State Fiscal Year 2013
July 1, 2012 through June 30, 2013



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I. INTRODUCTION

This is the State of Arkansas' (State) Intended Use Plan (IUP), prepared jointly by the Water Resources Development Division (Water Division) of the Arkansas Natural Resources Commission (ANRC) and the Arkansas Department of Health Engineering Section (ADH Engineering Section).

In Arkansas, the overall program is named the Safe Drinking Water Fund (SDWF). The SDWF is made up of two programs which are the Drinking Water State Revolving Fund (DWSRF) program and the State Set-Aside Fund program. The Water Division, through an interagency Agreement with ADH Engineering Section (the Primacy Agency in Arkansas), administers the DWSRF program. Through the DWSRF program, the Water Division will use funds for water projects that further the goals of the SDWA. The State Set-Aside Fund (SSAF) Program will use the funds to provide Small Systems Technical Assistance, State Program Management, Local Assistance and Administration Funds for the DWSRF. With the exception of the Administration Funds for the DWSRF, which go to the Water Division, the ADH Engineering Section administers all facets of the SSAF program.

In coordination with the Engineering Section, the Water Division prepared this plan which identifies intended uses of the funds available to Arkansas as authorized by the SDWA, as amended in 1996 (42 U.S.C. § 300j-12 et. Seq.).

II. PROJECTS AND AVAILABLE ASSISTANCE

This IUP contains a list of projects the State anticipates to fund and information on how the State plans to use: (a) the funds carried over from State Fiscal Year (SFY) 2012, which includes set-asides from the 2008-2013 capitalization grants, (b) half of the 2010 capitalization grant in the amount of \$10,269,000 the 2011 capitalization grant in the amount of \$14,252,000 and the 2012 capitalization grant in the amount of \$13,582,000 which have already been received (c) the 2013 capitalization grant in the (estimated) amount of \$13,582,000 which will be applied for at a future date and (d) the matching funds that the State will provide to go with the EPA funds, and (f) the funds the State receives from the repayment of loans previously made from the Drinking Water State Revolving Fund (DWSRF) Program. The remaining ARRA funds were expensed in SFY12, EPA conducted their final ARRA onsite review, and the ARRA grant was closed out.

The DWSRF program expects to disburse approximately \$29 million to projects in SFY 2013. These projects are all designed to meet one or more of the goals of the SDWA which are (a) help ensure public health protection, (b) comply with the SDWA, and (c) ensure affordable drinking water. We expect to spend approximately \$4 million from the SSAF program in SFY 2013 to provide assistance to communities as well as to provide administration funding for both the Water Division and the Engineering Section. More information pertaining to these projected expenses is available in Chart 6-2 of this report.

III. GOALS

The Division is committed to support the overall goals of the Federal DWSRF program:

- To support **Goal 1** of the Safe Drinking Water Act (SDWA), which is to ensure public health protection, we will provide technical assistance to small systems through the Small System Technical Assistance set-aside. We will provide a highly trained staff in the Engineering Division, which is partially funded through the State Program Management set-aside, to provide technical assistance to and oversight of Public Water Systems (PWS) within the State. We will also provide Wellhead Protection Services and Capacity Development Strategy Assistance to PWS through funding received from the Local Assistance set-aside.
- To support **Goal 2**, which is compliance with the Safe Drinking Water Act, we have implemented the programs listed above to include providing Small Systems Technical Assistance, Oversight, Wellhead Protection Services, and Capacity Development Strategy Assistance.
- To support **Goal 3**, which is to ensure affordable drinking water, we provide PWSs with technical assistance on how to use their systems more efficiently, and we offer low cost financing to PWS within the state.
- To support **Goal 4**, which is to maintain the long-term financial health of the SDWF, we ensure that our borrowers have the managerial, operational and financial capabilities to operate their systems properly. As long as the systems are operated efficiently and have the required expertise--either on staff or by contract-- to assure that the assets of the program are managed properly, the PWSs will have the resources to repay their loans.

A. Short-term Goals

The Division has committed to meet the following goals in the next 1 – 2 years.

1. Arkansas will continue to implement the State source water assessment/protection program (Goals 1 & 2). All initial assessments required by regulation have been completed and new assessments will be processed as new systems go on line. Technical assistance within the protection element of the program is pursued upon the request of public water system officials.
2. Arkansas will continue to implement the State capacity development program strategy at no cost to entities (Goals 1, 2 & 3). A vital element of this program is the technical assistance contracts provided under the Small System Technical Assistance Set-aside. These were restructured slightly to focus more on direct assistance to the systems. Goals for these contracts are 2500 hours of on-site technical assistance, 24 one-hour group training sessions, and five CPEs. ADH also has a contract to work with small systems, which is providing infrastructure location by GPS coordinates and GIS mapping service. The goal for this contract is to map

infrastructure for 40 small water systems.

3. Arkansas will continue to screen projects using the Project Priority System to assure the SDWA overall goals are given priority in the DWSRF program (Goals 1, 2 & 3). Goals are 30 projects for the Project Priority List.
4. Arkansas will continue to implement the State Public Water Supply Supervision Program plan in conformance with all requirements of the SDWA. The State Program Management set-aside will fund a portion of this implementation effort. This will include activities such as: review and approval of 200 (goal) plans and specifications, logging and tracking 1400 (goal) plan submissions, 250 (goal) sanitary surveys, technical assistance to PWSs in a variety of ways, and other implementation activities.
5. The Division will submit the Intended Use Plan by the deadline with approval expected to follow in SFY 2013.
6. The Division agrees to comply with all requests for data related to the use of the funds under Section 1452 of the Safe Drinking Water Act (SDWA), and to report all uses of the funds no less than quarterly, as EPA specifies for the Drinking Water Project Benefits Reporting database and the Federal Funding Accountability and Transparency Act (FFATA) Requirement.
7. The Division agrees to provide in its Annual Report information regarding key project characteristics, milestones, and environmental/public health protection results in the following areas: 1) achievement of the outputs and outcomes established in the Intended Use Plan; 2) the reasons for delays if established outputs or outcomes were not met; 3) any additional pertinent information on environmental results.
8. The Division agrees to include in all agreements to provide assistance for any construction project carried out in whole or in part with such assistance made available by a drinking water revolving loan fund as authorized by section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12), a term and condition requiring compliance with the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) in all procurement contracts and sub-grants, and require that loan recipients, procurement contractors and sub-grantees include such a term and condition in subcontracts and other lower tiered transactions.

B. Long-term Goals

Arkansas has committed to continually work towards these goals.

1. Arkansas will continue to implement the Public Water System Supervision Program in accordance with the requirements of the federal SDWA and in conformance with its Primacy commitments.
2. Arkansas will continue to implement the State source water assessment/protection program (Goals 1 & 2).

3. Arkansas will continue to implement the State capacity development program strategy (Goals 1, 2 & 3).
4. The Division will provide entities with a source of long-term, low-interest financing that will allow them to protect their customers' health and comply with the SDWA (Goals 1, 2 & 3).
5. Arkansas will continue to screen projects using the Priority System to assure the SDWA overall goals are given priority in the DWSRF program (Goals 1, 2 & 3).
6. The Division is committed to enhance the DWSRF program for the benefit of future generations (Goal 3) by continuing to streamline the application process.
7. The Division will maximize the number of entities meeting the SDWA requirements by combining the DWSRF program with other State and Federal funding programs (Goal 3).
8. The Division plans to maintain the fiscal integrity of the DWSRF (Goal 3 & 4).
9. The Division is committed to maintaining the fund in perpetuity by protecting the principal that has been and continues to be deposited into the DWSRF program (Goal 4).
10. The Division will meet the growing demand for the DWSRF program by leveraging the Fund when the demand exceeds the current revenue streams (Goals 3 & 4).

IV. DISTRIBUTION OF FUNDS

In this section of the IUP, we will discuss the decisions the Division makes in choosing how to distribute the funds made available to the SDWF. In SFY 2013, our expectation is to have Binding Commitments of \$22.3 million from eleven projects.

More information is available on these Binding Commitments in Chart 5-2 of this report. The Division has defined the Binding Commitment date as the date the Bond Purchase Agreement (BPA) is signed by all parties.

A. Distribution of Funds between DWSRF Program and SSAF Programs

Arkansas puts a priority on providing existing PWS with technical assistance to insure all PWS' met the requirements of the Safe Drinking Water Act. Arkansas endeavors to provide these services at no cost to the systems. To meet this goal, Arkansas allocates all available funds to the SSAF programs. There are federal restrictions on the amount of funds that can be allocated to these programs, so Arkansas plans to distribute funds to these programs to the maximum amount allowed. Specifically, Arkansas will allocate 10% of grant funds to State Program Management, 2% to Small System Technical Assistance, 5% to Wellhead Protection Activity and 10% to Technical and Financial Assistance to PWS for Capacity Development this year.

The Engineering Section will be responsible for the management and reporting needed for all of these SSAF programs.

The Administration of the DWSRF program also falls in the category of SSAF programs. The Division plans to use the full 4% allowed for Administration. The Water Division will be responsible for the administration and reporting needed for the DWSRF program.

Arkansas Department of Health (ADH) SSAF program is planning to bank funds from the 2012 grant for \$1,121,640 to be used for the construction of projects by ANRC.

See Chart - 1 Summary of Funding for open SRF Capitalization Grant Set-Asides

B. Distribution to Specific Projects in the DWSRF Program

Arkansas' method for the development of the Priority List and Fundable List explains the process used to select systems to receive assistance.

1. Priority System

The Engineering Section is responsible for developing the Priority System. They have developed a System that includes factors for projects that:

- (a) address the most serious risk to human health,
- (b) are necessary to ensure compliance with the requirements of the SDWA, and
- (c) assist systems most in need on a per household basis according to State affordability criteria.

The Priority System Questionnaire is sent to each Public Water System (PWS) in the State each year. The Questionnaire describes the Priority System used by the DWSRF program and lists the point values assigned to each category in the Priority System. The Engineering Section sends the Questionnaire to the PWS so they can add new projects to the Priority List. The Engineering Section evaluates the Questionnaires that are returned and assigns point values to the various categories, included as Appendix A. A project's total points are used to determine the project's ranking. The more points that a project receives, the higher it is placed on the priority list. The new projects are added to the projects which were not funded from the previous Priority List, and a new Priority List is assembled.

The only way a project can be placed on the Priority List is by an entity submitting a Questionnaire for the project. Since submitting the Questionnaire is a voluntary task, only projects that expect to be funded by the DWSRF program are listed on the Priority List. Once the Engineering Section prepares the Priority List, it is the Water Division's responsibility to create a Fundable List from the Priority List.

2. *Priority List of Projects*

The Priority List is a list of projects that are interested in utilizing funding from the DWSRF program. Each project goes through an evaluation process to determine its relative priority as compared to the rest of the projects seeking funding through the DWSRF program. The Engineering Section prepares the Priority System used to rank projects, included as Appendix A, sends out the Questionnaires, determines the priority points for the projects that return Questionnaires and develops the Priority List. The Water Division then takes the Priority List and from this list establishes a Fundable List. The Fundable List is not a separate list, but is instead composed of projects from the Priority List that expect to expend funds in the near future (twelve months).

In theory, the projects with the highest priority points get funded first. But in practice, it does not work that way. Most of the projects on the list cannot be funded exclusively through the DWSRF program. These projects typically require large amounts of grant funds that the DWSRF program cannot provide. The projects on the Fundable List are projects that either can be funded exclusively through the DWSRF program or have all of their other funding in place.

40 CFR 35.3555(d) states that the Priority Lists of projects may be amended during the year under provisions established in the IUP as long as additions or other substantive changes to the lists, except projects funded on an emergency basis, go through a public review process.

3. *Fundable List of Projects*

40 CFR 35.3555I(2)(i) states that the IUP must contain a fundable list of projects that are expected to receive assistance from available funds designated for use in the current IUP. The Water Division defines “receive assistance” to mean closing a loan and expending funds. So, the planned start of construction or of expending funds is our indication of when a project will “receive assistance.” The process whereby the Water Division has developed a Fundable List from the Priority List consists of contacting -- in writing -- each PWS that submitted a project on the Priority List. In this letter we ask each PWS if it is going to start construction or expending funds on its project within the next twelve months. The letter makes it clear that by telling us that they will not be ready to proceed within 12 months does not jeopardize their chance for receiving funding from the DWSRF program. We explain that this process is how the Water Division makes its cash flow projections.

With this information, the Water Division can project the amount of funds needed and compare these projections with the amount of funds available. By comparing projections with funding availability, the Water Division can determine if all of the projects can be funded or if some will have to wait for the DWSRF to receive additional funds.

It is Arkansas’ intent to offer funding to all of the projects listed on the Priority List. The Fundable List simply shows those projects that expect to be offered funding from the DWSRF in the near future.

See Chart 7-1 – SFY2013 Drinking Water Project Fundable Priority List

4. *Green Project Reserve (GPR) Project Priority List*

DWSRF projects that are qualified (in whole or in part) for GPR will be ranked on the same State priority list with non-GPR projects, and will be identified as GPR projects on those lists. Once ranked they will be selected separately from non-GPR projects, using the same priority system principles described above, until the total value of executed assistance agreements in qualified GPR projects totals an amount equal to at least 20 percent of the State's 2010-2011 capitalization grants and an amount equal to at least 10 percent of the State's 2012 capitalization grant.

See Chart 7-1 - SFY2013 Drinking Water Project Fundable Priority List

5. *Bypass Procedures*

Arkansas' intention is to fund every project on the Priority List as it becomes ready to proceed. With the exception of an emergency public health project, the State does not plan to bypass a project that is ready to proceed for another project with a lower ranking.

If a project's readiness to proceed status changes after it was placed on the Fundable List, the State reserves the right to put the project on hold and take another project from the Priority List that is ready to proceed in its place. Previous examples of this kind of problem include court cases being filed, other funding being withdrawn, or change in administration of the entity proposing the project. If a project is not ready to proceed, the Water Division will substitute the next project on the priority list that is ready to proceed.

If the situation develops which causes the State to bypass a project that is ready to proceed for another project, the State will report the case to EPA and include an explanation of the situation in the Annual Report.

6. *Emergency Public Health Projects*

Arkansas reserves the right to fund projects not on the Priority List if these projects protect the public from an Imminent Health Threat. The Arkansas Department of Health is the sole entity in Arkansas that can declare a situation to be an Imminent Health Threat. The Director or his designee would make the determination of an Imminent Health Threat based on an immediate risk to the public health caused by a situation that is amenable to correction. The project developed to correct the situation would still have to meet eligible qualifications for funding from the DWSRF program. This procedure would allow a project designated as an Imminent Health Threat to bypass the Priority List and Fundable List phases of the DWSRF program only.

Arkansas would notify EPA in the event that a project was designated as an Imminent Health Threat. This project would be reported in the Annual Report for that year and would be discussed during EPA's annual review.

C. Rationale Used to Determine the Type and Terms of Assistance

Prior to FFY 2010, the Division made the decision to only provide one type of assistance - loans. This decision was made because loans provide the most flexible use of the funds in the DWSRF program. The use of other types of assistance, Insurance or Guarantees, means that funds are tied up and their uses are restricted. By providing assistance in the form of loans, the Division can vary the terms of the loans to help Disadvantaged Communities, refinance existing debt to improve the finances of entities or pledge the loans to Leverage Issues which would increase the funds available for the DWSRF program.

The two terms that the Division modifies when it makes loans to entities are the Lending Rate and the Repayment Period.

In accordance with the FFY 2010 capitalization grant and P.L. 11-88, the Division will now provide additional subsidization in the form of principal forgiveness, negative interest rate loans, or grants.

Chart 5-1 and Chart 5-2 list the projects that ANRC anticipates funding from the DWSRF program. These charts show which projects are designated as a Disadvantaged Community or a Small System.

1. Lending Rate

The lending rate is composed of two parts: the interest rate and the servicing fee. The lending rate is established at the time the project is approved by ANRC. The lending rate is based on the Division's financial assistance objectives, an analysis of communities' ability to repay loans and the State's taxable or tax-exempt bond rate. ANRC's initial objective is to establish a lending rate for DWSRF loans ranging from 100 basis points to 300 basis points below current State's taxable or tax-exempt bond rate depending on whether the borrower is a taxable or tax-exempt entity.

The servicing fee is currently set at 1.0%. Therefore, if the lending rate is 3.5%, it is composed of a 1.0% servicing fee and a 2.5% interest rate. The servicing fee is the same for all projects, so changes in the interest rate mirror changes in the lending rate.

The service fee is the same for all projects which is 1.0%. The service fees are deposited into the Fees and Administrative account which is outside the DWSRF and not subject to the four percent administration cap applicable to the DWSRF.

The Division also varies the lending rate depending on the length of the repayment period. Currently, the lending rate is 3.00% for loans that repay in 10 years or less which makes an effective interest rate of 3.53%. Lending rate for loans that repay in 10 – 20 years is 3.25% which makes an effective interest rate of 3.41%. Lending rate for loans that repay in 20 – 30 years is 3.5% which makes an effective interest rate of 3.66%. Thirty years is the maximum length of time allowed to repay a loan.

The Division varies the Lending Rate in this manner to encourage entities to repay loans as quickly as possible. The quicker that entities repay the sooner the DWSRF program will be able to use these funds on future projects.

2. *Repayment Period*

The Repayment Period is adjusted to provide Disadvantaged Communities with an incentive to use the DWSRF program. The typical maximum length of time allowed to repay a loan is 20 years. If an entity qualifies as a Disadvantaged Community, it will be allowed the option of extending its repayment period to 30 years.

D. Fees Assessed on Entities

The servicing fee mentioned in Section IV.C.1. is collected as part of the semi-annual loan repayment. These funds are placed in the DWSRF Administration Account and are used to fund eligible program expenses.

E. Green Project Reserve (GPR)

The Arkansas Natural Resources Commission (Commission) is soliciting for “Green” water projects from Public Water Systems (PWS) to be funded from the Drinking Water State Revolving Fund (Program). The Program has twenty percent of its funds reserved for “Green” infrastructure projects.

To be eligible for funding, the applicant must be a PWS and the project must demonstrate that it will facilitate compliance with national primary drinking water regulations or otherwise significantly further the public health protection objectives of the Safe Drinking Water Act for water projects and meet the following definition of “Green”.

Green water projects are: Water Efficiency – The project must conserve water above the norms for operations and maintenance of a PWS. Potential Green water projects would include one-hundred percent water line replacement in systems experiencing greater than forty percent water loss.

The estimated amount for the FFY 2012 capitalization grant to be reserved for Green Project Reserve is \$1,358,200 and will be included in the Annual Report.

Arkansas has chosen three projects that qualify as green projects to satisfy the 2011 and 2012 cap grant requirements.

See Chart 7-1 - SFY2013 Drinking Water Project Fundable Priority List

F. Additional Subsidization

The Arkansas Natural Resources Commission (Commission) has developed the following system to determine if a project is eligible for additional subsidization funds for the Drinking Water Revolving Loan Fund (the Fund).

To be eligible to receive additional subsidization from the Fund, a Borrower must show either:

1. The customers who benefit from a project are at least 51% have either Low or Moderate Income as defined by the U. S. Department of Housing and Urban Developments' Community Block Grant (CDBG) Program; or
2. The current utility rates or proposed utility rates for 4,000 gallons of water on an annual basis are at least 1.5% of the Median Household Income (MHI) for the project area.

Once a project has been determined to be eligible for additional subsidization from the Funds, additional priority will be given to projects that meet the Green standards set by the Commission. Currently, the Commission only recognizes Water Efficiency projects for water projects as being Green.

The amount for the FFY 2012 capitalization grant to be reserved for Additional Subsidization is \$2,716,400 and will be included in the Annual Report.

Arkansas has chosen six projects that qualify to receive additional subsidization to satisfy the 2011 and 2012 cap grant requirements.

Whenever possible, Arkansas' supports the repair, replacement and upgrade of existing infrastructures. Fix-it-first projects are listed in the Drinking Water Project Fundable Priority List.

See Chart 7-1 - SFY2013 Drinking Water Project Fundable Priority List

G. Wage Rate Requirements (Davis-Bacon)

Arkansas agrees to include in all agreements to provide assistance for any construction project carried out in whole or in part with such assistance made available by a drinking water revolving loan fund as authorized by section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12), a term and condition requiring compliance with the requirements of section 1450(e) of the Safe Drinking Water Act (42 5 U.S.C.300j-9(e)) in all procurement contracts and sub-grants, and require that loan recipients, procurement contractors and sub-grantees include such a term and condition in subcontracts and other lower tiered transactions. All contracts and subcontracts for any construction project carried out in whole or in part with assistance made available as stated herein shall insert in full in any contract in excess of \$2,000 the contract clauses as attached hereto entitled "Wage Rate Requirements under FY 2010 and FY 2011 Appropriations." This term and condition applies to all assistance agreements under the authorities referenced herein, whether in the form of a loan, bond purchase, grant, or any other vehicle used to provide financing for a project, where such agreements are executed on or after October 30, 2009.

V. FINANCIAL PLANNING PROCESS

The Division is not limited to just the DWSRF program in meeting the drinking water needs in the State. ANRC has three other State programs that can fund the same kinds of projects. There are two other Federal programs in Arkansas that also fund these types of projects. The

Financial Planning Process used for the DWSRF program considers all of these sources of funding and each one's strengths and weaknesses.

Arkansas also has an organization called the Water/Wastewater Advisory Committee that reviews all water and wastewater projects before the project applies to a funding program. This process allows the Water Division to have some idea of future projects and who they are likely to apply to for funding. This information is also used to project the future demand for DWSRF funds.

The Division has hired professional Financial Advisors and Bond Counsel to help keep abreast of changes in the financial market and both State and Federal bond law. These professionals advise us on current market conditions so Lending Rates and Repayment Periods can be adjusted as needed. They also provide information on the consequences of leveraging, both in terms of funds that can be raised and the long-term effects of repaying the bondholders.

The DWSRF program is continually being reviewed in terms of future demand, changes in loan terms and the need to leverage the program. The primary concern is always to provide low cost loans to entities in Arkansas while maximizing the funds available so no one is turned away because of the lack of funds.

From time to time the Division, through ADFA, issues bonds secured by the revenues from the pledged DWSRF project loans. Proceeds from any bonds issued will be deposited directly into the DWSRF. To the extent that it would benefit the Program, ANRC may choose to exercise its option to cross-collateralize when issuing revenue bonds. The Division leveraged bonds for the first time in SFY 2012, EPA Region 6 was contacted regarding the leveraging prior to this activity.

VI. FINANCIAL STATUS

The Division receives funds for the SDWF from grants from EPA, the State match needed for the EPA grants, repayments from existing loans and interest earnings on various accounts in the SDWF. The funds are used to fund SSAF programs, the DWSRF program and pay the cost to administer the DWSRF program.

Chart 3 provides a summary of the Sources and Uses of Funds in the SDWF.

1. State Match Sources

The State of Arkansas agrees to deposit into the DWSRF, or make available through a letter of credit or a letter of credit type instrument, monies in an amount equal to 20 percent of each quarterly grant payment on or before the date on which the State receives each payment from the grant award. The State of Arkansas will fund the required State Match by using State appropriations, grants from State funding programs, or servicing fees.

Chart 4-2 has a breakdown of the 20% State Match. In SFY 2013, the cumulative calculation looks like this:

Cumulative Loans	\$180,269,300
Cumulative State Match	\$36,699,480
Percentage of State Match	20.36%

2. Leveraging of the DWSRF

Arkansas leverages periodically to increase the funds available for assistance. Arkansas has no plans to leverage the Drinking Water program in State Fiscal Year 2013. If it does EPA Region 6 will be contacted prior to leveraging.

3. Cash Draw Ratio Proportionality

Arkansas has received permission to vary from the normal proportionality ratio for federal fund disbursements. Arkansas received permission to spend State Match for a Cap Grant before requesting federal funds. This is because Arkansas is prohibited from disbursing State Match in any of the forms used for Additional Subsidization. As long as federal funds are required to be spent on Additional Subsidization, Arkansas will need this variance in each Cap Grant.

VII. SET-ASIDE ACTIVITIES

Arkansas plans to seek funding for five of the set-aside programs. The programs are:

- Administration of the DWSRF program. 4% of grant requested. Used by Water Division
- Small Systems Technical Assistance. 2% of grant requested. Used by Engineering Section
- State Program Management. 10% of grant requested. Used by Engineering Section
- Wellhead Protection Program. 5% of grant requested. Used by Engineering Section
- Capacity Development Strategy. 10% of grant requested. Used by Engineering Section

A. CAPITALIZATION GRANT PROGRAMS AND AMOUNTS REQUESTED

1. Administration of the DWSRF Program

The Water Division has the responsibility of managing the DWSRF program and will use the funds allocated to this set-aside program to defray the administrative costs associated with managing the program.

Administration of the DWSRF program includes \$821,560 from the 2010 grant; \$570,808 for the 2011 grant and \$543,280 for the 2012 grant to be used by the Water Division.

2. Small Systems Technical Assistance

ADH uses these funds to provide assistance to small water systems in assessing and implementing capacity development which will identify individual water system needs, provide corrective action plans addressing identified deficiencies (goal 25), and provide technical assistance in correcting these deficiencies (goal 1500 man-hours). A mix of the 2009 and 2010 cap grant allotments will be used in SFY 2013.

Small Systems Technical Assistance will be funded under the Capacity Development activities of the Local Assistance Set Aside. Currently all of the available funds under the Small Systems Technical Assistance Set Aside from the 2008 grant for \$204,580, the 2009 ARRA grant for \$489,700, the 2009 grant for \$204,580 and the 2010 grant for \$410,780 have been reserved for future use. We will also reserve all of the available 2011 grant funds of \$285,040 and 2012 grant funds of \$271,640 for future use as well.

3. *State Program Management Program*

The full amount of set-aside is being requested to be reserved for future use. Current funds will be used to enable the ADH Engineering Section to continue to operate its Public Water Supply Supervision Program activities to insure compliance with requirements of the Safe Drinking Water Act. Funds will be used to support full time employees and related expenses including such items as salary, fringe, indirect costs, travel, training, office supplies, PC/LAN/GIS equipment and upgrades, and similar routine costs. Day to day activities will include such activities as sanitary surveys (goal 250), engineering plan reviews (goal 1200), complaint investigations, compliance tracking and grading, and technical assistance in a variety of forms to water systems, administrative activities, and other activities. ADH anticipates using a mix of the 2008, 2009 and 2010 cap grant allotments in SFY 2013.

State Program Management includes funds from the 2008 grant for \$1,022,900 (projected balance of \$140,000), the 2009 ARRA grant for \$2,448,500 (reserved), the 2009 grant for \$1,022,900 (\$622,900 available and \$400,000 reserved), the 2010 grant for \$2,053,900 (\$1,553,900 available and \$500,000 reserved), the 2011 grant for \$1,465,200 (reserved) and the 2012 grant for \$1,358,200 (\$508,200 available and \$850,000 reserved) to be used by the Engineering Section.

4. *Wellhead Protection Program*

ADH uses these funds to provide the necessary staff resources and support to enable the Section to continue implementation and expansion of its wellhead protection program and to insure an updated and well-maintained GIS database system. Activities will typically include such items as delineation of wellhead protection areas, assistance to public water systems in well siting, aquifer identification and recommended construction features, inventories for sources of contamination in wellhead areas, hydrologic sensitivity assessments of ground water sources, public outreach efforts on the importance of wellhead protection, and other activities. A mix of the 2008 and 2009 cap grant allotments will be used in SFY 2013.

Wellhead Protection Program includes funds from the, the 2008 grant for \$511,450 (projected balance of \$430,000), the 2009 grant for \$511,450, the 2010 grant for \$1,026,950 and the estimated 2013 grant for \$679,100 to be used by the Engineering Section. These funds were not requested from the 2011 and 2012 grants.

5. Capacity Development Program

ADH uses these funds to accomplish the overall objective under this set-aside which is to provide a variety of technical assistance and public education activities, which will help to insure continued sustainability and performance of public water systems in the State. Activities to be accomplished under this set-aside include such items as training and technical assistance to water systems in drafting CCRs (goal 711), water operator training and certification, publish and disseminate an informative quarterly newsletter (goal 1300 copies) for operators and other interested parties, a coordinated review of and protection from proposed point and non-point discharges (goal 600 miscellaneous permits) into sources of drinking water, provide assistance to water systems in developing local source water protection plans, participation in EPA's Area Wide Optimization Program efforts, conducting Comprehensive Performance Evaluations at water systems, and other activities. This effort will require full time employees and associated expenses. A mix of the 2009 and 2010 cap grant allotments will be used in SFY 2013.

Capacity Development Strategy includes funds from the 2009 grant for \$1,022,900 (projected unused balance of \$357,000 available), the 2010 grant for \$2,053,900, the 2011 grant for \$1,425,200 and the 2012 grant for \$1,358,200 to be used by the Engineering Section. Detailed information pertaining to set-aside activities is located in Chart 1.

VIII. SMALL SYSTEM ASSISTANCE

Arkansas is required to allocate a minimum of 15% of the total funds available each year to funding small systems. Small systems are defined as systems that regularly serve 10,000 or fewer persons. In Arkansas there are approximately 727 Public Water Systems (PWS). Of those systems, approximately 62 serve a population of over 10,000 people and 665 serve a population of 10,000 or less.

Arkansas has worked hard with the small systems to help them meet all of the regulatory requirements of the DWSRF program. However, over the last few years, the small systems have found the DWSRF program to be slow and cumbersome and have looked elsewhere for funding. By working with applicants, the Water Division continues to be able to interest small systems in the program as shown in Chart 5-2 for SFY 2013. We expect to sign Bond Purchase Agreements (Binding Commitments) on eleven systems of which nine are to small systems.

Chart 5-1 has information on which projects are designated as small systems. Arkansas is required to demonstrate that at least 15% of the funds are used for small systems. In SFY 2013, the cumulative calculation looks like this:

Cumulative Loans	\$180,269,300
Cumulative Small Systems	\$ 68,185,000
Percentage of Small System BCs	37.82%

Arkansas is committed to continually modifying the DWSRF program in an effort to make the program more attractive to small systems. We continue to streamline the application process and shorten the time for planning and design work.

ANRC has ongoing marketing plans at various conferences and meetings describing the benefits of the RLF program available to cities and communities. As always, we evaluate the need to lower the interest rates to cities that request funding. Our goal is to provide a subsidy without harming the program in the long term.

IX. DISADVANTAGED COMMUNITY ASSISTANCE

Arkansas will provide some incentive for Disadvantaged Communities to use the DWSRF program. Because of the limited funds the DWSRF program receives, that assistance is limited to offering additional subsidization (principal forgiveness) or extending the repayment period for loans from 20 years to 30 years.

A. What is a Disadvantaged Community?

In Arkansas, a Disadvantaged Community has been defined as any community with a Median Household Income (MHI) below that of the State's MHI. This information is collected as part of the Priority List, and Arkansas' MHI is \$39,267.00.

B. Affordability Criteria

The Division will offer two types of assistance to Disadvantaged Communities: an extension of the repayment period and additional subsidization. One of the criteria used is a comparison of the entity's MHI against the State's MHI.

C. Identification of Projects

Chart 5-1 and Chart 5-2 has information on which projects qualify as Disadvantaged Communities and the loan amounts they are requesting.

X. TRANSFER PROCESS

The Division does not have any plans to transfer funds between the DWSRF base program and the CWRLF base program at this time.

XI. CROSS-COLLATERALIZATION PROCESS

The Division implemented a system for leveraging bonds and part of that system is cross-collateralization.

XII. PUBLIC COMMENT

The Division addresses this requirement in Appendix B titled Public Notices and Comments. The Division received no public comments.

XIII. ENVIRONMENTAL RESULTS

The Division's DWSRF Program will satisfy EPA's Strategic Goal 2 for Clean and Safe Water, Objective 2.1 for Protecting Human Health, Subobjective 2.1.1 for Water Safe to Drink by relating the activities of the Program to quantifiable environmental results. The following short term goals are presented in order to be in compliance with EPA Order #5700.7.

The Division anticipates entering into eleven binding commitments for a total of \$22,380,000. Out of these eleven binding commitments, the Water Division anticipates closing six (6) loans.

Arkansas will continue to implement the State capacity development program strategy at no cost to entities (Goals 1, 2 & 3). A vital element of this program is the technical assistance contracts provided under the Small System Technical Assistance Set-aside. ADH also has a contract to work with small systems, which is providing infrastructure location by GPS coordinates and GIS mapping service. Goals for these contracts are 83 assessments, 55 strategies, and 2500 on-site man-hours of effort. Other anticipated efforts include 2 eight-hour training courses, 24 one-hour group training sessions and four CPEs.

Arkansas will continue to screen projects using the Priority System to assure the SDWA overall goals are given priority in the DWSRF program (Goals 1, 2 & 3).

XIV. AUDITS AND REPORTING

Arkansas's Intended Use Plans and Annual Reports along with the evaluation or business case for Green Project Reserve projects will be posted on our website: <http://www.anrc.arkansas.gov/>.

An independent audit will be conducted by an outside CPA firm annually.

Project milestones and information are reported through EPA's Drinking Water Project Benefits Reporting database and the Federal Funding Accountability and Transparency Act (FFATA) Requirement.

XV. INTENDED USE PLAN AMENDMENT PROCEDURES

Revisions to this IUP that are determined significant will require Public Notice and EPA notification and approval. Revisions to this IUP which are deemed to be insignificant shall be made by the Division with notification to EPA. Any changes in the project funding list shall be in accordance with procedures provided in the DWSRF Priority System and List.

Charts

Chart 1

*SUMMARY OF FUNDING FOR OPEN SRF
CAPITALIZATION GRANT SET-ASIDES*

Chart 2

SDWF CASH FLOW DIAGRAM

Chart 3

SDWF SOURCES AND USES

Chart 4-1

*SDWF COMPARISON OF GRANT PAYMENTS,
STATE MATCH AND SET-ASIDES*

Chart 4-2

*SDWF REQUIRED BINDING COMMITMENTS
AND ACTUAL BINDING COMMITMENTS*

Chart 5-1

SDWF ACTUAL BINDING COMMITMENTS

Chart 5-2

*SDWF PROJECTED BINDING
COMMITMENTS*

Chart 6-1

SDWF ACTUAL DISBURSEMENT SCHEDULE

Chart 6-2

SDWF PROJECTED DISBURSEMENT SCHEDULE

Chart 7-1

FUNDABLE PROJECT PRIORITY LIST

Chart 1

Summary of Funding for open SRF Capitalization Grant Set-Asides

SRF Grant Year	Set-Aside	% of Grant	Total Available	Total Reserved	Total Budgeted	Total Expended To Date	Remaining Balance	Grant Start Date	Expense Begin Date	Expense End Date	Grant End Date
2007*	Admin	4%	\$ 413,320	\$ -	\$ 413,320	\$ 413,320	\$ -	10/1/2008	Jul-09	Jan-10	9/30/2012
	SPM	10%	\$ 1,033,300	\$ -	\$ 1,033,300	\$ 1,033,300	\$ -		Jul-10	Sep-11	
	TA	2%	\$ 206,660	\$ -	\$ 206,660	\$ 191,907	\$ 14,753		Oct-10	Jan-12	
	WHP	5%	\$ 619,980	\$ -	\$ 516,650	\$ 483,669	\$ 32,981		May-11	May-12	
	Cap Dev	10%	\$ 929,970	\$ -	\$ 1,033,300	\$ 1,033,300	\$ (0)		Jul-10	Jul-11	
	Total	27%	\$ 3,203,230	\$ -	\$ 3,203,230	\$ 3,155,496	\$ 47,734		Jul-10	May-12	
ARRA 09	Admin	4%	\$ -	\$ -	\$ -	\$ -	\$ -	2/17/2009	N/A	N/A	9/30/2011
	SPM	10%	\$ 2,448,500	\$ 2,448,500	\$ -	\$ -	\$ -		N/A	N/A	
	TA	2%	\$ 489,700	\$ 489,700	\$ -	\$ -	\$ -		N/A	N/A	
	WHP	0%	\$ -	\$ -	\$ -	\$ -	\$ -		N/A	N/A	
	Cap Dev	0%	\$ -	\$ -	\$ -	\$ -	\$ -		N/A	N/A	
	Total	12%	\$ 2,938,200	\$ 2,938,200	\$ -	\$ -	\$ -		N/A	N/A	
2008*^	Admin	4%	\$ 409,160	\$ -	\$ 409,160	\$ 409,160	\$ -	10/1/2009	Dec-09	Sep-10	9/30/2013
	SPM	10%	\$ 1,022,900	\$ -	\$ 1,022,900	\$ 724,839	\$ 298,061		Aug-11	Aug-12	
	TA	2%	\$ 204,580	\$ 204,580	\$ -	\$ -	\$ -		N/A	N/A	
	WHP	5%	\$ 613,740	\$ -	\$ 511,450	\$ -	\$ 511,450		Apr-12	Jan-13	
	Cap Dev	10%	\$ 920,610	\$ -	\$ 1,022,900	\$ 1,022,900	\$ -		Jun-11	Feb-12	
	Total	27%	\$ 3,170,990	\$ 204,580	\$ 2,966,410	\$ 2,156,899	\$ 809,511		Jun-11	Jan-13	
2009	Admin	4%	\$ 409,160	\$ -	\$ 409,160	\$ 409,160	\$ -	10/1/2010	May-11	Nov-11	9/30/2014
	SPM	10%	\$ 1,022,900	\$ 400,000	\$ 622,900	\$ -	\$ 622,900		Jul-12	Jan-13	
	TA	2%	\$ 204,580	\$ 204,580	\$ -	\$ -	\$ -		N/A	N/A	
	WHP	5%	\$ 511,450	\$ -	\$ 511,450	\$ -	\$ 511,450		Dec-12	Sep-13	
	Cap Dev	10%	\$ 1,022,900	\$ -	\$ 1,022,900	\$ 193,779	\$ 829,121		Jan-12	Sep-12	
	Total	27%	\$ 3,170,990	\$ 604,580	\$ 2,566,410	\$ 602,939	\$ 1,963,471		Jan-12	Sep-13	
2010^	Admin	4%	\$ 821,560	\$ -	\$ 821,560	\$ 645,224	\$ 176,336	1/1/2011	Sep-12	Dec-12	12/31/2014
	SPM	10%	\$ 2,053,900	\$ 500,000	\$ 1,553,900	\$ -	\$ 1,553,900		Dec-12	Jul-14	
	TA	2%	\$ 410,780	\$ 410,780	\$ -	\$ -	\$ -		N/A	N/A	
	WHP	5%	\$ 1,026,950	\$ -	\$ 1,026,950	\$ -	\$ 1,026,950		Jan-14	Dec-14	
	Cap Dev	10%	\$ 2,053,900	\$ -	\$ 2,053,900	\$ -	\$ 2,053,900		Aug-12	Oct-13	
	Total	27%	\$ 6,367,090	\$ 910,780	\$ 5,456,310	\$ 645,224	\$ 4,811,086		Aug-12	Dec-14	

2011	Admin	4%	\$ 570,080	\$ -	\$ 570,080	\$ -	\$ 570,080	3/1/2012	Sep-13	Jul-14	2/28/2016
	SPM	10%	\$ 1,425,200	\$ 1,425,200	\$ -	\$ -	\$ -		N/A	N/A	
	TA	2%	\$ 285,040	\$ 285,040	\$ -	\$ -	\$ -		N/A	N/A	
	WHP	5%	\$ 712,600	\$ -	\$ -	\$ -	\$ -		N/A	N/A	
	Cap Dev	10%	\$ 1,425,200	\$ -	\$ 1,425,200	\$ -	\$ 1,425,200		Sep-13	Jul-14	
	Total	27%	\$ 4,418,120	\$ 1,710,240	\$ 1,995,280	\$ -	\$ 1,995,280		Sep-13	Jul-14	
2012	Admin	4%	\$ 543,280	\$ -	\$ 543,280	\$ -	\$ 543,280	7/1/2012			6/30/2016
	SPM	10%	\$ 1,358,200	\$ 850,000	\$ 508,200	\$ -	\$ 508,200		Jun-14	Nov-15	
	TA	2%	\$ 271,640	\$ 271,640	\$ -	\$ -	\$ -		N/A	N/A	
	WHP	5%	\$ 679,100	\$ -	\$ -	\$ -	\$ -		N/A	N/A	
	Cap Dev	10%	\$ 1,358,200	\$ -	\$ 1,358,200	\$ -	\$ 1,358,200		Jun-14	May-16	
	Total	27%	\$ 4,210,420	\$ 1,121,640	\$ 2,409,680	\$ -	\$ 2,409,680		Jun-14	Nov-15	
	Set-Aside	% of Grant	Total Available	Total Reserved	Total Budgeted	Total Expended To Date	Total Remaining Balance	Grant Start Date	Expense Begin Date	Expense End Date	Grant End Date
Current Balance Totals**	Admin		\$ 3,166,560	\$ -	\$ 3,166,560	\$ 1,876,864	\$ 1,289,696				
	SPM		\$ 10,364,900	\$ 5,623,700	\$ 4,741,200	\$ 1,758,139	\$ 2,983,061				
	TA		\$ 2,072,980	\$ 1,866,320	\$ 206,660	\$ 191,907	\$ 14,753				
	WHP		\$ 4,163,820	\$ -	\$ 2,566,500	\$ 483,669	\$ 2,082,831				
	Cap Dev		\$ 7,710,780	\$ -	\$ 7,916,400	\$ 2,249,980	\$ 5,666,420				
	Total		\$ 27,479,040	\$ 7,490,020	\$ 18,597,320	\$ 6,560,559	\$ 12,036,761				

* 2007 and 2008 workplans originally budgeted with 6% WHP and 9% Cap Dev. Revised workplans submitted to change to 5% WHP and 10% Cap Dev.

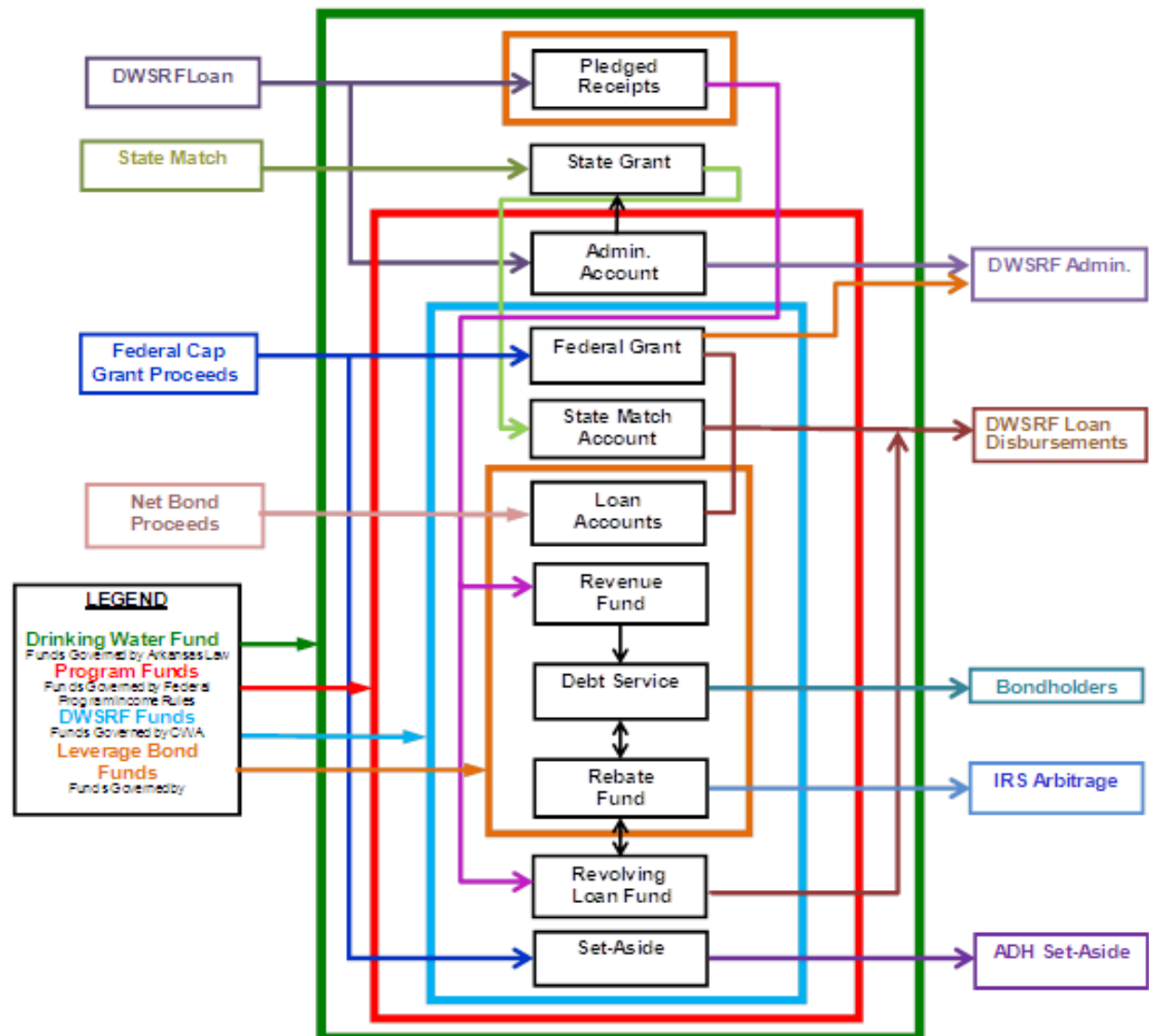
^ 2008 and 2010 workplans originally budgeted without full banking of TA set-aside

**** Totals are based on expenditures through May 31, 2012**

ADH Summary				
	SFY 2010 Actual Expenses	SFY 2011 Actual Expenses	SFY 2012 Projected Expenses	SFY 2013 Projected Expenses
Admin	\$ 677,763	\$ 332,117	\$ 352,293	\$ 400,000
SPM	\$ 994,675	\$ 902,122	\$ 1,071,478	\$ 1,116,000
TA	\$ 162,547	\$ 171,229	\$ 66,444	\$ -
WHP	\$ 449,871	\$ 502,556	\$ 565,060	\$ 854,887
Cap Dev	\$ 1,181,387	\$ 1,133,035	\$ 1,587,417	\$ 1,939,875
Total	\$ 3,466,242	\$ 3,041,059	\$ 3,642,691	\$ 4,310,762

ADH ULO Balances	
Start of SFY	Balance
2011	\$6,039,148
2012	\$10,122,205
2013 est.	\$8,154,045
2014 est.	\$6,290,461
2015 est.	\$5,262,191
2016 est.	\$4,743,633

SAFE DRINKING WATER FUND Cash Flow Diagram



Narrative for Flow-of-Funds Chart

Starting with the Federal cap grant funds, 96% plus State Match are used to make loan disbursements to borrowers.

The Set-Aside funds are Federal cap grant funds used for the Arkansas Department of Health Set-Asides. These funds are deposited into the set-aside account and transferred to ADH for expenses.

The other 4%, of course, is used for paying administration expenses.

Monthly installments of semi-annual loan repayments, principal and interest, are held in the Pledged Receipts account and the 1% financing fee goes into the Admin account.

When drinking water revenue bonds are issued, the remaining portion after expenses is net bond proceeds and goes into the Net Bond Proceeds account and disbursed to loan recipients.

Receipts are transferred from the Pledged Receipts account semi-annually to either the Revenue Fund or the Revolving Loan Fund account depending upon whether or not the loan is leveraged.

Revenue funds are transferred to the Debt Service Fund and from there, payments are made to wastewater revenue bondholders.

Revenue funds not needed for debt service requirements are transferred into the Revolving Loan Fund account.

Funds from the Revolving Loan Fund account are used to make qualified loans and for other eligible purposes.

Funds from the Admin account are used to pay administrative expenses and may also be used for State Match.

Chart 3

Arkansas Natural Resources Commission

SDWF Estimated Sources and Uses

	July 1, 2011 Thru June 30, 2012	July 1, 2012 Thru June 30, 2013
SOURCES		
RLF Revolving Loan Funds	\$ 19,617,020.72	\$ 30,882,089.09
Drinking Water Leveraged Funds		
<i>Par Amount</i>	\$ 24,375,000.00	\$ -
<i>Net Premium</i>	\$ 4,017,509.10	\$ -
<i>Issuer Contribution to Pay COI</i>	\$ 109,691.84	\$ -
Federal cap grant funds available:		
<i>Construction (69%): 2010 Cap Grant</i>	\$ 7,541,345.00	\$ -
<i>2011 Cap Grant</i>	\$ 6,128,360.00	\$ 6,128,360.00
<i>2012 Cap Grant</i>	\$ 5,586,160.00	\$ 5,586,160.00
ARRA Federal cap grant funds	\$ -	\$ -
Set-asides (31%):		
<i>DWSRF Program administration</i>	\$ 967,460.00	\$ 556,680.00
<i>State program management</i>	\$ 1,031,050.00	\$ 254,100.00
<i>SS Technical assistance</i>	\$ -	\$ -
<i>Local assistance and other State programs</i>	\$ 2,932,125.00	\$ 1,391,700.00
Set-Asides Sub-Total	\$ 4,930,635.00	\$ 2,202,480.00
State match		
<i>Additional State contributions</i>	\$ 4,837,300.00	\$ 2,783,400.00
<i>Interest earning on loans & investments</i>	\$ 2,569,142.00	\$ 2,247,388.92
<i>Principal repayments</i>	\$ 3,545,262.00	\$ 3,902,294.17
TOTAL SOURCES OF FUNDS	\$ 54,755,224.72	\$ 53,732,172.18
USES		
Total Loan Disbursements	\$ 20,131,767.42	\$ 29,062,696.78
Total ARRA Disbursements	\$ 125,216.00	\$ -
Set-aside Program's Disbursements		
<i>DWSRF Administration</i>	\$ 102,293.00	\$ 360,000.00
<i>State Program Management PWSS</i>	\$ 940,277.34	\$ 1,128,422.24
<i>SS Technical Assistance</i>	\$ 51,691.04	\$ -
<i>Local Assistance/Other State Programs</i>	\$ 1,670,044.83	\$ 2,599,011.52
Total Set-Aside Disbursements	\$ 2,764,306.21	\$ 4,087,433.76
Drinking Water Leveraged Bond Debt Service		
<i>Principal</i>	\$ -	\$ -
<i>Interest</i>	\$ 654,349.68	\$ 1,166,166.88
Amortized Issuance Costs		
<i>Cost of Issuance</i>	\$ 109,691.84	\$ -
<i>Underwriter's Discount</i>	\$ 87,804.48	\$ -
Resources carried forward to following year	\$ 30,882,089.09	\$ 19,415,874.76
TOTAL USES OF FUNDS	\$ 54,755,224.72	\$ 53,732,172.18
NOTE:		
TOTAL SOURCES OF FUNDS	\$ 54,755,224.72	\$ 53,732,172.18
Less Undrawn Set-Aside Program funds brought forward	\$ 8,277,025.36	\$ 6,392,071.60
Less Undisbursed funds for Loans Closed & Commission Approved	\$58,145,560.88	\$29,082,864.10
FUNDS AVAILABLE FOR NEW LOANS	\$ (11,667,361.52)	\$ 18,257,236.48

Chart 4 - 1

SDWF Comparison of Grant Payments, State Match and Set-Asides (State Fiscal Year)

SFY	Quarter		State Match	2007 GRANT			2008 GRANT			2009 GRANT			Grant Payment - These Grants		
				Total Payment	Set-Asides	Loans	Total Payment	Set-Asides	Loans	Total	Set-Asides	Loans	Total Payment	Set-Asides	Loans
2009	Jul/Sep	1													
	Oct/Dec	2	516,660	2,583,250	800,808	1,782,443							2,583,250	800,808	1,782,443
	Jan/Mar	3	516,660	2,583,250	800,808	1,782,443							2,583,250	800,808	1,782,443
	Apr/Jun	4	516,660	2,583,250	800,808	1,782,443							2,583,250	800,808	1,782,443
2010	Jul/Sep	1	516,660	2,583,250	800,808	1,782,443							2,583,250	800,808	1,782,443
	Oct/Dec	2	2,045,800				2,557,250	741,602	1,815,648				2,557,250	741,602	1,815,648
	Jan/Mar	3					2,557,250	741,602	1,815,648				2,557,250	741,602	1,815,648
	Apr/Jun	4					2,557,251	741,603	1,815,648				2,557,251	741,603	1,815,648
2011	Jul/Sep	1	2,045,800				2,557,251	741,603	1,815,648	2,557,250	641,602	1,915,647	5,114,501	1,383,205	3,731,295
	Oct/Dec	2								2,557,250	641,602	1,915,647	2,557,250	641,602	1,915,647
	Jan/Mar	3								2,557,250	641,603	1,915,648	2,557,250	641,603	1,915,648
	Apr/Jun	4								2,557,250	641,603	1,915,648	2,557,250	641,603	1,915,648
TOTALS			6,158,240	10,333,000	3,203,230	7,129,770	10,229,000	2,966,410	7,262,590	10,229,000	2,566,410	7,662,590	30,791,000	8,736,050	22,054,950

SFY	Quarter		State Match	2010 Grant			2011 GRANT			2012 GRANT			Grant Payment - These Grants		
				Total Payment	Set-Asides	Loans	Total Payment	Set-Asides	Loans	Total	Set-Asides	Loans	Total Payment	Set-Asides	Loans
	Previous Grants Totals		20,866,640										101,105,300	30,086,763	71,018,537
2011	Apr/Jun	4	2,053,900	10,269,500	2,728,155	7,541,345							10,269,500	2,728,155	7,541,345
2012	Jul/Sep	1													
	Oct/Dec	2	2,053,900	10,269,500	2,728,155	7,541,345							10,269,500	2,728,155	7,541,345
	Jan/Mar	3													
	Apr/Jun	4	2,783,400				7,126,000	997,640	6,128,360	6,791,000	1,204,840	5,586,160	13,917,000	2,202,480	11,714,520
2013	Jul/Sep	1	2,070,800				3,563,000	498,820	3,064,180	6,791,000	1,204,840	5,586,160	10,354,000	1,703,660	8,650,340
	Oct/Dec	2	712,600				3,563,000	498,820	3,064,180				3,563,000	498,820	3,064,180
	Jan/Mar	3													
	Apr/Jun	4													
TOTALS			36,699,480	20,539,000	5,456,310	15,082,690	14,252,000	1,995,280	12,256,720	13,582,000	2,409,680	11,172,320	180,269,300	48,684,083	131,585,217

Chart 4 - 2

SDWF Comparison of Grant Payments, Required Binding Commitments, and Actual Binding Commitments

SFY	Quarter		State Match	Qtrly Grant Payment - All Grants			Cum. Grant Payment - All Grants			* Binding Commit.	Cum. Bind. Commit.	Binding Commit.	Cum. Bind. Commit.	%
				Total Payment	Set-Asides	Loans	Total Payment	Set-Asides	Loans	Required	Required	Actual	Actual	Actual/Required
2007	Jul/Sep	1	-	2,242,525	695,182	1,547,343	84,044,525	24,797,922	59,246,603	1,995,848	76,055,508		88,249,011	116.00
	Oct/Dec	2	-	2,242,525	695,183	1,547,342	86,287,050	25,493,105	60,793,945	1,995,847	78,051,355	450,000	88,699,011	113.60
	Jan/Mar	3	-	2,242,525	695,183	1,547,342	88,529,575	26,188,288	62,341,287	1,995,847	80,047,202		88,699,011	110.80
	Apr/Jun	4	-	2,242,525	695,183	1,547,342	90,772,100	26,883,471	63,888,629	1,995,847	82,043,049	5,750,000	94,449,011	115.10
2008	Jul/Sep	1	-	-	-	-	90,772,100	26,883,471	63,888,629	-	82,043,049		94,449,011	115.10
	Oct/Dec	2	2,066,640	2,583,300	800,823	1,782,477	93,355,400	27,684,294	65,671,106	2,299,137	84,342,186	13,000,000	107,449,011	127.40
	Jan/Mar	3	-	2,583,300	800,823	1,782,477	95,938,700	28,485,117	67,453,583	2,299,137	86,641,323	1,500,000	108,949,011	125.70
	Apr/Jun	4	-	2,583,300	800,823	1,782,477	98,522,000	29,285,940	69,236,060	2,299,137	88,940,460	8,400,000	117,349,011	131.90
2009	Jul/Sep	1		2,583,300	800,823	1,782,477	101,105,300	30,086,763	71,018,537	2,299,137	91,239,597	5,000,000	122,349,011	134.10
	Oct/Dec	2	516,660	2,583,250	800,808	1,782,443	103,688,550	30,887,571	72,800,980	2,299,093	93,538,690	2,420,000	124,769,011	133.40
	Jan/Mar	3	516,660	2,583,250	800,808	1,782,443	106,271,800	31,688,378	74,583,422	2,299,093	95,837,782		124,769,011	130.20
	Apr/Jun	4	516,660	2,583,250	800,808	1,782,443	108,855,050	32,489,186	76,365,865	2,299,093	98,136,875		124,769,011	127.10
2010	Jul/Sep	1	516,660	2,583,250	800,808	1,782,443	111,438,300	33,289,993	78,148,307	2,299,093	100,435,967	500,000	125,269,011	124.70
	Oct/Dec	2	2,045,800	2,557,250	741,602	1,815,648	113,995,550	34,031,595	79,963,955	2,327,097	102,763,064	17,765,000	143,034,011	139.20
	Jan/Mar	3		2,557,250	741,602	1,815,648	116,552,799	34,773,197	81,779,602	2,327,097	105,090,162		143,034,011	136.10
	Apr/Jun	4		2,557,251	741,603	1,815,648	119,110,050	35,514,800	83,595,250	2,327,098	107,417,259	500,000	143,534,011	133.60
2011	Jul/Sep	1		5,114,501	1,383,205	3,731,295	124,224,550	36,898,005	87,326,544	4,754,195	112,171,454	14,250,000	157,784,011	140.70
	Oct/Dec	2	2,045,800	2,557,250	641,602	1,915,647	126,781,800	37,539,607	89,242,191	2,427,097	114,598,551		157,784,011	137.70
	Jan/Mar	3		2,557,250	641,603	1,915,648	129,339,050	38,181,210	91,157,839	2,427,098	117,025,649	6,500,000	164,284,011	140.40
	Apr/Jun	4	2,053,900	12,826,750	3,369,758	9,456,993	142,165,800	41,550,968	100,614,832	12,022,343	129,047,992		164,284,011	127.30
2012	Jul/Sep	1					142,165,800	41,550,968	100,614,832	-	129,047,992	4,000,000	168,284,011	130.40
	Oct/Dec	2	2,053,900	10,269,500	2,728,155	7,541,345	152,435,300	44,279,123	108,156,177	9,595,245	138,643,237	27,050,000	195,334,011	140.90
	Jan/Mar	3					152,435,300	44,279,123	108,156,177	-	138,643,237	-	195,334,011	140.90
	Apr/Jun	4	2,783,400	13,917,000	2,202,480	11,714,520	166,352,300	46,481,603	119,870,697	14,497,920	153,141,157	-	195,334,011	127.60
2013	Jul/Sep	1	2,070,800	10,354,000	1,703,660	8,650,340	176,706,300	48,185,263	128,521,037	10,721,140	163,862,297	-	195,334,011	119.20
	Oct/Dec	2	712,600	3,563,000	498,820	3,064,180	180,269,300	48,684,083	131,585,217	3,776,780	167,639,077	-	195,334,011	116.50
	Jan/Mar	3					180,269,300	48,684,083	131,585,217	-	167,639,077	-	195,334,011	116.50
	Apr/Jun	4					180,269,300	48,684,083	131,585,217	-	167,639,077	-	195,334,011	116.50
TOTALS			36,699,480	180,269,300	48,684,083	131,585,217	*Note: Required B/C amount is the total of state match, Federal grant payments not allocated to set-asides and any unspecified set-asides transferred back to the loan account lagged by one year.							

SDWF DWSRF Binding Commitments (BC)

	Project Name/ Communities Served	Special Status	EQU / NON-EQU PROJ	Binding Commitment Date	Actual and Projected Binding Commitments						
					Prior to SFY 2012	State Fiscal Year 2012					CUMULATIVE TOTALS
						QTR 1 Jul-Sept 11	QTR 2 Oct-Dec 11	QTR 3 Jan-Mar 12	QTR 4 Apr-Jun 12	ANNUAL TOTALS	
1	Central Arkansas Water #2	No	E	07/11/11		\$4,000,000	\$0	\$0	\$0	\$4,000,000	
2	Wye Mountain WFB	D, S	E	11/15/11		\$0	\$2,050,000	\$0	\$0	\$2,050,000	
3	Jacksonville	No	E	11/04/11		\$0	\$25,000,000	\$0	\$0	\$25,000,000	
4	Norman	D, S	E	06/22/12		\$0	\$0	\$0	\$2,100,000	\$2,100,000	
1	DWSRF BC Quarterly Totals					\$4,000,000	\$27,050,000	\$0	\$2,100,000	\$31,050,000	
2	DWSRF BC Cumulative Totals				\$164,284,011	\$168,284,011	\$195,334,011	\$195,334,011	\$197,434,011		\$197,434,011
3	SSAF BC Quarterly Totals Less Program Admin (ADH)				\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	Program Admin BC Quarterly Totals				\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	SDWF BC Quarterly Commitments (1 + 3 + 4)					\$4,000,000	\$27,050,000	\$0	\$2,100,000	\$31,050,000	\$195,334,011
6	SDWF BC Cumulative Commitments				\$164,284,011	\$168,284,011	\$195,334,011	\$195,334,011	\$197,434,011		
7	* Required Binding Commitments - Quarterly					\$0	\$9,595,245	\$0	\$14,497,920	\$24,093,165	
8	* Required Binding Commitments - Cumulative				\$129,047,992	\$129,047,992	\$138,643,237	\$138,643,237	\$153,141,157		\$153,141,157
	DWSRF BC Cumulative Totals										
9	as a % of Required BC Cumulative (2 / 8)				127%	130%	141%	141%	129%		
10	DWSRF BC Quarterly Totals					\$4,000,000	\$27,050,000	\$0	\$2,100,000	\$33,150,000	
11	DWSRF BC Cumulative Totals				\$164,284,011	\$168,284,011	\$195,334,011	\$195,334,011	\$197,434,011		\$197,434,011
12	Cumulative Grant Amount Allocated to Loans				\$76,509,395	\$78,291,837	\$80,056,340	\$81,820,842	\$83,585,345		\$83,585,345
	DWSRF BC Cumulative Totals										
13	as a % of Cum. Grant Amount Allocated to Loans (11 / 12)				215%	215%	244%	239%	236%		
*Note: Required B/C amount is the total of state match, Federal grant payments not allocated to set-asides and any unspecified set-asides transferred back to the loan account lagged by one year.											
**Note the Binding Commitment amounts are Commission Approved Amounts NOT Project Costs											
<div>Special Status</div> <div>D = Disadvantaged Community</div> <div>S = Small System</div>											

Special Status

D = Disadvantaged Community

S = Small System

SDWF DWSRF Binding Commitments (BC)

	Project Name/ Communities Served	Special Status	EQU / NON-EQU PROJ	Binding Commitment Date	Projected Binding Commitments						CUMULATIVE TOTALS
					Prior to SFY 2013	State Fiscal Year 2013					
						QTR 1 Jul-Sept 12	QTR 2 Oct-Dec 12	QTR 3 Jan-Mar 13	QTR 4 Apr-Jun 13	ANNUAL TOTALS	
1	Paron-Owensville Water Authority	D, S	E	07/20/12		\$2,000,000	\$0	\$0	\$0	\$2,000,000	
2	McNeil	D, S	E	10/01/12		\$0	\$1,700,000	\$0	\$0	\$1,700,000	
3	Stephens	D, S	E	06/30/13		\$0	\$0	\$0	\$2,900,000	\$2,900,000	
4	City of Flippin	D, S	E	06/30/13		\$0	\$0	\$0	\$2,000,000	\$2,000,000	
5	Old Bella Vista	D, S	E	06/30/13		\$0	\$0	\$0	\$600,000	\$600,000	
6	City of Winthrop	D, S	E	06/30/13		\$0	\$0	\$0	\$1,680,000	\$1,680,000	
7	Chidester Waterworks	D, S	E	06/30/13		\$0	\$0	\$0	\$1,700,000	\$1,700,000	
8	Bradley	D,S	E	06/30/13		\$0	\$0	\$0	\$1,700,000	\$1,700,000	
9	City of Bryant	No	E	06/30/13		\$0	\$0	\$0	\$2,000,000	\$2,000,000	
10	Scranton	TBD	E	06/30/13		\$0	\$0	\$0	\$4,900,000	\$4,900,000	
11	Wilton Waterworks	D,S	E	06/30/13		\$0	\$0	\$0	\$1,200,000	\$1,200,000	
1	DWSRF BC Quarterly Totals					\$2,000,000	\$1,700,000	\$0	\$18,680,000	\$22,380,000	
2	DWSRF BC Cumulative Totals				\$197,434,011	\$199,434,011	\$201,134,011	\$201,134,011	\$219,814,011		\$219,814,011
3	SSAF BC Quarterly Totals Less Program Admin (ADH)				\$0	\$952,736	\$952,736	\$952,736	\$952,736	\$3,810,943	\$3,810,943
4	Program Admin BC Quarterly Totals				\$0	\$436,353	\$436,353	\$436,353	\$436,353	\$1,745,413	\$1,745,413
5	SDWF BC Quarterly Commitments (1 + 3 + 4)					\$3,389,089	\$3,089,089	\$1,389,089	\$20,069,089	\$27,936,356	\$225,370,367
6	SDWF BC Cumulative Commitments				\$197,434,011	\$200,823,100	\$203,912,189	\$205,301,278	\$225,370,367		
7	* Required Binding Commitments - Quarterly					\$2,299,093	\$2,275,953	\$2,275,953	\$2,275,953	\$9,126,950	
8	* Required Binding Commitments - Cumulative				\$153,141,157	\$155,440,250	\$157,716,202	\$159,992,155	\$162,268,107		\$162,268,107
	DWSRF BC Cumulative Totals										
9	as a % of Required BC Cumulative (2 / 8)				151%	128%	128%	126%	135%		
10	DWSRF BC Quarterly Totals					\$2,000,000	\$1,700,000	\$0	\$18,680,000	\$22,380,000	
11	DWSRF BC Cumulative Totals				\$197,434,011	\$199,434,011	\$201,134,011	\$201,134,011	\$219,814,011		\$219,814,011
12	Cumulative Grant Amount Allocated to Loans				\$83,585,345	\$83,950,436	\$85,866,084	\$87,781,731	\$96,783,334		\$96,783,334
	DWSRF BC Cumulative Totals										
13	as a % of Cum. Grant Amount Allocated to Loans (11 / 12)				177%	238%	234%	229%	227%		
*Note: Required B/C amount is the total of state match, Federal grant payments not allocated to set-asides and any unspecified set-asides transferred back to the loan account lagged by one year.											
**Note the Binding Commitment amounts are Commission Approved Amounts NOT Project Costs											
Special Status D = Disadvantaged Community S = Small System											

Chart 6-1

SDWF ACTUAL DISBURSEMENTS SFY 2012							
	PREVIOUS DISB.	QTR 1 July - Sept	QTR 2 Oct - Dec	QTR 3 Jan - Mar	QTR 4 Apr - June	ANNUAL TOTALS	CUMULATIVE TOTALS
LOAN DISBURSEMENTS							
Cash Draws From EPA for Loans		3,479,617	1,617,872	415,360	2,519,473	8,032,322	
Cum Cash Draws from EPA	97,072,959	100,552,576	102,170,448	102,585,808	105,105,281		105,105,281
State Share of Loan Disbursements		232,774	1,216,469	79,106	2,597,349	4,125,697	
Cum. State Share of Ln. Disbursements	26,933,720	27,166,494	28,382,963	28,462,069	31,059,417		31,059,417
Loan Repayments Fund		2,440,394	2,283,002	3,250,351	-	7,973,748	
Cum Loan Repayments Fund	14,080,004	16,520,398	18,803,401	22,053,752	22,053,752		22,053,752
Total RLF Loan Disbursements		6,152,785	5,117,343	3,744,817	5,116,822	20,131,767	
Cum. RLF Loan Disbursements	138,086,683	144,239,468	149,356,811	153,101,628	158,218,450		158,218,450
Cum ACH Draws as a % of Cum. Disb.		70%	68%	67%	66%		
ADMINISTRATION AND SET-ASIDE DISBURSEMENTS							
State Share Program Administration							
Program Administration (4%)	5,173,559	101,356	937	-	-	102,293	5,275,852
State Program Management (10%)(PWSS)	10,928,392	285,571	263,432	231,490	159,784	940,277	11,868,669
Small Systems Technical Assistance (2%)	2,162,322	21,762	14,798	8,944	6,188	51,691	2,214,013
Local Assistance and Other (15%)	-					-	-
Source Water Protection D/A (10%)	1,255,880	-	-	-	-	-	1,255,880
Wellhead Protection	6,188,069	132,804	119,018	115,098	85,922	452,841	6,640,910
Capacity Development	8,780,723	322,807	361,242	308,778	224,377	1,217,204	9,997,927
Prog Admin. and Set-Aside Disbursements		800,516	617,608	684,793	919,268	2,764,306	
Cum Adm. and Set-Aside Disb.	34,488,945	35,289,461	35,907,068	36,591,862	37,511,129		37,253,251
Cum ACH Draw as a % of Cum. Disb.	20%	20%	19%	19%	19%		
OUTSIDE REVOLVING LOAN FUNDS							
Outside RLF Funds		-	9,267	-	14	9,281	
Cum. Outside RLF	3,053,663	3,053,663	3,062,930	3,062,930	3,062,944		3,062,944
TOTAL DISBURSEMENTS:							
Cash Draw From EPA/ACH		3,580,973.66	1,618,808	415,360	2,519,473	8,134,615	
Cum Cash Draw From EPA/ACH	97,072,959	100,653,932	102,272,741	102,688,101	105,207,574		105,207,574
State Share of Disbursements		232,774	1,216,469	79,106	2,597,349	4,125,697	
Cum State Share of Disbursements	26,933,720	27,166,494	28,382,963	28,462,069	31,059,417		31,059,417
Loan Repayments Fund		2,440,394	2,283,002	3,250,351	-	7,973,748	
Cum Loan Repayments Fund	14,080,004	16,520,398	18,803,401	22,053,752	22,053,752		22,053,752
Outside RLF Funds		-	9,267	-	14	9,281	
Cum Outside RLF Share of Disbursements	3,053,663	3,053,663	3,062,930	3,062,930	3,062,944		3,062,944
Total Disbursements		6,254,141	5,127,546	3,744,817	5,116,836	20,243,341	
Cum Total Disbursements	141,140,346	147,394,487	152,522,033	156,266,850	161,383,687		161,383,687
Cum EPA/ACH Draw as a % of Total	69%	68%	67%	66%	65%		
Federal EPA/ACH Available:							
Cum Before ADM & RLF Disb.	142,165,800	142,165,800	152,435,300	152,435,300	166,352,300		
Cum After ADM & RLF Disb.	45,092,841	41,511,868	50,162,559	49,747,199	61,144,726		

Chart 6 - 2

PROJECTED DISBURSEMENTS SFY 2013							
	PREVIOUS DISB.	QTR 1 July - Sept	QTR 2 Oct - Dec	QTR 3 Jan - Mar	QTR 4 Apr - June	ANNUAL TOTALS	CUMULATIVE TOTALS
LOAN DISBURSEMENTS							
Cash Draws From EPA for Loans		4,909,130	4,464,098	4,260,124	3,953,524	17,586,876	
Cum Cash Draws from EPA	105,105,281	110,014,411	114,478,509	118,738,633	122,692,157		122,692,157
State Share of Loan Disbursements	-	984,183	894,963	854,071	792,603	3,525,820	
Cum. State Share of Ln. Disbursements	31,059,417	32,043,601	32,938,564	33,792,635	34,585,238		34,585,238
Loan Repayments Fund	-	1,800,000	1,900,000	2,350,000	1,900,000	7,950,000	
Cum Loan Repayments Fund	22,053,752	23,853,752	25,753,752	28,103,752	30,003,752		30,003,752
Total RLF Loan Disbursements	-	7,693,313	7,259,061	7,464,195	6,646,127	29,062,697	
Cum. RLF Loan Disbursements	158,218,450	165,911,763	173,170,824	180,635,019	187,281,147		187,281,147
Cum ACH Draws as a % of Cum. Disb.	70%	66%	66%	66%	66%		
ADMINISTRATION AND SET-ASIDE DISBURSEMENTS							
State Share Program Administration	-	-	-	-	-	-	-
Program Administration (4%)	5,275,852	90,000	90,000	90,000	90,000	360,000	5,635,852
State Program Management (10%)(PWSS)	11,868,669	282,106	282,106	282,106	282,106	1,128,422	12,997,092
Small Systems Technical Assistance (2%)	2,214,013	-	-	-	-	-	2,214,013
Local Assistance and Other (15%)	-	-	-	-	-	-	-
Source Water Protection D/A (10%)	1,255,880	-	-	-	-	-	1,255,880
Wellhead Protection	6,640,910	197,452	197,452	197,452	197,452	789,807	7,430,717
Capacity Development	9,997,927	452,301	452,301	452,301	452,301	1,809,205	11,807,131
Adm. and Set-Aside Disbursements	-	1,021,858	1,021,858	1,021,858	1,021,858	4,087,434	
Cum Adm. and Set-Aside Disb.	37,253,251	38,275,109	39,296,968	40,318,826	41,340,685		41,340,685
Cum ACH Draw as a % of Cum. Disb.		19%	18%	18%	18%		
OUTSIDE REVOLVING LOAN FUNDS							
Outside RLF Funds		25,000	15,000	20,000	15,000	75,000	
Cum. Outside RLF	3,062,944	3,087,944	3,102,944	3,122,944	3,137,944		3,137,944
TOTAL DISBURSEMENTS:							
Cash Draw From EPA/ACH		4,999,130	4,554,098	4,350,124	4,043,524	17,946,876	
Cum Cash Draw From EPA/ACH	105,105,281	110,104,411	114,658,509	119,008,633	123,052,157		123,052,157
State Share of Disbursements	-	984,183	894,963	854,071	792,603	3,525,820	
Cum State Share of Disbursements	31,059,417	32,043,601	32,938,564	33,792,635	34,585,238		34,585,238
Loan Repayments Fund	-	1,800,000	1,900,000	2,350,000	1,900,000	7,950,000	
Cum Loan Repayments Fund	22,053,752	23,853,752	25,753,752	28,103,752	30,003,752		30,003,752
Outside RLF Funds	-	25,000	15,000	20,000	15,000	75,000	
Cum Outside RLF Share of Disbursements	3,062,944	3,087,944	3,102,944	3,122,944	3,137,944		3,137,944
Total Disbursements		7,808,313	7,364,061	7,574,195	6,751,127	29,497,697	
Cum Total Disbursements	161,281,394	169,089,707	176,453,768	184,027,963	190,779,091		190,779,091
Cum EPA/ACH Draw as a % of Total	70%	65%	65%	65%	64%		
Federal EPA/ACH Available:							
Cum Before ADM & RLF Disb.	166,352,300	176,706,300	180,269,300	180,269,300	180,269,300		
Cum After ADM & RLF Disb.	61,144,726	71,498,726	75,061,726	75,061,726	75,061,726		

Chart 7-1 - SFY2013 Drinking Water Project Fundable Priority List

No.	Year	Project Name	Total Points	PWS ID.	Population	Small System (Y/N)	MHI	Project Cost	Est. Binding Commitment Date	Estimated Loan Closing Date	Project Description
1	2012	Old Bella Vista POA	95	753	103	YES	\$30,700.00	\$600,000	11/8/2012	11/8/2012	Connection to the City of Bentonville
2	2009	Paron-Owensville Water Authority	74	883	1,825	YES	\$25,340.00	\$1,477,365	7/20/2012	8/14/2012	New Water Treatment Plant
3	2012	Scranton	73	330	1,100	YES	\$24,500.00	\$5,974,000	6/30/2013	6/30/2013	Connection to the City of Clarksville - Transmission Facility
4	2012	McNeil Waterworks	45	110	595	YES	\$21,250.00	\$1,553,863	10/1/2012	10/1/2012	Distribution System Replacement
5	2012	Norman Waterworks	45	391	850	YES	\$16,875.00	\$2,000,000	6/22/2012	6/22/2012	Distribution System Replacement - To replace a total of 129,985 feet of water main along with associated appurtenances.
6	2012	Stephens Waterworks	45	405	1,379	YES	\$30,821.00	\$2,754,771	10/15/2012	11/15/2012	Distribution System Replacement
7	2012	Bradley Waterworks	37	294	502	YES	\$24,632.00	\$1,533,711	6/30/2013	6/30/2013	Distribution System Replacement
8	2012	City of Winthrop	35	642	474	YES	\$32,250.00	\$1,633,098	6/30/2013	6/30/2013	Distribution System Replacement
9	2012	Chidester Waterworks	32	403	335	YES	\$28,000.00	\$1,643,716	6/30/2013	6/30/2013	Distribution System Replacement
10	2007	City of Flippin	25	351	3,325	YES	\$28,942.00	\$2,000,000	6/30/2013	6/30/2013	Storage/Distribution Improvements
11	2012	Wilton Waterworks	29	321	534	YES	\$30,625.00	\$1,163,082	6/30/2013	6/30/2013	Distribution System Replacement
12	2012	City of Bryant	21	486	15,382	NO	\$54,521.00	\$2,000,000	6/30/2013	6/30/2013	Automated Meter Reading System & Replacement

Chart 7-1 - SFY2013 Drinking Water Project Fundable Priority List

No.	Year	Project Name	Term	Interest Rate	Green Project Reserve			Additional Subsidy			Federal Crosscutters (CE or FNSI)	FFATA (Transparency Reporting)	Status of Project
					Green Identifier	Green Project Reserve Amt	GPR Category	Sustainability Policy	Principal Forgiveness Amt	Disadvantaged (Y/N)			
1	2012	Old Bella Vista POA	TBD	TBD	NA	NA	NA	TBD	\$600,000	YES	FONSI	SFY2011	ANRC Funding
2	2009	Paron-Owensville Water Authority	TBD	2.75%	NA	NA	NA	TBD	NA	YES	FONSI	SFY2011	ANRC Funding
3	2012	Scranton	TBD	TBD	NA	NA	NA	TBD	NA	YES	TBD	SFY2012	ANRC Funding
4	2012	McNeil Waterworks	20 yrs	3.25%	Categorical	\$1,171,663	Water Efficiency	Fix it First	\$1,700,000	YES	FONSI	SFY2011	ANRC Funding
5	2012	Norman Waterworks	20 yrs	3.25%	Categorical	\$2,310,000	Water Efficiency	Fix it First	\$2,310,000	YES	FONSI	SFY2011	ANRC Funding
6	2012	Stephens Waterworks	TBD	3.25%	Categorical	\$2,112,271	Water Efficiency	Fix it First	\$2,900,000	YES	FONSI	SFY2011	ANRC Funding
7	2012	Bradley Waterworks	TBD	TBD	NA	NA	NA	Fix it First	\$1,700,000	YES	TBD	SFY2011	ANRC Funding
8	2012	City of Winthrop	TBD	TBD	Categorical	\$1,633,098	Water Efficiency	Fix it First	\$1,400,000	YES	TBD	SFY2011	ANRC Funding
9	2012	Chidester Waterworks	TBD	TBD	Categorical	\$1,643,716	Water Efficiency	Fix it First	\$1,700,000	YES	TBD	SFY2011	ANRC Funding
10	2007	City of Flippin	TBD	2.75%	NA	NA	NA	Fix it First	NA	YES	TBD	SFY2012	ANRC Funding
11	2012	Wilton Waterworks	TBD	TBD	TBD	TBD	TBD	TBD	\$1,000,000	YES	TBD	SFY2012	ANRC Funding
12	2012	City of Bryant	TBD	TBD	Categorical	\$2,000,000	Water Efficiency	TBD	NA	NO	TBD	SFY2012	ANRC Funding

2010 Cap Grant Requirements:			\$20,539,000	
Projects	Green	\$4,107,800	Add'l Sub	\$6,161,700
Stephens Waterworks	Yes	\$2,112,271	Yes	\$2,900,000
Norman Waterworks	Yes	\$2,310,000	Yes	\$2,310,000
McNeil Waterworks	Yes	\$1,171,663	Yes	\$951,700
Grand Totals	Green	\$5,593,934	Add'l Sub	\$6,161,700

2011 Cap Grant Requirements:			\$14,252,000	
Projects	Green	\$2,850,400	Add'l Sub	\$4,275,600
McNeil Waterworks	No	\$0	Yes	\$748,300
City of Winthrop	Yes	\$1,400,000	Yes	\$1,400,000
Chidester Waterworks	Yes	\$1,643,716	Yes	\$1,700,000
Bradley	No	\$0	Yes	\$427,300
Grand Totals	Green	\$3,043,716	Add'l Sub	\$4,275,600

2012 Cap Grant Requirements:			\$13,582,000	
Projects	Green	\$1,358,200	Add'l Sub	\$2,716,400
Bryant	Yes	\$2,000,000	No	\$0
Bradley	No	\$0	Yes	\$1,272,700
Old Bella Vista	No	\$0	Yes	\$600,000
Wilton Waterworks	No	\$0	Yes	\$1,000,000
Grand Totals	Green	\$2,000,000	Add'l Sub	\$2,872,700

APPENDICES

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graph TD; A[APPENDICES] --> B[Appendix A  
Priority Setting Procedures for Drinking Water State  
Revolving Loan Fund and  
Project Priority List]; B --> C[Appendix B  
Public Notices and Comments]; C --> D[Appendix C  
EPA Assurances];
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Appendix A

***Priority Setting Procedures for Drinking Water State
Revolving Loan Fund and
Project Priority List***

Appendix B

Public Notices and Comments

Appendix C

EPA Assurances

Appendix A

Priority Setting Procedures for Drinking Water State Revolving Loan Fund

Priority Points shall be used for ranking proposed drinking water projects for eligibility for funding from the Drinking Water State Revolving Loan Fund (Fund). The points system presented below will be used.

A project otherwise determined to be eligible under the Fund may not receive funding for improvements that were not included in the original project for which priority points were assigned. The additional unranked improvements must rely on alternate funding sources for these improvements, or wait for the next funding cycle for a new point's assessment. Fundable projects proposing to omit specific improvements for which points were assigned must show that this will not compromise public health and will not otherwise impair the water system's capacity when compared to the original project. Acceptable downsized projects will be reassessed and reranked under the priority ranking system, possibly resulting in a lower priority status.

PRIMARY MCL VIOLATIONS FACTORS	POINTS
1. Surface Water or Groundwater under the direct influence of surface water with no filtration	100
2. Treatment technique violations, microbiological MCL violations	
a. Total points for first two violations	100
b. Points for additional violations after first two	5
c. Points for imminent violation of future regulation	50
3. Acute Chemical Violations	
a. Total points for first two violations	100
b. Points for additional violations after first two	5
c. Points for imminent violation of future regulation	50
4. New Service Areas for area(s) with contaminated private drinking water sources	
a. Points for Microbial Contamination	100
b. Points for Acute Chemicals	100
c. Points for Other Chemicals	50
5. Chemical MCL Violations	
a. Total points for first two violations	50
b. Points for additional violations after first two	5
c. Points for imminent violation of future regulation	50
SOURCE VULNERABILITY FACTOR	POINTS
1. Vulnerable to point or non-point upstream discharge	
a. Microbiological	25
b. Industrial, agricultural, or mineral	15
c. Unprotected watershed	15
CONSOLIDATION / INTERCONNECTION FACTOR	POINTS
1. Consolidation with an existing system	

< 40 service connections	50
41 – 200	40
201 - 1,320	30
1,321 - 4,000	20
> 4,000	10
2. Interconnection with an existing system	
< 40 service connections	25
41 – 200	20
201 - 1,320	15
1,321 - 4,000	10
> 4,000	5
AFFORDABILITY FACTOR	POINTS
1. Total Population Served: Service Connections < 1,321	10
2. Affordability Ratio	
a) > 2.49 %	15
b) 2.0 % - 2.49 %	12
c) 1.5 % - 1.99 %	9
d) 1.0 % - 1.49 %	6
e) <1.0 %	3
OTHER DEFICIENCIES FACTOR	POINTS
1. Secondary MCL violation	25
2. Quantity deficiencies	
Continual/frequent outages	25
Peak demand/daily shortages	20
Peak demand/seasonal shortages	10
Peak demand/sporadic shortages	5
3. Design deficiencies	
Disinfection	10
Chemical Feed	8
Mixing	8
Clarification	8
Filtration	8
Storage	8
Distribution/low pressures	10
Distribution/deteriorated mains	8
Distribution/unaccounted for water	8
Treatment capacity	8
Intake structure	8
Well construction	10

Eligibility for Priority Points

Projects for public water systems shall not be eligible for points in any category unless they meet the requirements specified below for that category. Should two or more projects accumulate the same number of points, priority will be given beginning with the project serving the least population and moving to the project serving the next higher population, until all projects with that point total are prioritized.

It should be noted that discretion will be used in the awarding of points in the following categories. If a public water system is accumulating violations due to negligence or inattention on the part of the system, points will not be awarded. The system must be taking reasonable actions to achieve compliance.

Primary MCL Violations Factors

1. Surface Water or Ground Water under the direct influence of surface water with inadequate filtration.

Points will be awarded only for a water system that currently is required by the Safe Drinking Water Act to provide filtration, and the system does not have a filtration system that complies with the Safe Drinking Water Act regulations. In the case of consolidating systems where the project applicant does not qualify, but one of the consolidating systems does, then points will be awarded based on the consolidating system. If there are multiple consolidating systems within the same project which are SW or GWUDI, then an additional five (5) points will be awarded for each system after the first.

2. Treatment technique violations and microbiological MCL violations.

Points will be awarded only for a water system that has had more than one treatment technique or microbiological MCL violation of the Safe Drinking Water Act during the eighteen months proceeding the date of the most recent ranking questionnaire.

Each microbiological MCL violation and treatment technique violation will be counted as an individual violation, even if they occur in the same month. Points can be awarded for multiple violations of the same type or in combination with other violation types, (e.g.; if a system had both a microbiological MCL and a treatment technique violation in the same month, they would get points for two violations in that month.).

2.a. One hundred (100) points total will be awarded for the first two (2) violations.

2. b. Five (5) points will be awarded for each additional violation.

2.c. Fifty (50) points may be awarded to a project whose purpose is to prevent a future NPDWS treatment technique or microbiological violation based upon promulgated EPA regulations or EPA regulations which are essentially final, but not yet promulgated.

3. Acute Chemical & Chemical MCL violations. Points will be awarded only for a water system that currently has contamination from a Safe Drinking Water Act regulated contaminant, or other chemical contaminant for which no MCL has been adopted, which presents an acute health risk to consumers, based on EPA standards, health advisories, or other peer reviewed health risk studies found acceptable to the Department.

3. a. One hundred (100) points will be awarded for the first two (2) violations.

3. b. Five (5) points will be awarded for each additional violation.

3. c. Fifty (50) points may be awarded to a project whose purpose is to prevent a future NPDWS violation based upon promulgated EPA regulations or EPA regulations which are essentially final, but not yet promulgated.

4. New Service Area for Area(s) with contaminated Private Drinking Water Sources. Points may be awarded for a project to provide public drinking water service to an unserved area provided that:

4. a. At least 10% of the private water sources in the project area are sampled at random for microbiological contamination and at least 50% of those samples are coliform positive; or

4. b. At least 10% of the private water sources in the project area are sampled at random for a regulated acute chemical contaminant and at least 50% of those samples exceed the Maximum Contaminant Level or Action Level specified by EPA; or

4. c. At least 10% of the private water sources in the project area are sampled at random for other chemical contaminants and at least 50% of those samples exceed the Maximum Contaminant Level or Action Level specified by EPA.

5. Chemical MCL Violations. Points will be awarded only for a water system that currently has contamination from a Safe Drinking Water Act regulated contaminant at a level which exceeds the MCL or Action Level specified by EPA, and has not already received points under "Acute Chemical Violations."

Each chemical MCL violation will be counted as an individual violation, even when multiple violations occur in the same reporting period. Points can be awarded for multiple violations of the same type (inorganic, organic, radiochemical, etc.) or in combination with other violation types, (e.g.; if a system had both an arsenic MCL and a barium MCL in the same reporting period, they would get points for two violations in that reporting period.).

5. a. Fifty (50) points will be awarded for the first two (2) violations.

5. b. Five (5) points will be awarded for each additional violation.

- 5.c. Fifty (50) points may be awarded to a project whose purpose is to prevent a future NPDWS violation based upon promulgated EPA regulations or EPA regulations which are essentially final, but not yet promulgated.

Source Vulnerability Factors

1. a. Source Vulnerable Due to Contamination from a Point or Non-point Source Discharge (with the potential to cause microbiological contamination). Points will be awarded only to a surface water source where there exists identifiable point or non-point discharges which can be documented to result in, or can potentially result in, instances where the raw water coliform concentrations exceed the limitations set forth in Section IX.A of the “Rules and Regulations Pertaining to Public Water Systems”, or otherwise cause significant microbiological contamination of the source water.

1. b. Source Vulnerable Due to Contamination from Industrial Operations. Points will be awarded for a water source where analyses indicate the occasional presence of hazardous chemicals from an industrial source. In the case of a water system utilizing a ground water source, points will be awarded when documentation is provided that a contaminant plume exists in the source aquifer and is approaching the wellhead.

Source Vulnerable Due to Contamination from Agricultural Operations. Points will be awarded for a water source where analyses indicate the occasional presence of agricultural chemicals. Points will be awarded in the case of a water system utilizing a ground water source, only when analyses indicate the occasional presence of contaminants of agricultural origin in the source water or documentation of a contaminant plume in the source aquifer which is approaching the wellhead.

Source Vulnerable Due to Potential Contamination from Oil, Gas, or Mineral Operations. Points will be awarded for a surface water source where analyses indicate the occasional presence of contaminants from oil, gas, or mineral operations. Points will be awarded for a ground water source where the recharge area contains oil, gas, or mineral operations that have caused a plume of contamination that is approaching the water supply wellhead.

1. c. Source with Inadequate Buffer Zone. Points will be awarded for a surface water source where the required 300-foot buffer zone required under the Arkansas Rules and Regulations Pertaining to Public Water Systems has not been obtained. Points will be awarded for a ground water source where the 100-foot radius buffer area zone required in these regulations has not been obtained.

Consolidation/Interconnection Factor

1. Consolidation with an Existing System. Points will be awarded only for systems which agree to legally merge with another water system which is fully compliant with Safe Drinking Water Act water quality regulations or will become compliant as a result of the merger. In cases where multiple systems will consolidate, point assignments will be based upon the number of service connections of the smallest system. Extra points for additional consolidating systems

under the same project will be assigned at a rate of ten percent (10%) of the original rate for each additional consolidating system.

2. Interconnection with an Existing System. Points will be awarded only for systems which propose an interconnection and water purchase agreement with another water system, which is SDWA compliant, as a means of resolving a water quantity or quality problem for which points are awarded. In cases where multiple systems will interconnect, point assignments will be based upon the number of service connections of the smallest system. Extra points for additional systems under the same project will be assigned at a rate of ten percent (10%) of the original rate for each additional consolidating system.

3. Projects are eligible for either consolidation points or interconnection points, but not both.

Affordability Factor

1. Total Population Served. Points will be awarded for systems serving fewer than 1321 service connections.

2. Affordability Ratio. Points will also be awarded based on the value of the Affordability Ratio, calculated as the current average yearly residential rate, based on a usage of 4000 gallons of water per month, divided by the Median Household Income. The Median Household Income shall be based on the entire service area of the project water system using the most current information available.

Other Deficiencies Factor

1. Secondary MCL Violations. Points will be awarded only for those water systems where analyses document that a violation of an MCL for any of the Secondary Drinking Water Standards has occurred.

2. a. Quantity Deficiencies, Continual Shortage (Frequent Outages). Points will be awarded only for a water system that experiences frequent complete pressure losses, which are the result of demand exceeding supply, and are not the result of main break, equipment failure, lack of proper maintenance, or other operational failures.

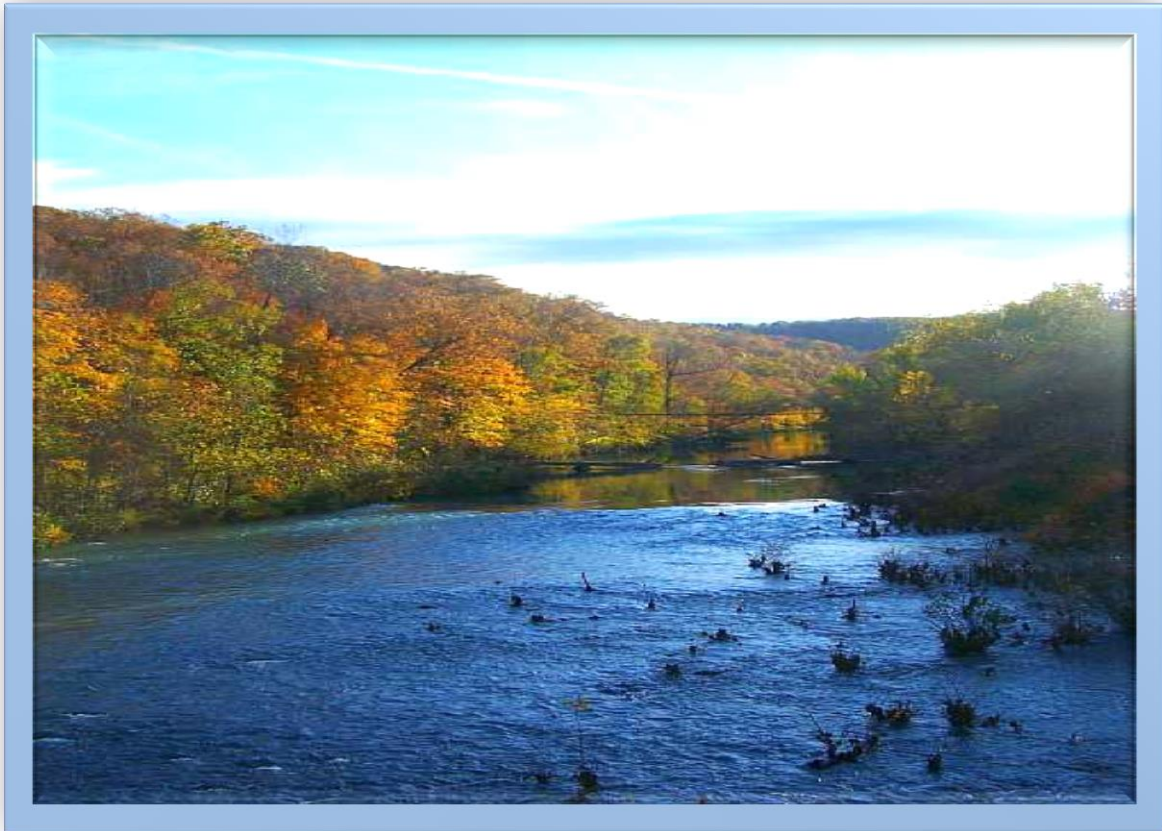
2. b. Quantity Deficiencies, Shortage During Peak Demand Period (Daily). Points will be awarded only for a water system that frequently experiences minimal pressures due to daily demand exceeding supply.

2. c. Quantity Deficiencies, Shortage During Peak Demand Period (Seasonal). Points will be awarded only for a water system that has to routinely issue conservation orders during heavy use periods or experiences minimal pressures during heavy use periods.

2. d. Quantity Deficiencies, Occasional Shortage During Peak Demand Period. Points will be awarded only for a water system that, once or twice a year, experiences some pressure loss due to peak demands.

3. a. Design Deficiencies, Inadequate Disinfection. Points will be awarded for a water system that either does not disinfect or does not continuously disinfect due to equipment failure or lack of adequate feed rate capacity. Points may also be awarded for inadequate chlorine contact time (CT) as defined by regulation.
3. b. Design Deficiencies, Inadequate Chemical Feed. Points will be awarded only for a water system that is unable to either reliably or consistently feed adequate chemicals to meet treatment objectives.
3. c. Design Deficiencies, Inadequate Mixing. Points will be awarded only for a water system whose rapid mixing detention time is inadequate based on Department design standards.
3. d. Design Deficiencies, Inadequate Clarification. Points will be awarded for a water system whose clarification process is functioning improperly due to an inadequate detention time, using Department accepted design standards. Points will be awarded for a water system where improper functioning is occurring due to mechanical or structural failure.
3. e. Design Deficiencies, Inadequate Filtration. Points will be awarded for a water system whose filtration process is functioning improperly due to excessive filtration rates, damaged underdrains, or other physical plant defects. Points shall not be awarded under this section if points were awarded under the section pertaining to filtration of surface water or groundwater under the direct influence of surface water.
3. f. Design Deficiencies, Inadequate Storage. Points will be awarded only for a water system whose usable storage is less than one day's average system demand.
3. g. Design Deficiencies, Inadequate Distribution (Low Pressures). Points will be awarded only for a water system that has areas of chronic low pressure due to localized peak demands.
3. h. Design Deficiencies, Inadequate Distribution (Deteriorated Mains). Points will be awarded only for a water system that has chronic consumer complaints that can be directly tied to the deterioration of cast iron, galvanized, or other metal piping, or has frequent main breaks due to deteriorated pipe.
3. i. Design Deficiencies, Inadequate Distribution (Unaccounted for Water). Points will be awarded only for a water system that has Unaccounted for Water at a level that exceeds 10% of average daily production.
3. j. Design Deficiencies, Inadequate Treatment Unit Capacity. Points will be awarded only for a system whose plant, or individual process units in the plant, are undersized for process flow rates determined by using Department accepted design standards.
3. k. Design Deficiencies, Inadequate Intake Structure. Points will be awarded only for a water system whose intake structure is either unable to deliver an adequate quantity of water or whose intake structure will not allow for adjustment of withdrawal depth.

3.I. Design Deficiencies, Improper Well Construction. Points will be awarded only for a water system whose well is vulnerable to surface drainage into the well from either improper wellhead and appurtenances construction or inadequate casing and/or grouting.



SFY2013 Drinking Water Project List Priority

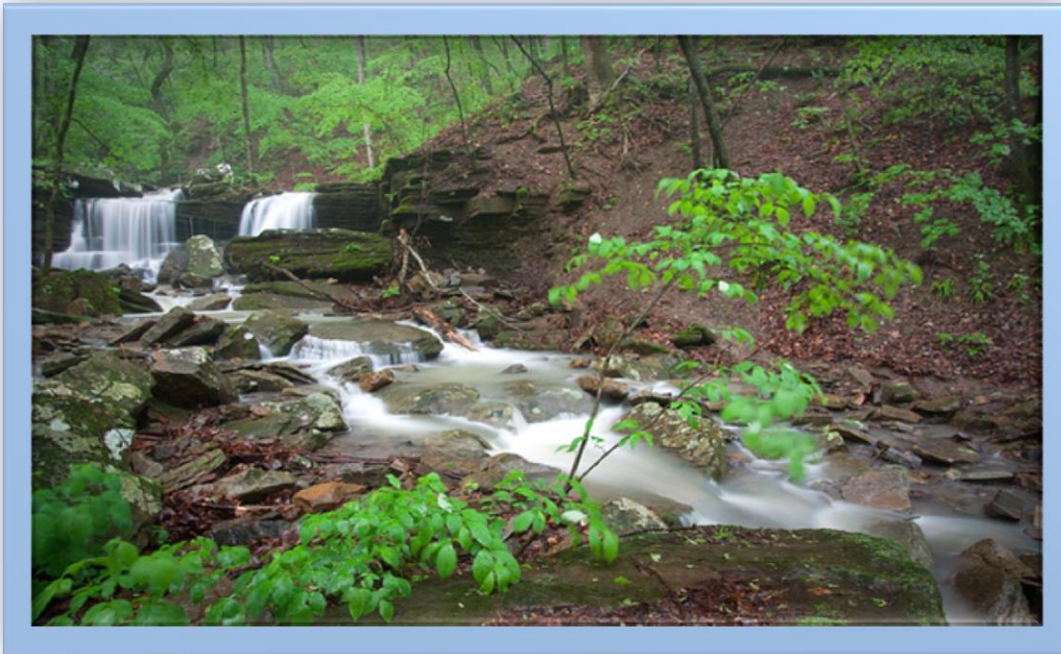
No.	Year	Project Name	Total Points	PWS ID.	Project Cost	Est. Binding Commitment Date	Population	Small System (Y/N)	MHI	Disadvantaged (Y/N)	Project Description	Status of Project
1	2000	North East Water Association	331	33	\$12,200,000	TBD	3540	YES	\$19,689	YES	System Expansion to serve Henderson & Gamaliel Areas	No Funding Application Received
2	2012	Hozanna Heights Water Association	149	884	\$5,180	TBD	79	YES	\$18,682	YES	New Treatment Installation	No Funding Application Received
3	2010	Siloam Springs Water Works	124	56	\$21,033,125	TBD	19022	NO	\$38,750	YES	Water Treatment Facility Improvements	No Funding Application Received
4	2012	Old Bella Vista POA	95	753	\$600,000	TBD	103	YES	\$30,700	YES	Connection to the City of Bentonville	ANRC Funding
5	2012	Lockesburg Waterworks	84	517	\$2,222,985	TBD	853	YES	\$24,886	YES	Distribution System Replacement	No Funding Application Received
6	2009	Paron-Owensville Water Authority	74	883	\$1,477,365	5/25/2012	1825	YES	\$25,340	YES	New Water Treatment Plant	ANRC Funding
7	2012	Scranton Waterworks	73	330	\$5,974,000		1100	YES	\$24,500	YES	Connection to the City of Clarksville - Transmission Facilities	ANRC Funding
8	2010	Conway Corporation	53	189	\$8,000,000	TBD	52000	NO	\$41,917	NO	Water Quality Compliance Project	No Funding Application Received
9	2004	Siloam Springs	45	56	\$9,600,000	TBD	14672	NO	\$38,750	YES	Rehab Tank, New RW Transmission Main, Rehab AC Dist Mains	No Funding Application Received
10	2012	McNeil Waterworks	45	110	\$1,553,863	10/1/2012	595	YES	\$21,250	YES	Distribution System Replacement	ANRC Funding
11	2012	Norman Waterworks	45	391	\$2,000,000	6/22/2012	850	YES	\$16,875	YES	Distribution System Replacement	ANRC Funding
12	2012	Stephens Waterworks	45	405	\$2,754,771	TBD	1379	YES	\$30,821	YES	Distribution System Replacement	ANRC Funding
13	2012	Bradley Waterworks	37	294	\$1,533,711	TBD	502	YES	\$24,632	YES	Distribution System Replacement	ANRC Funding
14	2009	Gilmore	36	154	\$1,288,000	TBD	292	YES	\$48,750	NO	New Water Treatment Plant and New Elevated Storage Tank	No Funding Application Received
15	2012	City of Winthrop	35	642	\$1,633,098	TBD	474	YES	\$32,250	YES	Distribution System Replacement	ANRC Funding
16	2010	Beebe	33	592	\$1,065,000	TBD	5000	YES	\$40,912	NO	LWPWA Connector Main	No Funding Application Received
17	2012	Chidester Waterworks	32	403	\$1,643,716	TBD	335	YES	\$28,000	YES	Distribution System Replacement	ANRC Funding
18	2004	Bella Vista POA	31	O39	\$4,300,500	TBD	24485	NO	\$57,929	NO	Distribution improvements	No Funding Application Received
19	2006	Benton Washington RPA	30	871	\$29,500,000	TBD	16300	NO	\$44,048	NO	Water treatment improvements	No Funding Application Received
20	2012	Lakeview Municipal Water	30	420	\$230,000	TBD	575	YES	\$15,536	YES	Rehab of Storage Tank	No Funding Application Received
21	2012	Wilton Waterworks	29	321	\$1,163,082	TBD	534	YES	\$30,625	YES	Distribution System Replacement	ANRC Funding
22	2012	Coy Waterworks	27	340	\$46,000	TBD	310	YES	\$36,250	YES	Rehab of Storage Tank	No Funding Application Received
23	2007	City of Flippin	25	351	\$2,000,000	TBD	3325	YES	\$28,942	YES	Storage/Distribution Improvements	ANRC Funding
24	2009	Wabbaseka Waterworks	23	283	\$405,000	TBD	244	YES	\$22,206	YES	Water Treatment Rehab	No Funding Application Received
25	2006	Mountain View Water & Wastewater	21	542	\$675,000	TBD	5864	YES	\$19,302	YES	Distribution System Improvements	No Funding Application Received
26	2012	City of Berryville	21	074	\$926,266	TBD	5020	YES	\$28,537	YES	CR 501 Water Main Upgrade	No Funding Application Received
27	2012	Tollette Waterworks	21	618	\$46,000	TBD	339	YES	\$21,125	YES	Rehab of Storage Tank	No Funding Application Received
28	2012	City of Bryant	21	486	\$2,000,000	TBD	15382	NO	\$54,521	NO	Automated Meter Reading System & Replacement	ANRC Funding
29	2009	Ladd Water Association	16	277	\$365,000	TBD	2800	YES	\$28,891	YES	Water System Improvements	No Funding Application Received
30	2012	Bono Waterworks	13	126	\$180,000	TBD	1971	YES	\$31,429	YES	Radio Meter Replacement	No Funding Application Received
31	2012	Gosnell Water Association	13	374	\$750,000	TBD	3612	YES	\$42,475	NO	System Loop	No Funding Application Received
32	2009	Hampton Waterworks	11	70	\$296,340	TBD	1730	YES	\$32,500	YES	Water Tank Rehab	No Funding Application Received
33	2009	Hope Tank Rehab	11	230	\$500,000	TBD	11405	NO	\$29,774	YES	Tank Rehab	No Funding Application Received
34	2012	Gosnell Water Association	11	374	\$350,000	TBD	3612	YES	\$42,475	NO	Meter Change out and Upgrade Project	No Funding Application Received
35	2012	Hope WL	3	230	\$450,000	TBD	11405	NO	\$29,774	YES	WL Replacement	No Funding Application Received

Appendix B

Public Notices and Comments

On June 10, 2012, the State of Arkansas published the required public notice advertisement for the Drinking Water Intended Use Plan in the Arkansas Democrat-Gazette, a statewide paper. A public meeting was scheduled for June 25, 2012 and a deadline for submittal of written comments was set for June 25, 2012. Copies of the IUP were available for public inspection at the Water Resources Development Division of the Arkansas Natural Resources Commission. A meeting was held on June 25, 2012 at ANRC offices in Little Rock, to accept comments on the Intended Use Plan. Representatives of ANRC were available to answer questions about the Drinking Water IUP.

Arkansas held the public review on June 25, 2012 and did not receive any comments from the public.



Appendix C

EPA ASSURANCES

Arkansas' Intended Use Plan includes the following assurances as required by the EPA DWSRF Program Guidelines:

1. Assurance that the State has the authority to establish a fund and to operate the DWSRF program in accordance with the SDWA.

The Arkansas Safe Drinking Water Fund Act (ACT 772 of 1997), ANRC Regulation XV and the Interagency Agreement between the ADH, the ADFA and ANRC establishes the proper authority, assigns responsibilities and sets up the necessary funds to manage the SDWA, section 1452 programs.

2. Assurance that the State will comply with State statutes and regulations.

The State of Arkansas agrees to comply with all State statutes and regulations that are applicable to DWSRF funds, including Federal Capitalization Grant funds, state match, interest earning, bond proceeds and repayments, and funds used for set-aside activities.

3. Assurance that the State has the technical capability to operate the program.

Since 1961 ANRC has administered State financial assistance programs. The ANRC currently manages both the DWSRF and the CWRLF programs.

With the exception of Administration, the ADH manages the set-aside programs. There was 22 new staff positions created upon the availability of the initial set-aside funds. ADH has been granted primacy from the EPA to administer the State Public Water Supply Supervision program and continues to receive favorable reviews from the EPA Region 6 staff.

The ADFA manages the banking, fund accounting and auditing requirements. It has administered the CWSRF program since 1987 and many other state and federal financial assistance programs. No new staff positions are anticipated.

4. Assurance that the State will accept Federal Capitalization Grant funds in accordance with a payment schedule.

The State of Arkansas agrees to accept the federal grant payments in accordance with the negotiated payment schedule (reference Chart 4) and use those payments for the activities of the DWSRF and State set-aside programs under SDWA Section 1452.

5. Assurance that the State will deposit all Federal Capitalization Grant funds in the fund or set-aside accounts.

The State of Arkansas agrees to deposit all the Federal Capitalization Grant funds into the Drinking Water State Revolving Fund account except for those portions of the grant that Arkansas intends to use for set-aside purposes authorized under the SDWA (Section 1452(a)(1)(b)). Funds for set-aside activities will be placed in separate accounts inside the SDWF but outside the DWSRF account.

6. Assurance that the State will provide an amount at least equal to 20 percent of the Federal Capitalization Grant (state match) in the Fund.

The State of Arkansas agrees to provide an amount into the DWSRF equaling at least 20% of the amount of each Federal Capitalization Grant.

7. Assurance that the State will deposit net bond proceeds, interest earning, and repayments into the Fund.

The State of Arkansas agrees to credit the applicable proportion of net bond proceeds and interest earnings, and the DWSRF borrower's principal and interest repayments into the Arkansas DWSRF.

The State of Arkansas also agrees to deposit any 1452(k)(1) loans principal and interest repayments into the Arkansas DWSRF.

8. Assurance that the State will match Federal Capitalization Grant funds uses for 1452(g)(2) set-asides.

The State of Arkansas agrees to provide 100% state match funds equaling its Federal Capitalization Grant for 1452(g)(2) set-asides.

9. Assurance that the State will use Generally Accepted Accounting Principles.

The State of Arkansas agrees to establish fiscal controls and accounting systems, according to Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board, that are sufficient to account for and report DWSRF Program activities.

10. Assurance that the State will have the fund and set-aside accounts audited annually in accordance with Generally Accepted Government Auditing Standards (GAGAS).

The State of Arkansas agrees to conduct an annual audit on the Arkansas Safe Drinking Water Fund in accordance with Generally Accepted Government Auditing Standards (GAGAS).

11. Assurance that the State will adopt policies and procedures to assure that borrowers have a dedicated source of revenue for repayments (or in the case of a privately owned system, demonstrated that there is adequate security).

The State of Arkansas does require all DWSRF borrowers to have a dedicated source of revenues for repayments (or in the case of a privately owned system, demonstrated that there is adequate security) per ANRC Regulation XV.

12. Assurance that the State will commit and expend funds as efficiently as possible and in an expeditious and timely manner.

The State of Arkansas agrees to commit and expend all funds allotted under SDWA section 1452 “as efficiently as possible” (Section 1452(g)(3)) and in an expeditious and timely manner.

Federal EPA/ACH payments shall be expended within 16 quarters from scheduled payment dates. The Bond proceeds shall be expended within 3 years from the bond issue dates. The State Match funds shall be expended in a prudent and expeditious managerial manner.

13. Assurance that funds will be used in accordance with the Intended Use Plan.

The State of Arkansas agrees to expend DWSRF funds in accordance with the Intended Use Plan (Section 1452(b)) that has undergone public review and comment.

14. Assurance that the State will provide EPA with an annual report.

The State of Arkansas DWSRF agrees to complete and submit an annual report with available financial information to the Region within 90 days after the end of the States reporting period.

15. Assurance that the State will comply with all Federal cross-cutting authorities.

The State of Arkansas agrees to ensure that all applicable Federal cross-cutting authorities will be complied with.

