



SPRINGDALE PROJECT

2017
AND
2018

STATE OF UTAH
DEPARTMENT OF
ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER
DWSRF BIENNIAL REPORT

Table of Contents

INTRODUCTION2

ACCOMPLISHMENTS AND GOALS.....2

MANAGEMENT5

FINANCIAL SUMMARY5

 Table 1: Capitalization Grant Summary.....6

 Table 2: Funding Sources and Funding Commitments.....7

LOAN ACTIVITIES8

 Table 3: Capitalization of the Loan Fund.....8

 Table 4: Closed Loan Status.....8

 Table 5: Project Delays14

 Table 6: Projects Priority List15

SET-ASIDES.....16

 Table 6: Set-Aside Expenses.....16

 Table 7: Local Assistance Set-Aside Summary21

COMPLIANCE WITH OPERATING AGREEMENT AND GRANT CONDITIONS23

ATTACHMENTS

 Organization Chart

 2017 Financial Statements

 2018 Financial Statements

STATE OF UTAH ADMINISTRATIVE RULES INTERNET LINKS

 Rule R309-300 Certification Rules for Water Supply Operators
<http://www.rules.utah.gov/publicat/code/r309/r309-300.htm>

 Rule R309-305 Required Certification Rules for Backflow Technicians
<http://www.rules.utah.gov/publicat/code/r309/r309-305.htm>

 Rule R309-705 Federal Drinking Water Project Revolving Loan Program
<http://www.rules.utah.gov/publicat/code/r309/r309-705.htm>

 Rule R309-800 Capacity Development Program
<http://www.rules.utah.gov/publicat/code/r309/r309-800.htm>

I. INTRODUCTION

The State of Utah presents the Biennial Report for the Drinking Water State Revolving Funds (DWSRF) for State Fiscal Years (SFY's) 2017 and 2018. The report addresses operation of the DWSRF from July 1, 2016 through June 30, 2018. It includes the capitalization grant for federal year 2017 and information about the grant in federal year 2018. The 2018 capitalization grant was not awarded until September 2018.

Funding provided by the DWSRF program is used to protect the public health and to achieve compliance with the Safe Drinking Water Act (SDWA). It also assists water systems provide affordable drinking water to small and large communities. Approximately 70% of the grant funding is allocated to the loan program and 30% to set-asides. Detail on the use of the loan funds is described in Section V Loan Activities. The uses of the funds allocated to set-asides programs are described in Section VI Set-Asides.

The comprehensive report is provided to the EPA Regional Office to detail the activities undertaken to reach the goals and objectives set forth in the Intended Use Plans (IUPs). IUPs are required to be updated and submitted annually with each DWSRF capitalization grant application. The report relays the status of the program by describing the progress made toward long and short-term goals, the sources and uses of funds, financial status, and compliance with federal DWSRF requirements.

Utah also operates a State loan program that provides Utah the flexibility to fund needed drinking water projects without certain restrictions that accompany the DWSRF program. Funds for the DWSRF State 20% match have been generated from the State program. Funding for the State Loan Program comes from sales tax allocated to the Division of Drinking Water, interest income and repayments.

II. ACCOMPLISHMENTS AND GOALS

Cooperatively work with drinking water professionals and the public to ensure a safe and reliable supply of drinking water.

Funding provided by the DWSRF capitalization grant is used to protect the public health, achieve compliance with the SDWA and assist systems to provide affordable drinking water. Continued DWSRF funding will help ensure Utah's drinking water supplies remain safe and affordable, and that drinking water systems are properly operated and maintained.

2017 & 2018 Short and Long-Term Goals

DDW will assist recipients and effectively manage proposed projects to assist recipients in closing loans and constructing projects in a timely, efficient manner.

DDW will promote the State Revolving Fund program with signage requirements and social media sites.

DDW will immediately seek the SRF Capitalization Grant upon availability from EPA and upon receiving the award will disburse loan funds to promptly utilize all funds.

DDW will reach out to schools in the State of Utah to discern levels of lead contamination in their drinking water and to educate the school systems about lead standards and potential hazards.

DDW will address the threat of Harmful Algal Blooms in PWS's.

Develop a response to the 2014 Legislative Audit Report regarding DDW's Minimum Source Sizing Requirements.

DDW will continue to pursue efforts to increase production efficiency.

DDW will expand the web based master database WaterLink to streamline operations and enhance access to drinking water data.

DDW will create better visibility to the public and increase interactions with organizations using "branding tools" and social media.

Assist to draft county ordinances related to construction of new, non-public water systems.

Develop tools to improve the quality of incoming submittals and the quality of DDW's plan review process.

DDW will work on reducing the impact of retirements, resignations and job transfers by documenting regular business activities.

2017 & 2018 Accomplishments

The SRF program has funded 150 binding projects through FY 2018 totaling \$239.3 million dollars.

Construction pace is at 96 percent, which is at or above the national DWSRF average.

SRF project completions have increased to 134 totaling \$216.1 million.

SRF grant awards have been fully spent through grant year 2015. Loan portion of the SRF grant awards have been fully disbursed through grant year 2016 as well as 95% of the set-asides.

DDW has been adding various modules to WaterLink to enhance DDW's accessibility to data. WaterLink is an entirely web based reporting tool allowing full mobile access to real time drinking water data for systems, local health departments, the public and DDW staff.

DDW implemented a Loan Tracking Module in WaterLink to track SRF loans in a web based environment. The Loan Tracking module completely replaced DDW's previous Access based database CASPER.

DEQ and DOH launched a statewide initiative requesting all public schools test their drinking water for lead. Of the seventy-five percent that participated (1,699 samples), ninety-two percent of the schools had a detectable level of lead. Three percent of the samples tested over EPA Action Levels affecting approximately 13,000 schoolchildren.

DDW developed a HAB Response Plan in 2017 that provided water systems with guidelines, important HABs information, and the references needed to develop a Cyanotoxin Management Plan. In the summer of 2018, Scofield Reservoir, located near Price, Utah experienced a bloom. Due to communication and guidelines in place, two water systems downstream of the outbreak were notified and were able to acceptably contain and treat any toxins entering the drinking water.

Utah State Legislature enacted revisions to the Utah Safe Drinking Water Act in 2018. The Act imposed new water-use data requirements on community water systems serving 500 or more people. DDW is processing the data received to set system-specific minimum-source and storage sizing requirements based on actual water-use data to replace existing statewide minimum sizing standards.

DDW's Permitting Section replaced an existing waiver program with a new program designed to reduce the regulatory burden associated with waterline construction. It permits PWSs with approved waterline installation standards to install waterlines up to 16 inches in diameter without waivers, plan approvals, or operating permits.

DDW and RWAU employees assisted and guided several water systems through several wild fires in 2017 and 2018. Some of the fires resulted in flash flooding conditions after the fire was out. It was not uncommon to help water systems deal with the fires and the flooding damaged infrastructure to water systems was not uncommon.

DDW launched a monthly educational webinar series in 2017-2018 to broadcast via YouTube to water system operators. Certified operators were able to view the webinars, take a quiz and obtain valuable CEU credits required to maintain their certification. It is maintained in a growing library of webinars available to the public on the DDW website at this link:

<https://deq.utah.gov/drinking-water/monthly-webinars>.

III. MANAGEMENT

The Utah Department of Environmental Quality through the Division of Drinking Water (DDW) administers the DWSRF program. The Drinking Water Board (the Board), consists of nine members. Its primary responsibilities are to develop policies and procedures for program implementation and approve changes to the SRF loan priority list and authorize loans. DDW serves as staff for the Board. DDW receives assistance and support from the Department of Environmental Quality, Division of Support Services, the State Division of Finance, the Attorney General's Office and the State Treasurer's Office.

IV. FINANCIAL SUMMARY

Capitalization grant awards total \$203,619,500, \$162,944,401 (80%) to the loan fund and \$40,675,099 (20%) to the set-asides. The 20% State match totals \$36,828,900.

Table 1 summarizes the capitalization grants received through SFY 2018. Table 2 outlines the loan program funding and commitments.

TABLE 1						
DIVISION OF DRINKING WATER						
DWSRF CAPITALIZATION GRANTS						
June 30, 2018						
		BASED ON GRANT APPLICATION YEAR				
Capitalization Grant Year		1997-2016	2017	2018*	TOTAL	
Loan Fund:		157,144,401	5,800,000	8,200,000	171,144,401	79.7%
Set-Aside Awards:						
Administration (4%)		6,752,914	600,000	444,280	7,797,194	3.6%
Technical Assistance (2%)		3,900,787	-	222,140	4,122,927	1.9%
State Program Management						
PWSS Program		15,099,164	929,185	875,700	16,904,049	
Source Water		1,368,825	80,000	70,000	1,518,825	
Operator Certification		982,395	20,815	-	1,003,210	
Capacity Development		345,778	30,000	15,000	390,778	
Database Migration		620,000	-	-	620,000	
State Program Total (10%)		18,416,162	1,060,000	960,700	20,436,862	9.5%
Local Assistance/Other State Prog						
Source Wtr Delineation & Assess		352,978	-	-	352,978	
Capacity Development CD		997,537	-	-	997,537	
Capacity Development Outreach & Local Assistance		6,891,006	860,000	1,110,700	8,861,706	
WellHead Protection		563,715	280,000	169,180	1,012,895	
Local Assistance Total (Up to 15%)		8,805,236	1,140,000	1,279,880	11,225,116	5.2%
Set-Aside Totals		37,875,099	2,800,000	2,907,000	43,582,099	20.3%
Total Capitalization Grant		195,019,500	8,600,000	11,107,000	214,726,500	
State 1:1 10% Program Match		18,041,630	-	-	18,041,630	
State 20% Match		35,108,900	1,720,000	2,221,400	39,050,300	18.2%
*Grant Year 2018 was not received until September 2018.						

TABLE 2 SOURCES AND USES

	Cumulative Total through 6/30/2016	7/1/16 - 6/30/18		Cumulative Total through 6/30/2018
SOURCES:				
Federal Capitalization Grants	195,019,500	8,600,000	a	203,619,500
10% Set-Aside 1:1 Match	18,042,130	-	b	18,042,130
Loan Portion of the Cap Grant	157,144,401	5,800,000		162,944,401
20% Capitalization Grant Match	35,108,900	1,720,000	c	36,828,900
Principal Repayments on Assistance Provided	70,876,409	16,366,789		87,243,198
Interest Repayments on Assistance Provided	11,781,084	3,051,532		14,832,616
Investment Earnings	4,275,313	1,945,531		6,220,844
Funds from Leveraging	-	-	d	-
Fees Deposited into the DWSRF	-	-		-
Funds Transferred from (to) CWSRF	-	-		-
CUMULATIVE SRF LOAN FUNDS AVAILABLE	279,186,107	28,883,852		308,069,959
<i>Sources Total</i>	335,103,336	31,683,852		366,787,188
USES:				
Loan/Grant Agreements Entered:	162,750,918			
Large Systems (>10,000 population)	56,463,595	(300,000)		56,163,595
Small Systems (≤10,000 population)	162,682,480	20,442,575		183,125,055
<i>Additional Subsidy</i>	34,695,150	5,220,575		39,915,725
Set-Asides:				-
4% Administration	6,752,914	600,000		7,352,914
2% Small System Technical Assistance	3,900,787	-		3,900,787
10% State Program Management- 1:1 match	18,041,630	-		18,041,630
<i>PWSS Program Augmentation</i>	15,099,164	929,185		16,028,349
<i>Source Water Administration</i>	1,368,825	80,000		1,448,825
<i>Operator Certification</i>	982,395	20,815		1,003,210
<i>Capacity Development Program Oversight</i>	345,778	30,000		375,778
<i>PD Database</i>	620,000	-		620,000
State Program Management Total	36,457,792	1,060,000		37,517,792
15% Local Assistance/Other State Programs				-
<i>Local Assistance & Capacity Development Outreach</i>	6,891,006	860,000		7,751,006
<i>Capacity Development Project in 1998</i>	997,537	-		997,537
<i>Source Water Assessments</i>	352,978	-		352,978
<i>Wellhead and GIS tracking</i>	563,715	280,000		843,715
LA/Other State Program Subtotal	8,805,236	1,140,000		9,945,236
<i>Uses Total</i>	275,062,804	22,942,575		298,005,379
FUNDS AVAILABLE FOR FUTURE USE	60,040,532	8,741,277	e	68,781,809

- a. Total federal appropriation thru FFY 2017 as the 2018 Capitalization Grant was not awarded until September 2018.
- b. In accordance with the WIIN Act - the 10% 1:1 State Match isn't required for awards received after 12/16/2016.
- c. 20% State Match came from Water Development State Revolving Fund.
- d. DDW does not leverage any of their SRF funds.
- e. DDW uses a FIFO methodology for Unliquidated Obligations.

V. LOAN PROGRAM

Capitalization of the loan fund:		
	EPA Capitalization Grants	203,619,500
	State Match (20% Cap Grant Match)	36,828,900
	State Match (1:1 10% set-aside match)	18,042,130
	Investment Earnings	6,220,844
	Tot Accum Principal & Interest Payments	102,075,541
	Total Accumulative Income from all fees	6,859,137
		373,646,052

DDW has been in compliance with the binding commitment rule since November 2002.

The SRF program has funded 150 binding projects through FY 2018 totaling \$239.3 million dollars.

Current status of each loan is set forth in the following table:

Borrower	Loan #	Authorization			Receivable			Principal Balance
		Total	Loan	Forgiveness	Draws	Forgiveness	Repayments	
1ST ROUND								
American Fork	3F162	1,000,000	800,000	200,000	1,000,000	200,000	162,000	638,000
Austin Community SSD (ARRA)	3F111	454,000	-	454,000	454,000	454,000		-
Bear River WCD-Beaver Dam Wtr	3F144	685,000	240,000	445,000	685,000	445,000	42,000	198,000
Bear River WCD-Collinston	3F214	3,600,000	2,865,000	735,000	3,600,000	735,000	353,000	2,512,000
Bear River WCD-Regional Mstr Plan	3F253P	200,000	100,000	100,000	200,000	100,000	10,000	90,000
Beaver	3F133	2,850,000	950,000	1,900,000	2,850,000	1,900,000	325,000	625,000
Beaver Ph II	3F137	1,950,000	750,000	1,200,000	1,950,000	1,200,000	121,000	629,000
Big Plains Wtr & Swr DDS (split)	3F117	2,878,000	2,340,000	538,000	2,878,000	538,000	140,000	2,200,000
Big Plains Wtr & Swr SSD-Cedar Point	3F290	517,125	362,000	155,125	517,125	155,125		362,000
Blanding (ARRA)	3F121	358,000	-	358,000	358,000	358,000		-
Bluffdale	3F167	3,573,000	3,573,000		3,573,000		727,000	2,846,000
Boulder Farmstead	3F225	2,000,000	1,000,000	1,000,000	2,000,000	1,000,000	20,000	980,000
Boulder Farmstead (add-on)	3F274	35,000	-	35,000	35,000	35,000		-
Brigham City	3F006	2,050,000	2,050,000		2,050,000		2,050,000	-
Cannonville (ARRA)	3F103	333,333	-	333,333	333,333	333,333		-
Cannonville Add-On	3F103A	60,000	60,000		60,000		60,000	-
Cedarview Montwell SSD	3F188	2,660,000	2,128,000	532,000	2,660,000	532,000	2,128,000	-
Cedarview Montwell SSD	3F282	1,703,525	1,703,525		1,703,525	-		1,703,525
Central Iron Co WCD	3F045	3,345,000	2,685,000	660,000	3,345,000	660,000	1,314,000	1,371,000
Central Iron Co WCD PH II	3F063	3,610,000	3,610,000		3,610,000		1,435,000	2,175,000
Central Iron Co WCD Ph II pf (add-on)	3F080	430,000	-	430,000	430,000	430,000		-
Central Iron Co WCD Ph IIIa (ARRA)	3F092	694,705	174,000	520,705	694,705	520,705	36,000	138,000
Copperton Imp. District	3F016	1,000,000	1,000,000		1,000,000		1,000,000	-
Corinne	3F266	555,500	442,000	113,500	555,500	113,500		442,000
Corinne (ARRA)	3F089	2,900,000	2,084,000	816,000	2,900,000	816,000	181,650	1,902,350
Daggett County W&SID	3F004	750,000	600,000	150,000	750,000	150,000	600,000	-
Daniel Municipal Culinary Water	3F108	2,492,250	1,090,000	1,402,250	2,492,250	1,402,250	241,000	849,000
Daniel Municipal Culinary Water (add-on)	3F108A	340,000	170,000	170,000	340,000	170,000	30,000	140,000

1ST ROUND CONTINUED SECTION 2		Authorization			Receivable			
Borrower	Loan #	Total	Loan	Forgiveness	Draws	Forgiveness	Repayments	Principal Balance
Dixie Deer SSD	3F120	1,868,190	862,000	1,006,190	1,868,190	1,006,190	465,000	397,000
Draper Irrigation Co	3F009	7,200,000	7,200,000		7,200,000		7,200,000	-
Duchesne City	3F017	700,000	560,000	140,000	700,000	140,000	398,000	162,000
Duchesne Co WID (split)	3F142	2,923,112	2,223,112	700,000	2,923,112	700,000		2,223,112
Eagle Mountain (split)	3F207	2,300,000	2,300,000		2,300,000		288,000	2,012,000
East Grouse Creek	3F077	560,000	280,000	280,000	560,000	280,000	85,000	195,000
Emigration Imp. District	3F011	1,400,000	1,400,000		1,400,000		996,000	404,000
Enoch City	3F081	1,200,000	1,200,000		1,200,000		472,000	728,000
Fairfield Culinary Water System	3F252	1,160,000	580,000	580,000	1,160,000	580,000	15,000	565,000
Fayette Town	3F273P	34,000	34,000		34,000	34,000		-
Garfield Co-Ticaboo SSD (ARRA)	3F110	557,500	-	557,500	557,500	557,500		-
Glen Canyon SSD of Big Water	3F270	1,228,000	1,052,000	176,000	1,228,000	176,000		1,052,000
Gorgoza Mutual Water Co.	3F012	351,000	351,000		351,000		351,000	-
Green River	3F005	1,952,000	1,562,000	390,000	1,952,000	390,000	1,290,000	272,000
Gunnison (split)	3F208	2,846,000	2,561,000	285,000	2,846,000	285,000	12,000	2,549,000
Hanna Water & Sewer Imp Dist	3F119	2,200,000	1,100,000	1,100,000	2,200,000	1,100,000	166,000	934,000
Herriman City	3F022	3,600,000	3,600,000		3,600,000		2,378,000	1,222,000
Herriman City (split)	3F194	1,900,000	1,900,000		1,900,000			1,900,000
Hidden Creek Wtr	3F288P	20,000		20,000	-			-
Hyde Park	3F087	800,000	800,000		800,000		800,000	-
Interlaken Mutual Water Co.	3F026	1,248,000	1,248,000		1,248,000		1,248,000	-
Irontown Property Owners Assn	3F271	474,000	379,000	95,000	474,000	95,000		379,000
Johnson Water Impr Dist	3F299P	90,000		90,000	-			-
Jordan Valley WCD (ARRA)	3F104	3,000,000	3,000,000		3,000,000		1,961,000	1,039,000
Jordan Valley WCD	3F104A	300,000		300,000	300,000	300,000		-
Joseph Town	3F158	1,236,147	247,000	989,147	1,236,147	989,147	48,000	199,000
Kane County WIC-Swains Ck	3F061	6,240,000	3,990,000	2,250,000	6,240,000	2,250,000	170,000	3,820,000
Kane County WIC-Long Villy	3F101	1,025,000	1,025,000		1,025,000		343,000	682,000
Kane Co WCD-Kanab	3F135	4,000,000	2,800,000	1,200,000	4,000,000	1,200,000	523,000	2,277,000
Kane Co WCD-Johnson Canyon (split)	3F165	2,348,980	1,712,980	636,000	2,348,980	497,000	-	1,851,980
Kanosh Town	3F023	340,000	272,000	68,000	340,000	68,000	182,000	90,000
Leeds Domestic Waterusers Assn	3F138	2,009,000	1,104,000	905,000	2,009,000	905,000	517,000	587,000
Lizard Bench	3F278	28,000		28,000	28,000	28,000		-
Logan City	3F032	5,000,000	4,600,000	400,000	5,000,000	400,000	2,293,000	2,307,000
Logan City #2	3F042	345,000	345,000	-	345,000	-	345,000	-
Logan City (Dewitt)	3F052	3,000,000	3,000,000	-	3,000,000	-	1,457,000	1,543,000
Logan (Turbine)	3F122	700,000	-	700,000	700,000	700,000		-
Lynndyl Town Wtr System	3F284P	40,000	-	40,000	-			-
Magna	3F038	6,000,000	6,000,000	-	6,000,000	-	6,000,000	-
Manila	3F099	556,000	-	556,000	556,000	553,852	2,148	(0)
Manti City	3F021	1,174,000	939,000	235,000	1,174,000	235,000	554,000	385,000
Mendon	3F205	667,000	667,000		667,000		99,000	568,000
Midvale	3F069	5,050,000	5,050,000		5,050,000		1,784,000	3,266,000
Moab	3F292P	90,000		90,000	-			-
Monte Vista	3F019	230,000	184,000	46,000	230,000	46,000	127,971	56,029
Mountain Regional Water SSD	3F076	3,026,000	3,026,000		3,026,000		1,215,000	1,811,000
Mountain Regional Water SSD (ARRA) (sp	3F114R	2,000,000	500,000	1,500,000	2,000,000	1,500,000	-	500,000
Mountain Regional Water SSD	3F179	1,278,000	1,278,000		1,278,000		361,000	917,000
Ogden City	3F189	4,000,000	4,000,000		4,000,000		839,000	3,161,000
Orem City	3F030	3,000,000	3,000,000		3,000,000		1,694,000	1,306,000
Panguitch City	3F014	872,000	698,000	174,000	872,000	174,000	448,000	250,000
Park City	3F116	2,500,000	2,500,000		2,500,000		1,000,000	1,500,000
Parowan City	3F015	723,000	578,400	144,600	723,000	144,600	387,000	191,400
Pine Meadow MWC	3F058	3,695,000	3,695,000		3,695,000		1,128,073	2,566,927
Pleasant Grove City	3F007	1,700,000	1,700,000		1,700,000		1,700,000	-
Pleasant Grove City 2004	3F034	1,520,000	1,520,000		1,520,000		851,000	669,000
Portage	3F057	611,000	611,000		611,000		159,000	452,000
Price River WID	3F027	1,300,000	1,040,000	260,000	1,300,000	260,000	592,000	448,000
Price River WID	3F027	20,000	-	20,000	20,000	20,000		-
Providence City	3F013	1,350,000	1,350,000		1,350,000		924,000	426,000
Rockville Pipeline Co.	3F001	230,000	115,000	115,000	230,000	115,000	115,000	-
Rocky Ridge Town	3F286	606,000	606,000		606,000			606,000
Saratoga Springs	3F059	3,500,000	3,500,000		3,500,000		3,500,000	-
Sigurd	3F113	500,000	-	500,000	500,000	500,000		-
Skyline Mountain SSD	3F186	3,007,000	3,007,000		3,007,000		284,000	2,723,000
Snowville Water Works	3F046	650,000	650,000		650,000		650,000	-
South Salt Lake City	3F010	3,000,000	3,000,000		3,000,000		2,280,023	719,977

1ST ROUND CONTINUED SECTION 3		Authorization			Receivable			Principal Balance
Borrower	Loan #	Total	Loan	Forgiveness	Draws	Forgiveness	Repayments	
Spanish Fork	3F166	2,040,000	2,040,000		2,040,000		535,000	1,505,000
Spanish Valley WID	3F003	3,000,000	2,400,000	600,000	3,000,000	600,000	2,040,000	360,000
Spanish Valley WID	3F018	335,000	268,000	67,000	335,000	67,000	214,000	54,000
Springdale	3F264	5,056,410	4,396,060	660,350	3,839,410	388,350		3,451,060
Taylor West-Weber WID (split)	3F234	5,578,860	4,546,360	1,032,500	5,578,860	1,032,500		4,546,360
Timber Lakes Water SSD	3F029	1,000,000	1,000,000	-	1,000,000	-	609,000	391,000
Torrey Town	3F287	1,590,000	1,590,000	-	-			-
Twin Creeks SSD (Billy Bethers)	3F028	500,000	150,000	350,000	500,000	350,000	70,000	80,000
Wales Town	3F276	253,000	127,000	126,000	253,000	126,000	4,000	123,000
Washington Co WCD -Quail Ck (ARRA)	3F118	4,000,000	3,000,000	1,000,000	4,000,000	1,000,000	2,371,000	629,000
Weber Basin	3F008	6,000,000	6,000,000		6,000,000		6,000,000	-
Wendover City		-			-		1,936,000	(1,936,000)
Wendover City (A)	3F002A	2,667,246	1,936,000	731,246	2,667,246	731,246	(390,000)	2,326,000
Wendover City (B)	3F002B	-			-		(1,000,000)	1,000,000
West Erda Improvement Dist	3F233	1,460,000	742,000	718,000	1,460,000	718,000		742,000
White Hills Water Co, Inc. (split)	3F143	240,000	-	240,000	240,000	240,000		-
White Hills Water Co, Inc	3F226	1,037,000	519,000	518,000	1,037,000	518,000	15,000	504,000
Winchester Hills Wtr Co	3F277	587,000	294,000	293,000	587,000	293,000	9,000	285,000
Woods Cross (split)	3F212	1,022,228	1,022,228		1,022,228			1,022,228
Woods Cross	3F072	5,600,000	5,600,000		5,600,000		5,600,000	-

2nd Round		Authorization			Receivable			Principal Balance
Borrower	Loan #	Total	Loan	Forgiveness	Draws	Forgiveness	Repayments	
Beaver Dam Water PI Loan	3F062P	20,000	20,000		20,000		20,000	-
Big Plains Wtr & Swr SSD (split)	3F117	200,000	200,000		200,000		200,000	-
Blanding	3F144	302,000		302,000	302,000	302,000		-
Boulder Farmstead Wtr Co	3F129	805,300	-	805,300	805,300	805,300		-
Bridge Hollow Wtr Assn	3F216	75,000		75,000	75,000	75,000		-
Bridge Hollow Wtr Assn	3F280	225,000	158,000	67,000	225,000	67,000		158,000
Cedarview Montwell (refi)	3F282	243,000	243,000		243,000		(309,475)	552,475
Central Iron Co WCD PH II PL	3F063P	74,438	74,438		74,438		74,438	0
Central Utah WCD	3F106	4,000,000	4,000,000		4,000,000		1,400,000	2,600,000
Croydon Pipeline Co	3F035	20,000	20,000		20,000		20,000	-
Croydon Pipeline Co (2nd md)	3F145	615,292	344,379	270,913	615,292	270,913	62,000	282,379
Daggett Co-Dutch John	3F100/3F139	635,525	263,000	372,525	635,525	372,525	263,000	-
Duchesne Co WCD (split)	3F142	1,076,888	1,076,888		1,076,888		220,000	856,888
Eagle Mountain	3F207	236,000	236,000		136,000		136,000	-
Echo Mutual Water Co.	3F131P	15,000	15,000		15,000		15,000	-
Elberta Water Co. PL	3F082P	18,000	18,000		18,000		18,000	-
Elberta Water Company	3F198	533,683	424,657	109,026	533,683	109,026	60,000	364,657
Erda Acres Water Co	3F064	2,120,000	1,620,000	500,000	2,120,000	500,000	549,000	1,071,000
Forest Glen Plat A HOA	3F222	1,438,986	1,000,000	438,986	1,341,000	409,000	53,000	879,000
Goaslind Spring WWC	3F209	554,000	334,000	220,000	554,000	220,000	44,000	290,000
Greendale Water Company	3F213	1,390,000	1,390,000		1,390,000		51,000	1,339,000
Greenwich Culinary WS	3F065P	19,647	19,647		19,647		19,647	-
Gunlock SSD 205,000	3F043	105,000	105,000		105,000		66,000	39,000
Gunnison (split)	3F208	300,000	270,000	30,000	300,000	30,000	270,000	-
Herriman (split)	3F194	1,528,000	1,528,000		1,528,000		465,000	1,063,000
Interlaken Town	3F246	575,474	575,474		22,474		(416,000)	438,474
Kane Co WCD-Johnson Canyon (split)	3F165	709,020	709,020		709,020	202,000	276,000	231,020
Kane Co WCD - Zion View	3F185	874,539	874,539		874,539		874,539	-
Lake Rockport Estate	3F199	587,000	587,000		587,000		82,000	505,000
Leeds Domestic WUA PL	3F066	15,000	15,000		15,000		15,000	-
Lincoln Culinary Water Corp	3F083	450,000	360,000	90,000	450,000	90,000	70,877	289,123
Manila	3F210	446,000	446,000		446,000		95,000	351,000
Mountain Regional SSD (Refi) (split)	3F114R	226,000	226,000		226,000		215,000	11,000
Nordic Mountain Wtr Co	3F183	535,581	429,000	106,581	535,581	106,581	99,287	329,713
Peoa Pipeline Company	3F132P	30,000	30,000		30,000		30,000	-
Pine Meadow MWC	3F170	3,068,000	3,068,000		3,068,000		379,544	2,688,456
Pinon Forest SSD	3F073P	15,000	15,000		15,000		15,000	-
Pleasant Grove 2011	3F146	1,000,000	1,000,000		1,000,000		246,000	754,000
Rocky Ridge Town	3F286	405,000		405,000	405,000	405,000		-
Rocky Ridge Town	3F302	405,000	405,000		405,000			405,000
St George City 337,500	3F044	169,000	169,000		169,000		169,000	-
Springdale	3F264	2,337,940	1,345,940	992,000	901,590	670,650		230,940
Stockton Town	3F157	389,000	389,000		389,000		90,000	299,000
Summit Co Service Area #3	3F153	428,000	214,000	214,000	428,000	214,000	24,000	190,000
Taylor West-Weber WID (split)	3F234	2,057,531	1,544,640	512,891	1,266,140	350,500	126,000	789,640
Torrey Town	3F287	262,000	262,000		52,000			52,000
Twin Creeks SSD	3F295	300,000		300,000	300,000	300,000		-
Uintalands Association	3F171	677,000	677,000		677,000		95,666	581,334
Veyo Culinary Wtr Assn	3F187	1,222,000	1,222,000		1,222,000	662,000	560,000	-
Veyo Municipal Water Co	3F086P	50,650	50,650		50,650		50,650	-
Washington Terrace	3F141	708,000	708,000		708,000		196,000	512,000
West Erda Impr Dist	3F233	240,600	108,000	132,600	240,600	132,600		108,000
White Hills (split)	3F143	655,000	622,000	33,000	655,000	55,000	109,000	491,000
Willow Creek Water Company	3F200	225,000	225,000		225,000		38,000	187,000
Woodenshoe Water Company	3F197	322,850	201,000	121,850	322,850	121,850	24,000	177,000
Woods Cross (split)	3F212	202,772	202,772		202,772		93,000	109,772
TOTALS		240,209,826	198,950,708	41,259,118	233,974,100	41,012,243	86,940,039	106,021,818

During this biennial reporting period 22 projects totaling \$20,142,575 were closed. All 22 projects totaling \$20,142,575 were given to small communities with populations of less than 10,000. All of the projects awarded were also disadvantaged communities.

Disadvantaged communities

Subsidies (loan forgiveness) are available to communities meeting the definition of “disadvantaged community” or which the State expects to become disadvantaged as a result of the project. Disadvantaged Communities are defined, by the Drinking Water Board, as those communities located in an area which has a median adjusted gross income which is less than or equal to 80% of the State’s median adjusted gross income, as determined by the Utah State Tax Commission from federal individual income tax returns excluding zero exemption returns or where the established annual cost of drinking water service to the average residential user exceeds 1.75% of the median adjusted gross income.

The 2017 & 2018 grant awards required subsidies be issued to subrecipients of the grant awards of not less than 20 percent of the federal loan amount received. The Division has met the subsidy requirement for 2017 and most of the 2018 subsidy requirements were met by January 2019. Subsidies were directly tied to each grant award based on the total project award closed. Principal forgiveness was the methodology used to award subsidies to subrecipients in 2017 and 2018. In 2017, principal forgiveness was awarded to ten loans totaling \$4,140,500, with \$1,545,500 forgiven. In 2018, principal forgiveness was awarded to nine loans totaling \$11,736,075, with \$3,675,075 forgiven.

Small systems (serves fewer than 10,000 persons): The DW SRF program requires a minimum of 15% of all dollars credited to the loan fund provide assistance to small systems that serve fewer than 10,000 persons. Utah has awarded a total of \$240.4 million loans of which \$183.1 million or 76% went to small systems.

No loan receivables are past due.

Loans authorized by the Drinking Water Board but which have not yet been closed as of June 30th, 2018 totaled \$8,219,650. Hardship and Technical Assistance fees are accounted for in an account separate from other DW SRF loan funds, but are combined in the same fund.

The Drinking Water Board has approved a 1% origination fee since fiscal year 2007 to be directly applied to the loan portion of any loan agreement closed. The fee is tracked in a separate fund and is currently being used for administrative expenses related to State funded loan activities and allowable activities as allowed under section 1452 of the Act. It is currently the practice of DWSRF to only apply the loan origination fee to water systems which do not meet the requirements of being disadvantaged.

The DWSRF binding commitment rule requires “the State must enter into binding commitments equaling the amount of the grant payment plus a 20% State match within one year after it receives a grant payment”. The DW SRF statute defines a binding commitment as “a legal obligation by the State to a recipient of assistance that defines the terms of DWSRF assistance.” All closed loans have a hardship fee assessment, a technical assistance fee assessment or an interest charge (which may sometimes be zero % interest if qualified as disadvantaged). The hardship and technical assistance fees are calculated and collected the same as interest, but are accumulated in a separate fund. Hardship fees & technical assistance fees range between .5% and 4.14%. Interest rates range between 0.00% and 4.96%. All loans not meeting the disadvantaged criteria are charged a 1.0% origination fee.

The hardship fee assessment and/or the interest rate assessed have been less than the Revenue Bond Buyer Index (RBBI) rate at the time it was assessed. The RBBI is currently at 3.45%.

Leveraging of funds has not been used.

Project Priority

The Drinking Water Board may, at its option, modify a project’s priority rating based on the following considerations: (a) the project plans, specification, contract, financing, etc., of a lesser-rated project are ready for execution; (b) Available funding; (c) Acute health risk; (d) Capacity Development; (e) An emergency. The Drinking Water Board, at a regular scheduled board meeting, may modify the project priority list.

Utah Administrative Code rule R309-705-6 (See web link on pg 2) describes the priority system used to assign points to systems showing a deficiency in source, storage, treatment and/or the distribution system. Points are assigned based on the relative risk of each deficiency and are divided as applicable between health risk and compliance with SDWA. The applicant’s priority points are modified by financial factors, known as the Rate Factor and the AGI (adjusted gross income) Factor. The priority points for demonstrated deficiencies are multiplied by the Rate Factor and AGI Factor to arrive at a final priority rating. This method addresses the financial hardships experienced in less affluent communities and in those already experiencing higher water rates. Upon arriving at a final priority rating, the applicant may be added by the Drinking Water Board to the priority list. Projects are continually added to the priority list as applications are submitted through-out the year.

The goal is to fund the project with the highest number of priority points first. Every effort is made to help the water system with the highest number of priority points get ready for construction. The Board may authorize funding for a water system with fewer priority points if

the water system is ready to proceed. By doing so the Division is able to remain compliant with the DWSRF commitment requirements.

The amount and type of financial assistance offered is based upon the criteria shown in Table 2 listed in rule R309-705-6. As determined by Drinking Water Board resolution, disadvantaged communities may also receive zero-percent loans, or other financial assistance as described in rule R309-705.

Please refer the Project Priority List Table with the following explanations:

Projects marked with an “A” in the left hand column have been funded by the Board. Projects marked with a “P” are potential projects for which applications have not yet been submitted. “N” indicates an application has been received and is being reviewed for processing. The Division continues to make contact with these water systems offering help and encouragement.

All of the processed applicants have been authorized for funding and division employees are assisting the water systems to prepare to close their loans. Table 5 is a list of applicants identified in priority lists from previous grant years whose SRF applications have been or will be de-authorized or moved to other funding. In addition, any projects where closing has been delayed for more than one year has an explanation paragraph.

TABLE 5 - PROJECT DELAYS			
Community	Loan #	Amt of Loan	Reason not funded or delayed
Community Water Company	3F291	3,662,000	Project was deauthorized and redesigned. Mountain Regional SSD was authorized from DDW State Funds for a revised project in July 2018
Cove SSD	3F285	\$1,085,000	Bids came in higher than anticipated, needed more funds - loan closing was delayed but project was closed in April 2019
Eagle Mountain	3F254	\$2,895,000	Moved to State funding
Fillmore City	3F239	\$2,152,000	Moved to State funding
Greenwich	3F258	130,000	New Chlorination Bldg was deauthorized due to lack of cooperation with the community
Juab County	3F259	21,210,000	Deauthorized - County was unable to make project work
Liberty Pipeline Company	3F236	499,000	Applicant auth 5/15 & withdrew application 1/17
North Fork SSD	3F260	2,199,000	Moved to State funding
Old Meadows	3F255	413,292	Incomplete application 2015, but was scored on PPL. Project was deleted from PPL in 2017. It was never authorized.
Storm Haven/Daniel Town	on PPL	2,041,414	Never Authorized. Request was cancelled by applicant.
Swiss Alpine Water	3F300	807,000	Well and distribution system. The water system had issues up front, but are now moving forward to close.
Twin Creeks SSD	3F295	5,338,000	Phase I was closed in Dec 2018 of \$1,643,000 and is currently under construction. Phase II is anticipated to close in Dec 2019
Virgin Town	3F272	800,000	Revised project authorized in 2018 to reduce scope and was re-authorized Jan 2019. Moving forward and is planning to be closed in FY2020
Wellington	3F265	1,063,000	Applicant auth 4/16 & withdrew application 1/17

Utah Federal SRF Program – Table 6

As of 25-Jul-18	Priority Points	Project Priority List						
		Total Unmet Needs = \$221,742,059			Total Needs, incl. recently funded = \$260,483,732			
		System Name	County	Pop.	Project Title	Project Total	Request DWB	Funds Authorized
N	29	Woodland Mutual	Summit	186	Spring redevelopment, new tank, water lines, pump station	\$3,257,320	\$3,257,320	
N	28.1	Pleasant Grove City	Utah	36,329	Spring redevelopment and transmission line replacement	\$2,300,000	\$2,300,000	
N	24.3	West Corrine	Box Elder	1,275	Spring redevelopment and transmission line replacement	\$533,075	\$479,767	
A	41.4	Virgin Town	Washington	750	New 500,000-gallon tank and transmission line	\$1,131,313	\$1,120,000	\$1,120,000
A	27	Bridge Hollow	Summit	45	New Well	\$225,000	\$225,000	\$225,000
A	26.3	Hanksville	Wayne	210	Water line replacement	\$1,091,273	\$1,091,273	\$1,091,273
A	25.3	San Juan Spanish Valley SSD	San Juan	491	New System: tank, well, distribution	\$5,125,758	\$2,575,758	\$2,550,000
A	24.8	Torrey Town	Wayne	500	New water line and replacement	\$2,230,000	\$1,852,000	\$1,852,000
A	24.1	Community Water Company	Summit	505	Water line replacement, treatment plant upgrades	\$3,662,000	\$3,662,000	\$3,662,000
A	19.5	Twin Creeks SSD	Wasatch	2,500	Treatment Plant, Storage Tank, Water Lines	\$5,672,650	\$5,400,000	\$5,338,000
N	18.8	Swiss Alpine	Wasatch	300	New Well and transmission line	\$955,152	\$815,152	\$807,000
A	18.3	Greenwich	Piute	67	New Chlorination Building	\$130,000	\$130,000	\$130,000
A	17.3	North Valley Ranches	Washington	25	New Well and transmission line	\$450,000	\$450,000	\$450,000
A	12.5	Cove SSD	Sevier	100	New well, storage tank and water lines	\$1,085,000	\$1,085,000	\$1,085,000
A	9.7	Juab County	Juab	???	Regionalization pipeline	\$24,000,000	\$21,000,000	\$21,210,000
A	N/A	Big Plains Water & Sewer SSD	Washington	720	Regionalization-purchase Canaan Springs Water Co	\$517,125	\$517,125	\$517,125
					N = New Application			
					A = Authorization			
					P = Potential Project – No authorization			

VI. SET ASIDES

Separate accounts are maintained for each set-aside. Draws and disbursements are tracked by account. Set-aside funds are not mingled with the loan funds. Goals and objectives of the Division of Drinking Water are reviewed and established annually. Draws are requested when expenses have been incurred and funds disbursed. As of June 30, 2018 a total of \$40,675,099 has been allocated to the set-asides, disbursements total \$40,029,568.

	Total Awards thru fy 2018*	Disbursements			CARRY FORWARD TO FY 2019
		1997-2016	2017-2018	Total	
Set-Asides:					
Administration (4%)	7,352,914	6,282,574	928,526	7,211,100	141,814
Technical Assistance (2%)	3,900,787	3,486,897	344,856	3,831,753	69,034
State Program Management (10%)					
PWSS Program Augmentation	16,028,349	14,044,379	1,799,977	15,844,356	183,993
Source Water Program Admin	1,448,825	1,263,050	176,777	1,439,827	8,998
Operator Certification Program Admin	1,003,210	870,530	132,680	1,003,210	-
Capacity Development Prog Admin	375,778	327,692	31,844	359,536	16,242
Database Migration	620,000	620,000	-	620,000	-
Local Assistance/Other State Programs (15%)					
Source Wtr Delineation & Assesment	352,978	352,978	-	352,978	-
Capacity Development-CD	997,537	997,537	-	997,537	-
Well Head Protection	843,715	433,005	331,880	764,885	78,830
Local Assist & Capacity Develop Outreach	7,751,006	6,043,205	1,561,181	7,604,386	146,620
Set-Aside Totals	40,675,099	34,721,847	5,307,721	40,029,568	645,531

*Grant Year 2018 wasn't awarded until September 2018, therefore not included in this table.

Administration Set-Aside

The Division of Drinking Water requested and was granted the \$400,000 option as was provided for in the WIIN Act of 2016. Additionally, DDW was awarded \$200,000 from previous grant award years in the 4% set-aside as a reserve (described in the next paragraph). Total expenses for 2017 and 2018 were \$451,257 and \$477,269, respectively. Total funds available for 2019 equaled \$141,814. Grant year 2018 requested 4% for a total of \$444,280 which was received in September 28, 2019 (the first quarter of fiscal year 2019).

Reserve Account for the 4% set-aside: A reserve account was created from previous years when available 4% administrative awards were not taken from previous capitalization grants. The amount available was reserved to be requested in later years, hence the term “Reserve”. Reserve funds were requested to supplement the amount directly provided with the 4% allotment in grant years 2017, which enabled the Division to sustain sufficient funding to maintain the program. At the end of 2018, \$848,760 was in the 4% administrative set-aside reserve account saved for future use.

The administration set-aside funded four-five full-time equivalent (FTE’s) positions to operate the SRF program. In 2017 and 2018, the Division did not charge any activities for technical assistance to the 4% set-aside. DDW does not anticipate Division employees charging any technical assistance to the 4% set-aside in the future.

State Program Management Set-Aside

The 2017 capitalization grant was awarded to the Division of Drinking Water in September, 2017. The 2018 capitalization grant was awarded in September, 2018. The Division requested the maximum 10% from both years, but then added \$200,000 to the total in the 2017 grant from the state program set-aside reserve, and was able to return \$150,000 of the 2018 grant to the state program set-aside reserve. The two years netted together resulted in only a \$50,000 decrease to the reserves for the 10% set-aside category.

The reserve was set-up from previous grant years that were not used to the full 10%. Total awards through 2017 equal \$19,476,162; disbursements total \$19,283,170, leaving a carry forward balance of \$192,992. It was necessary for EPA to include pre-award expenses for the state program management set-aside on the 2018 capitalization grant awarded in September 2018. About half of the Division’s operating budget is funded from the 10% set-aside annually.

Prior to the WIIN Act of 2016, the 10% set-aside required a dollar for dollar match in addition to the 20% State match that is added to the loan program. The total dollar for dollar match was \$18,041,630 at the end of grant year 2016. A portion of the dollar for dollar match was covered by the PWSS credit for 1993 funding used which is allowed according to CFR 35.3535 (d) (ii) which could have been up to \$855,668 each year. DDW has always had sufficient funding between the general fund appropriations coupled with the PWSS credit to maintain the dollar for dollar state match. According to the WIIN Act of 2016, any grants awarded after December 16, 2016 will no longer require the dollar for dollar state match to match the 10% set-aside. Both grant years 2017 and 2018 were awarded later than December 16, 2016.

The State Program Management set-aside is divided into four sub programs, PWSS Supervision or Augmentation (Includes database development and migration); Capacity Development

Program Oversight; Operator Certification; and Source Water. Funding and expenditures are recorded by sub program. Unexpended funds are carried forward and tracked by sub program. The status of each sub program is as follows:

PWSS Supervision or Augmentation:

The PWSS Supervision fund is used to augment the mission of the Division, which is to “Cooperatively work with drinking water professionals and the public to ensure a safe and reliable supply of drinking water”.

Total awards received for this sub program equaled \$16,028,349. Total spent through June 30, 2018 was \$15,844,355. Carry forward balance was \$183,994.

The PWS Supervision set-aside provides funding for basic core functions such as plan reviews, compliance monitoring, groundwater source protection, and many other facets of public health protection. Many rules have been changed which requires ongoing efforts to maintain the program. Community growth to the State continues to increase water needs and hence impacts our staff’s resources.

Tasks include plan and specification reviews, water treatment plant inspections, witnessing well grouting, tracking biological and chemistry analyses (over 130,000 data sets) submitted by water systems to determine compliance, determine trends, and make proactive recommendations to help water systems ensure the public receives safe drinking water. Employees also assist in compliance issues relating to the Radon, Arsenic, and Long Term 2 Enhanced Surface Water Treatment, Stage Disinfectants and Disinfection Byproducts, and Groundwater rules.

Our electronic document database referred to as eDocs has been a substantial resource of historical information. All water system files are being maintained as electronic records. Correspondence, source protection plans and maps, and electronic submittals of engineering drawings (the drawings are not mandatory) are all being requested and maintained in eDocs. We are also working towards access to the electronic data through the internet, just for key DDW partners. All in-use forms are available on the internet for DDW services.

The Division experienced a turnover rate during fiscal years 2017 and 2018 of about 25% each year. A total of 20 employees left DDW during those two years to obtain other employment or to retire. All of the positions were replaced with new hires. However, some of the new hires have already left DDW. As of May 31st, 2019, DDW has about six open positions, hopefully to be hired within the next three months, which is about 15% of DDW’s total employees. It does seem more difficult to keep and retain good employees in the current market.

Database Migration and Updates:

The reporting tool known as WaterLink is a web based platform and has been continually enhanced with various modules in fiscal years 2017 and 2018. This allows for full mobile access to real time drinking water data for systems, local health departments, the public and DDW staff. The SARA program was fully retired in 2016 and the SRF loan tracking in CASPER was migrated to WaterLink in 2018. WaterLink allows for the creation of customized reports and real time data. It continues DDW's commitment to keeping data and reporting accurate, interactive and clear in order to continually improve our service.

Capacity Development:

The Utah Capacity Development Program is codified in Utah Administrative Code *Rule 309-800 Capacity Development Program*. The State of Utah has statutory authority (Section 19-4-104 of the Utah Safe Drinking Water Act) for a Capacity Development Program. Utah's Capacity Development Program Rule requires existing Utah public water systems to demonstrate they have adequate technical, managerial, and financial capacity before they receive funding for system improvements through the SRF program. In addition, prospective Utah public water systems must demonstrate they will have adequate technical, managerial, and financial capacity before they may be approved as a Utah public water system. Plans and application for funding are reviewed for compliance with the Capacity Development studies. Implementation and maintenance of the program, preparation of annual reports to EPA and triennial reports to the Governor (next due September 30, 2017), and their dissemination to the public are required, including a list of community water systems and nontransient noncommunity water systems that have a history of significant noncompliance and the reasons for noncompliance. The reports for FY 2017 & FY 2018 were completed and submitted as required.

The set-aside funding is used along with State funds to provide staff and other resources to implement Utah's Capacity Development Program Rule R309-800. Expenses for 2017 and 2018 were \$13,698 and \$18,146, respectively.

Operator Certification:

Since 1997, the Utah operator certification program has required community water systems serving more than a population of 25 to employ a certified operator to test and submit the samples required by each system. In addition, SDWA rules required all community and non-transient, non-community water systems and all public water systems that treat surface water to employ or contract certified operators. The SDWA guidelines were implemented by the State of Utah in February 1, 2001 with EPA's continuous approval since April 2, 2001.

DDW's Operator Certification Program works in collaboration with local health departments and the Rural Water Association of Utah to administer written, oral, and online certification exams. It also provides study guides and presentations to help applicants prepare for the certification exam. Once certified, operators are required to complete continuing education unit (CEU) credits to stay current on the latest technological and regulatory developments. DDW offers [training screencasts](#) online to help operators obtain CEU credits towards certificate renewals and online training materials.

DDW continues using its Reminder Emails Electronic Calls and Hints (REECH) alert system to automate the process of notifying operators about certification renewals, upcoming trainings, or required sampling. The alert system also sends reminders to water systems with substandard sample results until DDW receives the adequate samples. REECH can also be used in an emergency to provide information to customers about boil orders or updates on drinking-water contamination.

Funding for the Operator Certification program sources was revised in 2018. Fees were increased and the 1:1 state match requirement was taken away via the WIIN Act of 2016. DDW anticipates increasing fees sufficiently to wholly cover the revenue required to cover the operator certification program expenses. Expenses for 2017 and 2018 set-asides were \$96,632 and \$36,048, respectively.

Source Water Protection:

Utah implemented a Source Water Quality Assessment program for all public water systems as required in the SDWA amendments of 1996. The goal of the source protection program is to protect the quality, quantity and safety of the drinking water provided by public water systems. To accomplish this, the Division completes compliance review and approval of source protection plans, and provides assistance to systems in completing and updating source protection plans. The Division also assists water systems and county government develop source protection ordinances, which facilitates area-wide planning and infrastructure protection efforts as well as updating a geodatabase which the division maintains to track source water protection zones. Approximately 70% of community systems have substantially implemented source protection requirements. Expenses for 2017 and 2018 were \$989,352 and \$78,425, respectively.

Small Systems Technical Assistance:

The Small System Technical Assistance funding is used to fund DDW's contract with the Rural Water Association of Utah (RWAU). The RWAU provides technical assistance to rural drinking water system officials in resolving operational problems and in complying with the Utah public

drinking water rules. They also assist with the Operator Certification and Backflow Programs with written exams.

Proper training and certification safeguard water supplies by ensuring that water system operators are knowledgeable about operation and maintenance procedures as well as regulatory requirements. This protects the health and safety of customers served by these systems as well as the traveling public visiting or passing through the communities served by these water systems.

RWAU administers technical assistance to water systems with a population of less than 10,000. Up to 2% of each grant awarded may be used to fund Small System Technical Assistance activities. \$3,900,787 has been awarded through June 30, 2018 and \$3,831,753 has been spent, leaving a balance of \$69,034.

Local Assistance & Other State Programs:

The Local Assistance 15% set-aside has been used to directly assist public water systems. Each category has been tracked separately for a specific set of activities. The amount allocated to each of the categories varies from year to year. Unexpended funds are carried forward and tracked by each category.

Two categories were requested in 1999 and were used to set-up the programs for Source Water Protection and Capacity Development. Well head Protection was set-up to implement a program to protect wellheads. The Local Assistance and Capacity Development Outreach category directly assists public water systems with a variety of related expertise.

Local Assistance/Other State Programs	Total Awards thru	Disbursements			Carry Forward to 2019
	fy 2018	1997-2016	2017-2018	Total	
Source Water Delineation & Assessmnt	352,978	352,978	-	352,978	-
Capacity Development – CD	997,537	997,537	-	997,537	-
Well Head Protection	843,715	433,005	331,880	764,885	78,830
Local Assist & Cap Develop Outreach	7,751,006	6,043,205	1,561,181	7,604,386	146,620
15% Set-Aside Totals	9,945,236	7,826,725	1,893,061	9,719,786	225,450

Source Water Delineation & Assessment:

The Source Water Delineation & Assessment category was set-up in 1999 to develop a program identifying and tracking ground water sources and surface water sources. The program has been set-up and is ongoing. However, this category was completed and fully spent by the end of fiscal year 2002.

Capacity Development – CD:

The Capacity Development Program created the next category in 1999 as well. The Capacity Development – CD category was set-up for the implementation of the Capacity Development Program. Program oversight is an ongoing process and is covered by the 10% set-aside. This category was completed and fully spent by the end of fiscal year 2002.

Wellhead Protection:

The Division of Drinking Water maintains a geodatabase of water system facilities and associated source protection zones and assessment areas. New protection zones are added to the geodatabase as needed. New source protection zones delineated for transient non-community water systems are also included. The Division of Drinking Water, other DEQ Divisions and the Utah Automated Geographic Reference Center have developed a secure website (the “Interactive Map”) which is accessible to water systems, planners, the public, and local government officials. Users can obtain information on contamination sites regulated by the Utah Division of Environmental Response and Remediation and limited data from other DEQ Divisions. Drinking Water sources and protection zones are now also available to the public, but only after requesting a secure login. The Division intends to improve access to source protection data by allowing all users to click a map location to obtain information about whether the location is within a source protection zone, but without actually seeing the zones themselves. Refer to Table 8 listed above for funding, expenses and remaining balance.

Local Assistance and Capacity Development Outreach with Public Water Systems:

The capacity development outreach set-aside is used to provide assistance to small and rural drinking water systems as part of the capacity development strategy. It provides on-going activities to technically assist small and rural drinking water systems as part of a capacity development strategy under section 1420c of the Act.

Certified Operator training and technical and engineering support, particularly for smaller rural water systems, are critical for the safe delivery of water to residents. Utah has 789 small water systems that serve less than 500 people. Since many operators of small water systems work on a part-time or voluntary basis, they depend heavily on DDW and RWAU for technical assistance and training.

Specific outreach speaking engagements, training opportunities, and other educational opportunities such as having a booth at a conference are being developed in conjunction with the League of Cities & Towns, Rural Development, Rural Water Association, Utah Association of Counties, and American Planning Association, to update knowledge and to provide additional technical, managerial and financial capacity.

Telephone Calls with small/rural system operators provide a consultation opportunity for answering questions and influencing system development. When obtaining information for sanitary survey, an emphasis is stressed during the discussions to obtain strategies for developing system capabilities. Assisting in the preparation of source protection plans and planning meetings by staff to discuss strategies to assist small systems.

Refer to Table 8 listed above for funding, expenses and remaining balance.

VII. COMPLIANCE WITH THE OPERATION AGREEMENT AND GRANT CONDITIONS

The Division of Drinking Water is in compliance with the following conditions as described in the program guidelines.

Assurance that the State:

- has the authority to establish a Fund and to operate the DWSRF program in accordance with the SDWA
- will comply with State statutes and regulations
- will accept capitalization grant funds in accordance with a payment schedule
- will deposit all capitalization grant funds in the Fund or Set-Aside account
- will provide an amount at least equal to 20 percent of the capitalization grant (State match) in the Fund and disburse into escrow accounts prior to any federal funds being drawn
- will comply with the capitalization grant subsidization requirements
- will deposit net bond proceeds, interest earnings, and repayments into the Fund
- will match capitalization grant funds the State uses for 1452(g)(2) set-asides (1:1 match on the 10% set aside portion)
- will adopt policies and procedures to assure that borrowers have a dedicated source of revenue for repayment (or in the case of a privately owned system, demonstrate that there is adequate security)
- will commit and expend funds as efficiently as possible, and in an expeditious and

timely manner

- will use funds in accordance with the Intended Use Plan
- will provide EPA with a Biennial Report
- will comply with all Federal cross cutting authority requirements

State matching funds:

The State 20% match is deposited to the loan fund within one month of receipt of the grant award. As projects enter into binding agreements, the entire state match portion for that project is deposited into project construction escrow accounts prior to any federal funds being drawn for any project. Interest earned on the invested cash balance remains in the loan fund and adds to the long-term financial health of the fund.

There has never been any transfer of funds between the DWSRF and the CWSRF programs since the beginning of the DWSRF Program.

Compliance with Federal crosscutting authorities:

Drinking Water notifies all assistance recipients of the responsibility to comply with all applicable federal cross-cutting authorities. The Division will continue to monitor compliance.

Financial Statements

Copies of the unaudited financial statements for year 2017 and 2018 are attached. The statements comply with the Governmental Accounting Standards Board (GASB) pronouncements.

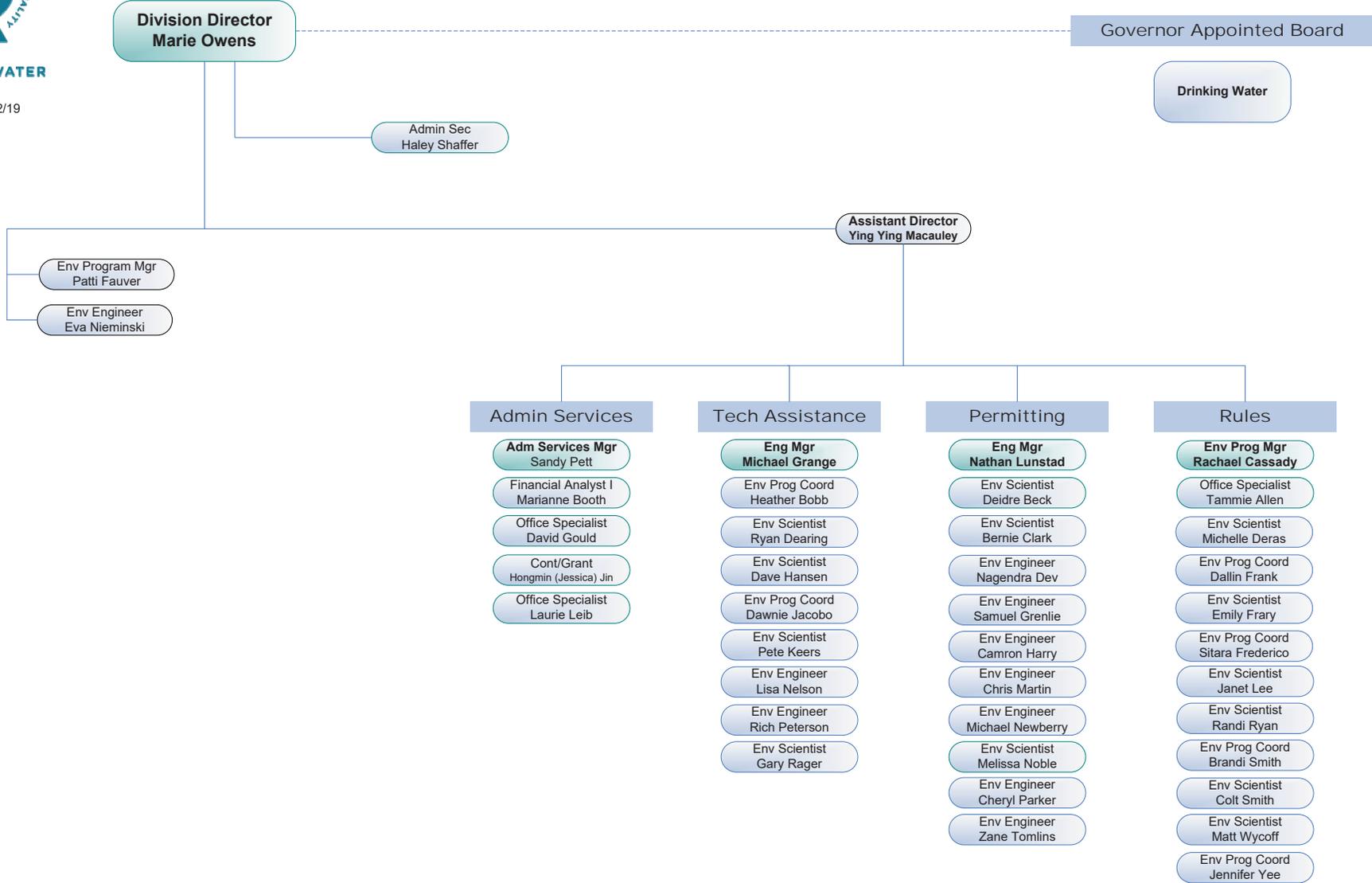
The Division of Drinking Water loans are considered to be a binding commitment when the loan agreement is signed. Project funding authorized by the Drinking Water Board that has not been closed is not considered as a binding commitment.



Division of Drinking Water

DRINKING WATER

Revised 1/22/19



UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER - STATE REVOLVING FUND
STATEMENT OF NET ASSETS
June 30, 2017

ASSETS	SRF LOAN FUND	HARDSHIP & TECH ASSIST FUND	LOAN ORIGINATION FUND	TOTAL
Current Assets:				
Cash & Cash Equivalents	63,195,204	\$1,456,881	\$154,850	\$64,806,935
Receivables:				
Amount Due from EPA	1,871,705	-	-	1,871,705
Loan Interest	694,314	-	-	694,314
Hardship Assessments	-	126,776	-	126,776
Other	-	-	-	-
Loans Receivable	6,574,212	60,000	-	6,634,212
Total Current Assets	<u>72,335,435</u>	<u>1,643,657</u>	<u>154,850</u>	<u>74,133,942</u>
Noncurrent Assets:				
Loans Receivable	99,962,079	1,264,654	-	101,226,733
Total Noncurrent Assets	<u>99,962,079</u>	<u>1,264,654</u>	<u>0</u>	<u>101,226,733</u>
Total Assets	<u>172,297,514</u>	<u>2,908,311</u>	<u>154,850</u>	<u>175,360,675</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	231,386	10,958	-	242,344
Due to State	18,137	-	-	18,137
Deferred Revenue	-	-	-	-
Total Liabilities	<u>249,523</u>	<u>10,958</u>	<u>0</u>	<u>260,481</u>
Net Assets:	<u>\$172,047,991</u>	<u>\$2,897,353</u>	<u>\$154,850</u>	<u>\$175,100,194</u>

The accompanying notes are an integral part of the financial statements.

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER - STATE REVOLVING FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
June 30, 2017

	SRF LOAN FUND	HARDSHIP & TECH ASSIST FUNDS	LOAN ORIG FUND	TOTAL
OPERATING REVENUES				
Loan Interest	\$1,530,086	-	-	\$1,530,086
Hardship and Technical Assistance Assessments	\$0	\$344,665	-	344,665
Late Fees	\$0	-	-	-
Loan Origination Fees	\$0	-	-	-
Set-Asides Program:	\$0	-	-	-
EPA - Grant Administration	2,705,927	-	-	2,705,927
State Funds	895,386	-	-	895,386
Total Operating Revenues	<u>5,131,399</u>	<u>344,665</u>	<u>0</u>	<u>5,476,064</u>
OPERATING EXPENSES				
Principal Forgiveness	2,353,500	-	-	2,353,500
Hardship and Technical Assistance	0	1,764,640	-	1,764,640
Loan Origination Fees	61,569	-	-	61,569
EPA Set-Asides:	0	-	-	-
Administration	451,257	-	-	451,257
State Program Management	1,950,506	-	-	1,950,506
Technical Assistance	182,285	-	-	182,285
Local Assistance	955,697	-	-	955,697
Total Operating Expenses	<u>5,954,814</u>	<u>1,764,640</u>	<u>0</u>	<u>7,719,454</u>
OPERATING LOSS	<u>(823,415)</u>	<u>(1,419,975)</u>	<u>0</u>	<u>(2,243,390)</u>
NON OPERATING REVENUES				
Investment Interest	728,413	16,330	-	744,743
EPA Capitalization Grants - Loans	3,390,260	-	-	3,390,260
EPA Capitalization Grants - Principal Forgiveness	901,500	-	-	901,500
Utah State Contribution	0	-	-	-
Transfer In/Out	0	(21,612)	(62,816)	(84,428)
Total Nonoperating Revenues	<u>5,020,173</u>	<u>(5,282)</u>	<u>(62,816)</u>	<u>4,952,075</u>
Change in Net Assets	<u>4,196,758</u>	<u>(1,425,257)</u>	<u>(62,816)</u>	<u>2,708,685</u>
Net Assets - Beginning	<u>167,851,233</u>	<u>4,322,610</u>	<u>217,666</u>	<u>172,391,509</u>
Net Assets - Ending	<u>\$172,047,991</u>	<u>\$2,897,353</u>	<u>\$154,850</u>	<u>\$175,100,194</u>

The accompanying notes are an integral part of the financial statements.

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER - STATE REVOLVING FUND
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

	SRF LOAN FUND	HARDSHIP & TECH ASSIST FUNDS	LOAN ORG FUND	TOTAL FUND CHANGES
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Loan Payments	\$7,003,244	\$97,044	-	\$7,100,288
Disbursement of New Loans	(5,387,000)	(41,000)	0	(5,428,000)
Principal Forgiveness	(2,353,500)	0	0	(2,353,500)
Disbursement of New Grants	0	(1,785,867)	0	(1,785,867)
Receipts from Loan Interest and Penalties	1,556,070	0	0	1,556,070
Receipts from Loan Int, Hardship & Tech Assist Fees	0	365,618	0	365,618
Loan Origination Fees	0	0	0	0
Grant Awards	2,356,805	0	0	2,356,805
Program Administration	(3,670,376)	0	0	(3,670,376)
Receipts from State of Utah	895,387	0	0	895,387
Accounts Receivable	(1,255,500)	0	0	(1,255,500)
Net Cash Provided by/(Used by) Operating Activities	(854,870)	(1,364,205)	0	(2,219,075)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Receipts from EPA for Loans	3,390,260	0	0	3,390,260
Receipts from EPA for Principal Forgiveness	901,500	0	0	901,500
Receipts from State of Utah	0	0	0	0
Transfer In/(Out)	0	(21,612)	(62,816)	(84,428)
Net Cash Provided by Noncapital Financing Activities	4,291,760	(21,612)	(62,816)	4,207,332
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from Investments	728,413	16,330	0	744,743
Net Cash Provided by Investing Activities	728,413	16,330	0	744,743
Increase/Decrease in Cash and Cash Equivalents	4,165,303	(1,369,487)	(62,816)	2,733,000
Cash and Cash Equivalents, Beginning of Year	59,029,901	2,826,368	217,666	62,073,935
Cash and Cash Equivalents, End of Year	\$63,195,204	\$1,456,881	\$154,850	\$64,806,935
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	(823,414)	(1,419,975)	0	(2,243,389)
Net Changes in Assets and Liabilities:				
(Increase) Decrease in Loans Receivable	1,616,244	56,044	0	1,672,288
(Increase)/Decrease in Loan Interest Receivable	25,984	0	0	25,984
(Increase)/Decrease in Hardship & Tech Assist Fee Receivable	0	20,952	0	20,952
(Increase)/Decrease in Receivables from EPA	(1,604,622)	0	0	(1,604,622)
(Increase)/Decrease Accounts Receivable	0	0	0	0
(Increase)/Decrease in Deferred Revenue	0	0	0	0
(Decrease)/Increase Due to State	(18,421)	0	0	(18,421)
(Decrease)/Increase Accounts Payable	(50,641)	(21,226)	0	(71,867)
Net Cash Provided by Operating Activities	(854,870)	(1,364,205)	\$0	(2,219,075)

The accompanying notes are an integral part of the financial statements.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Unaudited

NOTE 1 – DEFINITION OF REPORTING ENTITY

The Utah Department of Environmental Quality, Division of Drinking Water - State Revolving Fund Program (SRF or Fund) program was established in 1997 pursuant to Utah Code, Title 73, chapter 10 and the Safe Drinking Water Act (SDWA) Amendments of 1996. The Program was established to provide assistance to public water systems for projects that meet the eligibility requirements of the SDWA. The SDWA also allows the state to “set aside” up to 31% of the annual capitalization grant. The set-asides program are Administration (up to 4%), supplemental funding (augmentation) of the State’s Public Water Systems Supervision program (up to 10%), Technical Assistance to public water systems (up to 2%), and for other Technical or Financial Assistance including capacity development of/to public water systems (up to 15%). The Drinking Water Board charges a loan origination fee up to 1% of the principal loan amount. Funding from the 4% administration portion of the capitalization grant and from the collection of loan origination fees allow for both the supervision of the SRF program and for management oversight of individual projects.

The SRF program receives assistance and support from the Department of Environment Quality – Office of Support Services, the Department of Administrative Services – Division of Finance, the Utah Attorney General’s Office and the State Treasurer’s Office. Salaries and benefits, travel, supplies and other costs that apply to the SRF program are charged to the SRF set-asides. Indirect costs are allocated as a percent of direct salary costs. Salaries and benefits, as well as indirect costs based on direct salary costs, are accumulated in the state’s general fund and charged to the SRF based on actual time spent on SRF activities. Employees charging time to the SRF program are covered by the State of Utah employee benefit plan. The Division of Finance is, by State law, charged with the responsibility to bill the borrower, receive and deposit payment and balance receivable detail to the general ledger control accounts. The Division of Finance charges the SRF program a fee to administer the loans. The fee is charged to the Administrative set-aside.

The SRF has been funded by a series of annual grants from the EPA. Grant conditions require States to provide an additional 20 percent in state matching funds each year to the federal Capitalization Grant. The EPA American Recovery and Reinvestments Act (ARRA) grant funding to the SRF fund at the end of fiscal year 2009 was the exception to the rule and did not require the 20 percent state match requirement.

The Fund follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of governmental organization’s elected governing body as the basic criterion for including a possible component governmental

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1 – DEFINITION OF REPORTING ENTITY (CONTINUED)

organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The SRF program and activities are included in the Utah Comprehensive Annual financial Report (CAFR) as part of the Proprietary Funds (Water Loan Programs). The SRF assets, liabilities, and net assets are combined with other state programs and are not separately identifiable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fund conform to generally accepted accounting principles (GAAP) as applicable to a governmental unit accounted for as a proprietary enterprise fund. The enterprise fund is used since the Fund's powers are related to those operated in a manner similar to a for profit business where an increase in net assets is an appropriate determination of accountability.

Basis of Accounting

The SRF financial statements are presented as an enterprise fund. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. All assets and liabilities associated with the operations of the fund are included in the statement of net assets. The SRF has elected to follow the accounting pronouncements of the Governmental Accounting Standards Board (GASB), as well as statements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

In accordance with the Money Management Act, Section 51-7 of the Utah Code, the State Treasurer administers cash and manages investments in the State. The Money Management Act specifies the investments that may be made, which are only high-grade securities. Investments include variable rate corporate notes and obligations of U.S. government agencies that base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate. Cash equivalents are generally considered short-term highly liquid investments with maturity of three months or less from the purchase date.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All funds deposited with the treasurer are considered to be cash or cash equivalents regardless of the actual maturities of the underlying investments in the statement of cash flows. Investments in debt and equity securities are reported at fair value in the statement of net assets. All investment income, including changes in the fair value, is reported in the statement of revenue, expenses, and changes in fund net assets.

Hardship and Technical Assistance Fee Assessments

The Board has the option to charge a hardship fee or a technical assistance fee assessment in lieu of interest. The loans that have been closed to date have an interest charge, a hardship fee assessment or a technical assistance fee and in one case both a hardship fee assessment and an interest charge split 50/50. Hardship and technical assistance fees are calculated and paid in the same manner as interest. The SRF Program restriction for the use of hardship and technical assistance fees differ from the restriction for the use of interest. Hardship fee and technical assistance fee assessments are both deposited to the same fund but tracked separately within the fund. The hardship grant fees can be used for purposes other than loans, including grants to disadvantaged communities; the technical assistance fee may also be used for administrative program expenses or other purposes for which capitalization grants can be awarded. Both hardship and technical assistance fees may be used as a state match to federal funds.

Loan Origination Fee

The Board has approved a 1% origination fee to be applied directly to any loan that does not include a disadvantaged subsidy to the community (i.e. principal forgiveness) of any loan agreement closed. The fee is tracked in a separate fund and may be used for any allowable activities under the Act and administration of the loan program. It cannot be used as a state match to federal funds, unless it has been paid separately from the political subdivision and not deducted from any federally funded loans.

Operating Revenues and Expenses

The SRF distinguishes between operating revenues and expenses and non-operating items in the Statements of Revenues, Expenses and Changes in Net Assets. Operating revenues and expenses generally result from carrying out the purpose of the SRF of providing low interest loans to communities and providing assistance for prevention programs and administration. Operating revenues consist of loan interest repayments from borrowers. Operating expenses include allocated direct salary costs and benefits, allocated indirect costs and allowance for bad

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

debt. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions. The EPA capitalization grant and the associated State match, and principal forgiveness are reported as non-operating revenue. The 4% administrative match (1:1) is reflected as operating revenue.

In addition to loan assistance to eligible public water systems, the SRF program also emphasizes the prevention of drinking water contamination by allowing states to reserve a portion of the grant to fund activities that encourage enhanced water system management and source protection. The funded activities are referred to as set-aside funds.

When both restricted and unrestricted resources are available for use, it is the Fund's policy to follow the State of Utah's policies as outlined in the State's Comprehensive Annual Financial Report.

Principal Forgiveness Recognition

The SRF fund may provide additional loan subsidies (e.g., principal forgiveness) to benefit communities meeting the definition of "disadvantaged". Prior to 2009 any capitalization grant could not exceed 30 percent of the amount of the capitalization grant for that year. Since the ARRA grant in 2009, subsidization amounts have varied every year based on Congress' whim. There has been a floor as low as 20% and a maximum of up to 50%. Please refer to the individual grant year for specifics of each year.

The ARRA portion of each loan was tracked separately and the principal forgiveness funded was tied directly to ARRA portion of the projects. The principal forgiveness for grant years 2010 through 2017 were tied to officially closed projects included in the intended use plan for their respective years. Principal forgiveness is recognized as an expense as loan draws are made.

Budgets

The SRF, as an enterprise fund of the State, does not require an appropriation. Even so, the Legislature reviews SRF amounts and authorizes an annual budget.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes during the reporting period. Actual results could differ from those estimates.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable

Loans are funded by capitalization grants from the EPA, State matching funds, loan repayments and fund earnings. Interest is calculated from the date that funds are advanced. After the final disbursements have been made, the loan agreement is adjusted for the actual amounts disbursed. Loans are amortized over periods up to 30 years. Loan repayments must begin within one year of construction completion or one year from the initial loan disbursement, depending upon their loan agreement, and are typically paid on an annual basis.

Allowance for Bad Debt

The allowance for bad debts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Loans receivable are charged against the allowance for bad debts when management believes that the uncollectibility of the principal is probable. The allowance for bad debts was \$-0- at June 30, 2017.

NOTE 3 - CASH AND INVESTMENTS

All monies of the SRF are deposited with the Utah State Treasurer and are considered cash and cash equivalents. All cash deposited with the State Treasurer is maintained by the Treasurer in various pooled investment funds. The State Treasurer invests the deposited cash, including the cash float, in short term securities and other investments.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF) investment pool. The PTIF is available for investment of funds administered by any Utah public treasurer. Participation is not required and no minimum balance or minimum/maximum transaction is required. State agencies and funds that are authorized to earn interest also invest in the PTIF as an internal investment pool. No separate report as an external investment pool has been issued for the PTIF. Details of the investments of the PTIF can be obtained from the State Treasurer.

The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The Act establishes the Money Management Council, which oversees the activities of the State Treasurer and the PTIF. The Act lists the investments that are authorized which are high-grade securities which minimizes credit risk except in the most unusual and unforeseen circumstances.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains and losses on investments.

Income, gains and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participants' share of the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. At year end, the investments are valued at fair value. The SRF has adjusted the PTIF funds to fair value as of June 30, 2017.

Investments in PTIF are not categorized because they are not evidenced by securities that exist in physical or book entry form. Cash and cash equivalents are presented below:

Pooled cash held by State Treasurer	\$ 1,351,859
Public Treasurers Investment Fund	<u>63,455,076</u>
Total cash and cash equivalents	<u>\$ 64,806,935</u>

NOTE 4 – LOANS RECEIVABLE

Loans are made to qualifying agencies for projects that meet the eligibility criteria. The SRF loan awards are comprised of the following funding sources: (1) the federal capitalization grants; (2) State matching funds; (3) loan repayments; (4) interest payments; and (5) SRF interest earnings. Projects are funded through the purchase of incremental disbursement bonds and proceeds are deposited into an escrow account based on a quarterly schedule of anticipated costs. Loan interest begins accruing when funds are deposited in the escrow account. Principal repayment must begin no later than one year after the completion of the project. Effective hardship fees and interest rates vary between zero and 4.96% and are generally repaid over 20 years. Disadvantaged communities may be allowed up to 30 years for repayment.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 4 – LOANS RECEIVABLE (CONTINUED)

Loans mature at various intervals through January 1, 2047. Scheduled principal payments for the SRF loan and Hardship funds are as follows:

<u>Year Ending June 30</u>	<u>SRF Amt</u>	<u>Hardship Amt</u>
2018	6,574,212	60,000
2019	6,309,545	84,000
2020	6,438,053	81,000
2021	6,256,742	83,000
2022	7,607,598	83,000
2023 - 2027	25,558,661	409,000
2028 - 2032	20,669,081	343,500
2033 - 2037	14,525,719	180,000
2038 - 2042	9,961,028	1,154
2043 - 2047	<u>2,635,652</u>	<u>0</u>
Total	<u>\$106,536,291</u>	<u>\$1,324,654</u>

Major Loans to Local Agencies

The Fund has made loans to the following local agencies. The aggregate outstanding loan balances for each of these water systems exceeds 5 percent of total loans receivable. The combined outstanding loan balances at June 30, 2017 of these local agencies represent approximately 19 percent of the total loans receivable and are as follows:

Borrower	<u>Closed Loan Amount</u>	<u>Outstanding Loan Balance</u>
Kane County Water Conservancy Dist (4 loans)	\$ 10,237,000	\$ 9,121,000
Pine Meadow Mutual Water Co (2 loans)	6,763,000	5,411,108
Taylor-West Weber Water Improvement District	<u>6,091,000</u>	<u>5,462,000</u>
Total	<u>\$ 23,091,000</u>	<u>\$ 19,994,108</u>

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 5 – DUE TO STATE OF UTAH

Due to State of Utah balances are an aggregation of amounts due to employees for salaries and benefits and/or vendors and miscellaneous suppliers paid by the state.

NOTE 6 – CAPITAL CONTRIBUTIONS

The following table summarizes the activity of the State’s Drinking Water Revolving Loan Fund by award year.

<u>Year</u>	<u>Grant Award</u>	<u>Funds Drawn as of June 30, 2016</u>	<u>Funds Drawn During Year Ended June 30, 2017</u>	<u>Funds Drawn as of June 30, 2017</u>	<u>Available Funds as of June 30,2017</u>
1998-2006	\$83,539,100	\$ 83,539,100	\$ 0	\$ 83,539,100	\$ 0
2007	8,229,400	8,229,400	0	8,229,400	0
2008	8,146,000	8,146,000	0	8,146,000	0
2009-ARRA	19,500,000	19,500,000	0	19,500,000	0
2009	8,146,000	8,146,000	0	8,146,000	0
2010	13,573,000	13,573,000	0	13,573,000	0
2011	9,418,000	9,418,000	0	9,418,000	0
2012	8,975,000	8,975,000	0	8,975,000	0
2013	8,421,000	8,421,000	0	8,421,000	0
2014	9,229,000	9,171,970	57,030	9,229,000	0
2015	9,169,000	8,377,957	732,918	9,110,875	58,125
2016	8,674,000	0	6,207,739	6,207,739	2,466,261
2017	8,600,000	0	0	0	8,600,000
	<u>\$ 203,619,500</u>	<u>\$185,497,427</u>	<u>\$ 6,997,687</u>	<u>\$ 192,495,114</u>	<u>\$ 11,124,386</u>

The following table summarizes the amount of state contributions made to meet match requirements of the EPA grant. It includes the 1:1 match for program set-asides, but excludes the PWSS credit:

State match paid as of June 30, 2016	\$48,745,359
State match paid during the year ended June 30, 2017	<u>2,546,200</u>
State match paid as of June 30, 2017	<u>\$51,291,559</u>

NOTE 7 - TRANSFER IN

During fiscal year 2017, no funds were transferred to the SRF from other sources.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 8 - RISK MANAGEMENT

The SRF is included in Utah's Risk Management Fund, which provides insurance in case of loss or claims against the SRF. The State has elected, with a few exceptions, to be self-insured against loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, settled claims have not exceeded insurance coverage in the last three fiscal years. Refer to the State's Risk Management disclosure in the June 30, 2017 Comprehensive Annual Financial Reports.

NOTE 9 – CONTINGENCIES AND SUBSEQUENT EVENTS

Authorized Projects

As of June 30, 2017, the total remaining draws for projects with closed loans was \$1,408,503. Draws will be completed during future fiscal years in order to complete drinking water projects in these communities. As of June 30, 2017, the Board had authorized an additional \$43,777,623 for drinking water projects. However, loan closing had not been completed for these projects.

NOTE 10 – NET ASSETS

Governmental Accounting Standards Board Statement No. 34 provides for three components of net assets: invested in capital assets, net of related debt, restricted and unrestricted. As of June 30, 2017, the Fund had no restricted net assets or net assets invested in capital assets, net of related debt. Unrestricted net assets consists of net assets that do not meet the definition of invested in capital assets, net of related debt or restricted. Although the Fund reports unrestricted net assets on the face of the statements of net assets, unrestricted net assets are to be used by the Fund for the payment of obligations incurred by the Fund in carrying out its statutory powers and duties and are to remain in the Fund.

This information is an integral part of the accompanying financial statements.

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER - STATE REVOLVING FUND
STATEMENT OF NET ASSETS
June 30, 2018

ASSETS	SRF LOAN FUND	HARDSHIP & TECH ASSIST FUND	LOAN ORIGINATION FUND	TOTAL
Current Assets:				
Cash & Cash Equivalents	73,339,214	\$1,616,173	\$78,660	\$75,034,047
Receivables:				
Amount Due from EPA	480,566			480,566
Loan Interest	710,515			710,515
Int, Hardship & Tech Assist Fees		107,062		107,062
Other				-
Loans Receivable	6,377,855	62,000		6,439,855
Total Current Assets	<u>80,908,150</u>	<u>1,785,235</u>	<u>78,660</u>	<u>82,772,045</u>
Noncurrent Assets:				
Loans Receivable	99,643,890	1,180,654		100,824,544
Total Noncurrent Assets	<u>99,643,890</u>	<u>1,180,654</u>	<u>0</u>	<u>100,824,544</u>
Total Assets	<u>180,552,040</u>	<u>2,965,889</u>	<u>78,660</u>	<u>183,596,589</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	274,216	0		274,216
Due to State	125,095	20,570		145,665
Deferred Revenue				-
Total Liabilities	<u>399,311</u>	<u>20,570</u>	<u>0</u>	<u>419,881</u>
Net Assets:	<u>\$180,152,729</u>	<u>\$2,945,319</u>	<u>\$78,660</u>	<u>\$183,176,708</u>

The accompanying notes are an integral part of the financial statements.

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER - STATE REVOLVING FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
June 30, 2018

	SRF LOAN FUND	HARDSHIP & TECH ASSIST FUNDS	LOAN ORIG FUND	TOTAL
OPERATING REVENUES				
Loan Interest	\$1,522,694			\$1,522,694
Hardship and Technical Assistance Assessments	\$0	\$306,783		306,783
Late Fees	\$591			591
Loan Origination Fees	\$0			-
Set-Asides Program:	\$0			-
EPA - Grant Administration	2,601,807			2,601,807
State Funds	827,362			827,362
Total Operating Revenues	<u>4,952,454</u>	<u>306,783</u>	<u>0</u>	<u>5,259,237</u>
OPERATING EXPENSES				
Principal Forgiveness	3,015,725			3,015,725
Hardship and Technical Assistance	0	283,099		283,099
DDW Admin Expenses	76,190			76,190
EPA Set-Asides:	0			-
Administration	477,269			477,269
State Program Management	1,819,548			1,819,548
Technical Assistance	162,571			162,571
Local Assistance	969,781			969,781
Total Operating Expenses	<u>6,521,084</u>	<u>283,099</u>	<u>0</u>	<u>6,804,183</u>
OPERATING LOSS	<u>(1,568,630)</u>	<u>23,684</u>	<u>0</u>	<u>(1,544,946)</u>
NON OPERATING REVENUES				
Investment Interest	1,217,118	24,282		1,241,400
EPA Capitalization Grants - Loans	5,235,585			5,235,585
EPA Capitalization Grants - Principal Forgiveness	1,424,475			1,424,475
Utah State Contribution	1,720,000			1,720,000
Transfer In/Out	76,190		(76,190)	-
Total Nonoperating Revenues	<u>9,673,368</u>	<u>24,282</u>	<u>(76,190)</u>	<u>9,621,460</u>
Change in Net Assets	<u>8,104,738</u>	<u>47,966</u>	<u>(76,190)</u>	<u>8,076,514</u>
Net Assets - Beginning	<u>172,047,991</u>	<u>2,897,353</u>	<u>154,850</u>	<u>175,100,194</u>
Net Assets - Ending	<u>\$180,152,729</u>	<u>\$2,945,319</u>	<u>\$78,660</u>	<u>\$183,176,708</u>

The accompanying notes are an integral part of the financial statements.

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER - STATE REVOLVING FUND
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

	SRF LOAN FUND	HARDSHIP & TECH ASSIST FUNDS	LOAN ORG FUND	TOTAL FUND CHANGES
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Loan Payments	\$9,363,546	\$82,000		\$9,445,546
Disbursement of New Loans	(8,849,000)			(8,849,000)
Principal Forgiveness	(3,015,725)			(3,015,725)
Disbursement of New Grants		(273,487)		(273,487)
Receipts from Loan Interest and Penalties	1,507,084			1,507,084
Receipts from Loan Int, Hardship & Tech Assist Fees		326,497		326,497
Loan Origination Fees				0
Grant Awards	2,737,446			2,737,446
Program Administration	(3,355,571)			(3,355,571)
Receipts from State of Utah	827,362			827,362
Accounts Receivable	1,255,500			1,255,500
Net Cash Provided by/(Used by) Operating Activities	470,642	135,010	0	605,652
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Receipts from EPA for Loans	5,235,585			5,235,585
Receipts from EPA for Principal Forgiveness	1,424,475			1,424,475
Receipts from State of Utah	1,720,000			1,720,000
Transfer In/(Out)	76,190		(76,190)	0
Net Cash Provided by Noncapital Financing Activities	8,456,250	0	(76,190)	8,380,060
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from Investments	1,217,118	24,282		1,241,400
Net Cash Provided by Investing Activities	1,217,118	24,282	0	1,241,400
Increase/Decrease in Cash and Cash Equivalents	10,144,010	159,292	(76,190)	10,227,112
Cash and Cash Equivalents, Beginning of Year	63,195,204	1,456,881	154,850	64,806,935
Cash and Cash Equivalents, End of Year	\$73,339,214	\$1,616,173	\$78,660	\$75,034,047
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	(1,568,630)	23,684		(1,544,946)
Net Changes in Assets and Liabilities:				
(Increase) Decrease in Loans Receivable	514,546	82,000		596,546
(Increase)/Decrease in Loan Interest Receivable	(16,200)			(16,200)
(Increase)/Decrease in Hardship & Tech Assist Fee Receivable	0	19,714		19,714
(Increase)/Decrease in Receivables from EPA	1,391,139			1,391,139
(Increase)/Decrease Accounts Receivable	0			0
(Increase)/Decrease in Deferred Revenue	0			0
(Decrease)/Increase Due to State	42,830			42,830
(Decrease)/Increase Accounts Payable	106,957	9,612		116,569
Net Cash Provided by Operating Activities	\$470,642	\$135,010	\$0	\$605,652

The accompanying notes are an integral part of the financial statements.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Unaudited

NOTE 1 – DEFINITION OF REPORTING ENTITY

The Utah Department of Environmental Quality, Division of Drinking Water - State Revolving Fund Program (SRF or Fund) program was established in 1997 pursuant to Utah Code, Title 73, chapter 10 and the Safe Drinking Water Act (SDWA) Amendments of 1996. The Program was established to provide assistance to public water systems for projects that meet the eligibility requirements of the SDWA. The SDWA also allows the state to “set aside” up to 31% of the annual capitalization grant. The set-asides program are Administration (up to 4%), supplemental funding (augmentation) of the State’s Public Water Systems Supervision program (up to 10%), Technical Assistance to public water systems (up to 2%), and for other Technical or Financial Assistance including capacity development of/to public water systems (up to 15%). The Drinking Water Board charges a loan origination fee up to 1% of the principal loan amount. Funding from the 4% administration portion of the capitalization grant and from the collection of loan origination fees allow for both the supervision of the SRF program and for management oversight of individual projects.

The SRF program receives assistance and support from the Department of Environment Quality – Office of Support Services, the Department of Administrative Services – Division of Finance, the Utah Attorney General’s Office and the State Treasurer’s Office. Salaries and benefits, travel, supplies and other costs that apply to the SRF program are charged to the SRF set-asides. Indirect costs are allocated as a percent of direct salary costs. Salaries and benefits, as well as indirect cost based on direct salary costs, are accumulated in the state’s general fund and allocated to the SRF based on actual time spent on SRF activities. Employees charging time to the SRF program are covered by the State of Utah employee benefit plan. The Division of Finance is, by State law, charged with the responsibility to bill the borrower, receive and deposit payment and balance receivable detail to the general ledger control accounts. The Division of Finance charges the SRF program a fee to administer the loans. The fee is charged to the Administrative set-aside.

The SRF has been funded by a series of annual grants from the EPA. Grant conditions require States to provide an additional 20 percent in state matching funds each year to the federal Capitalization Grant. The EPA American Recovery and Reinvestments Act (ARRA) grant funding to the SRF fund at the end of fiscal year 2009 was the exception to the rule and did not require the 20 percent state match requirement.

The Fund follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of governmental organization’s elected governing body as the basic criterion for including a possible component governmental

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1 – DEFINITION OF REPORTING ENTITY (CONTINUED)

organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The SRF program and activities are included in the Utah Comprehensive Annual Financial Report (CAFR) as part of the Proprietary Funds (Water Loan Programs). The SRF assets, liabilities, and net assets are combined with other state programs and are not separately identifiable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fund conform to generally accepted accounting principles (GAAP) as applicable to a governmental unit accounted for as a proprietary enterprise fund. An enterprise fund is used since the Fund's powers are related to those operated in a manner similar to a for profit business where an increase in net assets is an appropriate determination of accountability.

Basis of Accounting

The SRF financial statements are presented as an enterprise fund. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. All assets and liabilities associated with the operations of the fund are included in the statement of net assets. The SRF has elected to follow the accounting pronouncements of the Governmental Accounting Standards Board (GASB), as well as statements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

In accordance with the Money Management Act, Section 51-7 of the Utah Code, the State Treasurer administers cash and manages investments in the State. The Money Management Act specifies the investments that may be made, which are only high-grade securities. Investments include variable rate corporate notes and obligations of U.S. government agencies that base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate. Cash equivalents are generally considered short-term highly liquid investments with maturity of three months or less from the purchase date.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All funds deposited with the treasurer are considered to be cash or cash equivalents regardless of the actual maturities of the underlying investments in the statement of cash flows. Investments in debt and equity securities are reported at fair value in the statement of net assets. All investment income, including changes in the fair value, is reported in the statement of revenue, expenses, and changes in fund net assets.

Hardship and Technical Assistance Fee Assessments

The Board has the option to charge a hardship fee or a technical assistance fee assessment in lieu of interest. The loans that have been closed to date have an interest charge, a hardship fee assessment or a technical assistance fee and in one case both a hardship fee assessment and an interest charge split 50/50. Hardship and technical assistance fees are calculated and paid in the same manner as interest. The SRF Program restriction for the use of hardship and technical assistance fees differ from the restriction for the use of interest. Hardship fee and technical assistance fee assessments are both deposited to the same fund but tracked separately within the fund. The hardship grant fees can be used for purposes other than loans, including grants to disadvantaged communities; the technical assistance fee may also be used for administrative program expenses or other purposes for which capitalization grants can be awarded. Both hardship and technical assistance fees may be used as a state match to federal funds.

Loan Origination Fee

The Board has approved a 1% origination fee to be applied directly to any loan that does not include a disadvantaged subsidy to the community (i.e. principal forgiveness) of any loan agreement closed. The fee is tracked in a separate fund and may be used for any allowable activities under the Act and administration of the loan program. It cannot be used as a state match to federal funds, unless it has been paid separately from the political subdivision and not deducted from any federally funded loans.

Operating Revenues and Expenses

The SRF distinguishes between operating revenues and expenses and non-operating items in the Statements of Revenues, Expenses and Changes in Net Assets. Operating revenues and expenses generally result from carrying out the purpose of the SRF of providing low interest loans to communities and providing assistance for prevention programs and administration. Operating revenues consist of loan interest repayments from borrowers. Operating expenses include allocated direct salary costs and benefits, allocated indirect costs and allowance for bad

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

debt. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions. The EPA capitalization grant and the associated State match, and principal forgiveness are reported as non-operating revenue. The 10% program augmentation match (1:1) was removed from the SRF program after grant year 2017 in accordance with the WIIN Act. As of June 30, 2018, most of the 10% set-aside for grant year 2017 was spent and the 1:1 state match exceeded the required match.

In addition to loan assistance to eligible public water systems, the SRF program also emphasizes the prevention of drinking water contamination by allowing states to reserve a portion of the grant to fund activities that encourage enhanced water system management and source protection. The funded activities are referred to as set-aside funds.

When both restricted and unrestricted resources are available for use, it is the Fund's policy to follow the State of Utah's policies as outlined in the State's Comprehensive Annual Financial Report.

Principal Forgiveness Recognition

The SRF fund may provide additional loan subsidies (e.g., principal forgiveness) to benefit communities meeting the definition of "disadvantaged". Prior to 2009 any capitalization grant could not exceed 30 percent of the amount of the capitalization grant for that year. Since the ARRA grant in 2009, subsidization amounts have varied every year based on Congress' whim. There has been a floor as low as 20% and a maximum of up to 50%. Please refer to the individual grant year for specifics of each year.

The ARRA portion of each loan was tracked separately and the principal forgiveness funded was tied directly to ARRA portion of the projects. The principal forgiveness for grant years 2010 through 2017 were tied to officially closed projects included in the intended use plan for their respective years. Principal forgiveness is recognized as an expense as loan draws are made.

Budgets

The SRF, as an enterprise fund of the State, does not require an appropriation. Even so, the Legislature reviews SRF amounts and authorizes an annual budget.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes during the reporting period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable

Loans are funded by capitalization grants from the EPA, State matching funds, loan repayments and fund earnings. Interest is calculated from the date that funds are advanced. After the final disbursements have been made, the loan agreement is adjusted for the actual amounts disbursed. Loans are amortized over periods up to 30 years. Loan repayments must begin within one year of construction completion or one year from the initial loan disbursement, depending upon their loan agreement, and are typically paid on an annual basis.

Allowance for Bad Debt

The allowance for bad debts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Loans receivable are charged against the allowance for bad debts when management believes that the uncollectibility of the principal is probable. The allowance for bad debts was \$-0- at June 30, 2018.

NOTE 3 - CASH AND INVESTMENTS

All monies of the SRF are deposited with the Utah State Treasurer and are considered cash and cash equivalents. All cash deposited with the State Treasurer is maintained by the Treasurer in various pooled investment funds. The State Treasurer invests the deposited cash, including the cash float, in short term securities and other investments.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF) investment pool. The PTIF is available for investment of funds administered by any Utah public treasurer. Participation is not required and no minimum balance or minimum/maximum transaction is required. State agencies and funds that are authorized to earn interest also invest in the PTIF as an internal investment pool. No separate report as an external investment pool has been issued for the PTIF. Details of the investments of the PTIF can be obtained from the State Treasurer.

The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The Act establishes the Money Management Council, which oversees the activities of the State Treasurer and the PTIF. The Act lists the investments that are authorized which are high-grade

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

securities which minimizes credit risk except in the most unusual and unforeseen circumstances. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains and losses on investments.

Income, gains and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participants' share of the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. At year end, the investments are valued at fair value. The SRF has adjusted the PTIF funds to fair value as of June 30, 2018.

Investments in PTIF are not categorized because they are not evidenced by securities that exist in physical or book entry form. Cash and cash equivalents are presented below:

Pooled cash held by State Treasurer	\$ 191,985
Public Treasurers Investment Fund	<u>74,842,062</u>
Total cash and cash equivalents	<u>\$ 75,034,047</u>

NOTE 4 – LOANS RECEIVABLE

Loans are made to qualifying agencies for projects that meet the eligibility criteria. The SRF loan awards are comprised of the following funding sources: (1) the federal capitalization grants; (2) State matching funds; (3) loan repayments; (4) interest payments; and (5) SRF interest earnings. Projects are funded through the purchase of incremental disbursement bonds and proceeds are deposited into an escrow account based on a quarterly schedule of anticipated costs. Loan interest begins accruing when funds are deposited in the escrow account. Principal repayment must begin no later than one year after the completion of the project. Effective hardship fees and interest rates vary between zero and 4.96% and are generally repaid over 20 years. Disadvantaged communities may be allowed up to 30 years for repayment.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 4 – LOANS RECEIVABLE (CONTINUED)

Loans mature at various intervals through March 1, 2049. Scheduled principal payments for the SRF loan and Hardship funds are as follows:

<u>Year Ending June 30</u>	<u>SRF Amt</u>	<u>Hardship Amt</u>	<u>Total</u>
2019	6,377,855	62,000	6,439,855
2020	6,547,345	81,000	6,628,345
2021	6,520,200	83,000	6,603,200
2022	7,928,777	83,000	8,011,777
2023	5,699,800	79,000	5,778,800
2024 - 2028	25,956,903	407,154	26,364,057
2029 - 2033	21,295,513	267,500	21,563,013
2034 - 2038	13,239,979	120,000	13,359,979
2039 - 2043	9,149,373	60,000	9,209,373
2044 - 2049	<u>3,306,000</u>	<u>0</u>	<u>3,306,000</u>
Total	<u>\$106,021,745</u>	<u>\$1,242,654</u>	<u>\$107,264,399</u>

Major Loans to Local Agencies

The Fund has made loans to the following local agencies. The aggregate outstanding loan balances for each of these water systems exceeds 5 percent of total loans receivable. The combined outstanding loan balances at June 30, 2018 of these local agencies represent approximately 13 percent of the total loans receivable and are as follows:

Borrower	<u>Closed Loan Amount</u>	<u>Outstanding Loan Balance</u>
Kane County Water Conservancy Dist (4 loans)	\$ 10,237,000	\$ 8,862,000
Taylor-West Weber Water Improvement District	<u>6,091,000</u>	<u>5,336,000</u>
Total	<u>\$ 23,091,000</u>	<u>\$ 14,198,000</u>

NOTE 5 – DUE TO STATE OF UTAH

Due to State of Utah balances are an aggregation of amounts due to employees for salaries and benefits and/or vendors and miscellaneous suppliers paid by the state.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 6 – CAPITAL CONTRIBUTIONS

The following table summarizes the activity of the State’s Drinking Water Revolving Loan Fund by award year thru June 30, 2018. Grant year 2018 was not awarded until Oct 2018 in FY 2019.

Year	Grant Award	Funds Drawn as of June 30, 2017	Funds Drawn During Year Ended June 30, 2018	Funds Drawn as of June 30, 2018	Available Funds as of June 30, 2018
1998-2006	\$83,539,100	\$ 83,539,100	\$ 0	\$ 83,539,100	\$ 0
2007	8,229,400	8,229,400	0	8,229,400	0
2008	8,146,000	8,146,000	0	8,146,000	0
2009-ARRA	19,500,000	19,500,000	0	19,500,000	0
2009	8,146,000	8,146,000	0	8,146,000	0
2010	13,573,000	13,573,000	0	13,573,000	0
2011	9,418,000	9,418,000	0	9,418,000	0
2012	8,975,000	8,975,000	0	8,975,000	0
2013	8,421,000	8,421,000	0	8,421,000	0
2014	9,229,000	9,229,000	0	9,229,000	0
2015	9,169,000	9,110,875	58,125	9,169,000	0
2016	8,674,000	6,207,739	2,397,227	8,604,966	69,034
2017	8,600,000	0	6,806,515	6,806,515	1,793,485
2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 203,619,500</u>	<u>\$192,495,114</u>	<u>\$ 9,261,867</u>	<u>\$ 201,756,981</u>	<u>\$ 1,862,519</u>

The following table summarizes the amount of state contributions made to meet match requirements of the EPA grant. It includes the 1:1 match for program set-asides, but excludes the PWSS credit:

State match paid as of June 30, 2017	\$51,291,559
State match paid during the year ended June 30, 2018	<u>2,547,363</u>
State match paid as of June 30, 2018	<u>\$53,838,922</u>

NOTE 7 - TRANSFER IN

During fiscal year 2018, no funds were transferred to the SRF from other sources.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF DRINKING WATER – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8 - RISK MANAGEMENT

The SRF is included in Utah's Risk Management Fund, which provides insurance in case of loss or claims against the SRF. The State has elected, with a few exceptions, to be self-insured against loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, settled claims have not exceeded insurance coverage in the last three fiscal years. Refer to the State's Risk Management disclosure in the June 30, 2018 Comprehensive Annual Financial Reports.

NOTE 9 – CONTINGENCIES AND SUBSEQUENT EVENTS

Authorized Projects

As of June 30, 2018, the total remaining draws for projects with closed loans was \$5,522,727. Draws will be completed during future fiscal years in order to complete drinking water projects in these communities. As of June 30, 2018, the Board had authorized an additional \$15,133,273 for drinking water projects. However, loan closing had not been completed for these projects.

NOTE 10 – NET ASSETS

Governmental Accounting Standards Board Statement No. 34 provides for three components of net assets: invested in capital assets, net of related debt, restricted and unrestricted. As of June 30, 2018, the Fund had no restricted net assets or net assets invested in capital assets, net of related debt. Unrestricted net assets consists of net assets that do not meet the definition of invested in capital assets, net of related debt or restricted. Although the Fund reports unrestricted net assets on the face of the statements of net assets, unrestricted net assets are to be used by the Fund for the payment of obligations incurred by the Fund in carrying out its statutory powers and duties and are to remain in the Fund.

This information is an integral part of the accompanying financial statements.