

# STATE OF TEXAS

## Drinking Water State Revolving Fund

Fiscal Year 2005

### ANNUAL REPORT

September 1, 2004 through August 31, 2005



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**FY 2005**  
**DRINKING WATER STATE REVOLVING FUND ANNUAL REPORT**  
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**FY 2005**  
**Drinking Water State Revolving Fund**  
**Annual Report**

**I. INTRODUCTION**

The State of Texas through the Texas Water Development Board (Board) is submitting the Annual Report for the State fiscal year 2005 (September 1, 2004 - August 31, 2005). The Report describes how the State has met the goals and objectives of the Drinking Water State Revolving Fund (DWSRF) Program as identified in the grant agreements, the 2005 Intended Use Plan (IUP) and the actual use of the DWSRF Program funds.

**II. EXECUTIVE SUMMARY**

The purpose of the DWSRF is to provide below market rate loans to applicants to finance project for public drinking water systems that facilitate compliance with primary drinking water regulations or otherwise significantly further the health protection objectives of the federal Safe Drinking Water Act (SWDA). The State of Texas' DWSRF program has received a total of \$486,325,300 in EPA Capitalization Grants through August 31, 2005, not including the pending FY 2005 Grant of \$63,818,500. The Board has contributed \$3,130,403 in FY 2005 bringing the total State match to \$94,717,525. The State of Texas has made a total of 70 binding commitments for \$540,374,9841 since the inception of the program in 1997 [See Table 1, page 19 for above details].

For FY2005, the Board received funding requests from 58 potential applicants with projects totaling approximately \$329 million. Using the project details outlined in the 58 funding requests, Texas Commission on Environmental Quality (Commission) staff ranked the projects in accordance to Board rules. Board staff then prepared the FY2005 Intended Use Plan (IUP) based on the Commission's ranking. By August 2004, the Board approved the FY 2005 IUP and letters of invitation were sent in September 2004 to potential applicants (invitees) listed on the IUP based on available funding. As the invitees were processed by either the receipt of an application by the identified deadline or notification declining the available DWSRF funding, a new set of invitation letters were mailed to the next potential applicants on the list to ensure that the entire IUP list of applicants is offered the opportunity to access the DWSRF program funding. The disposition of each invitee can be found in Table 4, page 22.

In fiscal year 2005, the Board made six binding commitments for \$109,985,000 from the FY 2004 IUP and \$6,760,000 from the FY2005 IUP, totaling \$116,745,000 for the entire fiscal year. There were no revisions made to these binding commitments during FY2005 [Table 2, page 20].

In FY 2005, six projects totaling \$11,845,000 started construction bringing the total to \$327,445,235. Six projects completed construction in by 2005 bringing the completed projects total to \$79,041,000 [Table 6, page 25].

The total dollar amount of commitments made from the FY 2005 IUP increased by 14% from FY 2004. The total dollar amount of commitments made from the FY 2005 IUP is 33.36%. The Board has

committed itself to increasing both the volume and dollar amount of commitments from the FY 2006 IUP as summarized in the next table.

<b>DWSRF Summary 1997 - 2005</b>						
	<b>No. Potential Applicants on IUP</b>	<b>Funds Available</b>	<b>Actual Commitments Made</b>	<b>Dollar Amount Commitments</b>	<b>% No. Commitments/ No. Potential</b>	<b>% - \$ Committed/ \$ available</b>
1997	281	\$1,368,764,000	6	\$31,973,000	2.14%	2.34%
1998	142	\$316,020,620	11	\$68,365,000	7.75%	21.63%
1999	102	\$297,355,000	17	\$91,817,235	16.67%	30.88%
2000	0	\$0	0	\$0		
2001	75	\$319,245,000	7	\$75,945,000	9.33%	23.79%
2002	77	\$606,065,000	6	\$33,335,000	7.79%	5.50%
2003	69	\$313,410,000	7	\$38,040,000	10.14%	12.14%
2004	49	\$478,520,000	10	\$90,914,706	20.41%	19.00%
2005	62	\$329,700,000	6	\$109,985,000	9.68%	33.36%
	<b>857</b>	<b>\$4,029,079,620</b>	<b>70</b>	<b>\$540,374,941</b>	<b>8.17%</b>	<b>13.41%</b>

### III. GOALS AND ACCOMPLISHMENTS

As documented in Table 1, page 19 by its cumulative binding commitments to 70 projects totaling \$540,374,941, the State of Texas is progressing toward meeting its short term and long term goals as described in the FY 2005 IUP.

Of the 70 active projects in the Texas DWSRF Program sixteen (16) are in design and thirty-five (35) are in construction. Nineteen (19) projects have been completed [Table 6, page 25]. Each of these projects should result in improved public health within the State.

#### A. Long Term Goals

1. *Restore and maintain the chemical, biological, and physical integrity of the State's drinking water by developing a financial and technical program capable of funding all projects annually which pose the most serious risk to public health and compliance with the Act. In addition, the source water assessment and delineation set-aside activity will develop a multi-agency approach to identifying susceptible water sources and potential sources of contamination, which will add to the State's ability to meet this goal.*

#### Marketing Strategy:

In early 2004, a conceptual outline was approved by the Executive Administrator to develop an in-depth marketing plan that would actively promote all Board financial assistance programs, including the DWSRF and CWSRF programs. Staff has continued to develop a sound marketing plan that will focus on identifying high-need communities and untapped potential customers through: 1) participation in stakeholder meetings, tradeshows and conferences; 2) development of program

enhancements that make our programs more attractive to potential applicants; and 3) involve the consulting community in the development of our marketing strategies. This marketing effort will be an ever-evolving activity. The initial plan is to develop a one-year, jumpstart marketing effort with the ultimate goal being a three-year well thought out marketing plan. Management will be monitoring staff's marketing efforts and, if needed, step-up and/or alter the identified approaches to create real opportunities that will increase loan activity.

Project Successes:

The City of Corsicana had a project final inspection in FY 2005. The city utilized \$10,865,000 in Drinking Water State Revolving Fund assistance, committed in October 1998, to rehabilitate and expand its water treatment plant facilities. This enabled the city to continue to meet drinking water treatment requirements, and to more efficiently monitor and control the distribution of water to all wholesale and retail customers. Having just recently contracted with new customers whose groundwater supply does not presently meet drinking water standards, the city is extending the benefits of its rehabilitated water treatment facilities.

The City of Olney also completed a DWSRF project in FY 2005. Utilizing \$1,250,000 in funding committed in April 2001, the city constructed improvements to its water treatment plant to ensure compliance with public drinking water standards.

Also completing DWSRF financed construction projects in FY 2005 were the City of Mount Calm (\$340,000 to correct water storage deficiencies), the City of Kountze (\$930,000 to improve water production capability and distribution facilities), the City of Mexia (\$560,000 to fund construction of needed storage and pumping facilities), the City of Tioga (\$580,000 to correct water supply capacity and pressure maintenance deficiencies), Orange County WCID #1 (\$2,600,000 to construct facilities needed to address water storage and pressure maintenance deficiencies) and the City of Palmer (\$1,415,000 to construct treatment facilities to correct poor groundwater quality).

Financial, Managerial and Technical Program:

The Commission, pursuant to the Drinking Water State Revolving Fund Program Guidelines (February 1997), has implemented a program to evaluate the financial, managerial, and technical (FMT) capability of applicants to maintain SDWA compliance. This program ensures that loans are not made to systems that lack FMT to maintain SDWA compliance. A system lacking FMT capability may be funded if it agrees to undertake feasible and appropriate changes in operation or if the use of the financial assistance provided through the program will ensure compliance over the long-term.

2. *Maintain the fiscal integrity of the DWSRF and assure a continuous enhancement of the fund for future generations by complying with generally accepted accounting standards and the establishment of a lending rate policy that also provides for long term inflation.*

The financial integrity of the fund is maintained through controls and procedures governing the application process and loan monitoring. Prior to an application being recommended to the Board for approval, a financial analyst reviews the applicant's ability to repay its DWSRF loan. The loan is evidenced by a bond or loan agreement that denotes the terms of payment and other special conditions. The loan agreement requires submittal of an annual independently prepared audit. The loans are reviewed at least annually for compliance with loan conditions. Special terms outlined in the loan agreement contain the requirements of maintaining a contingency account and a reserve account. These two accounts are anticipated to strengthen the integrity of the loan. The Board has had no loan defaults.

3. *Maintain the corpus of the fund in perpetuity by establishing a lending rate policy that produces sufficient repayment amounts to allow for the growth of funds after payment of debt service on state bonds, proceeds of which are deposited to the fund. This is balanced by a concern for the ability of applicants to afford the costs of their projects and with the provision of guidance, as necessary, in the planning and design of efficient and cost-effective projects.*

The maintenance of the fund in perpetuity is insured by the Board establishing a lending rate at a level which produces sufficient repayment amounts to allow for the growth of funds after payment of debt service on any state bonds. No leverage bonds have been issued to date.

## **B. Short Term Goals**

1. *Protect public health by providing funds for the supply of safe and adequate drinking water to the citizens of the state and by providing loans timely to water systems that are in non-compliance with state and federal drinking water regulations.*

Goal was satisfied through commitments to 10 applicants in FY 2005 totaling \$116,745,000. **Four entities received commitments from the FY 2004 IUP totaling \$6,760,000:**

- The Bolivar Peninsula Special Utility District (\$3,755,000)
- Reno (\$900,000)
- Mexia (\$605,000)
- Diboll (\$1,500,000)

**Six entities received commitments off of the FY 2005 Intended Use Plan totaling \$93,947,000:**

- Diboll (\$3,240,000)
- Alpine (\$4,860,000)
- Alvord (\$360,000)
- Marlin (\$12,600,000)
- Fort Worth (\$64,520,000)
- Brown Co. WID #1 (\$24,405,000)

2. *Ensure compliance with the Safe Drinking Water Act by working with the Texas*

*Commission on Environmental Quality (Commission), formerly the TNRCC, to ensure that water systems are in compliance with established standards and to provide technical, managerial and financial assistance.*

To ensure program success, the Board and Commission staff met on a regular basis (every two months when necessary) to review the progress of the program and discuss available marketing opportunities, possible changes and/or alternative financing structures to the program to effectively work with potential applicants (current and future), and evaluate more efficient uses for the set-aside funds to focus the dollars on potential small system applicants. The Commission is scheduling specialized training on system evaluations and demonstrations, from a regulatory perspective, the recent trends that Texas small systems are experiencing. This type of exchange in ideas and training will cultivate new, innovative approaches to financing Texas systems' needs. The Board and the Commission continue to work towards bringing all systems into compliance with the primary drinking water standards through our partnership efforts.

3. *Assist systems to ensure affordable water by providing an efficient program that can respond to the financial and technical needs of water systems, and by providing financial assistance at affordable interest rates while maintaining the fiscal integrity of the Fund.*

Loans through this program are all made at below market rates with disadvantaged communities receiving additional subsidies including, in some cases, loan forgiveness. Actual rates are based upon market rates minus a subsidy set 45 days before closing. For example, the Board average rate maybe 2.55% when the market average is 4.05% for an insured loan.

4. *Support components of the state drinking water and ground water programs by directing the necessary resources toward the States' most pressing compliance and health needs.*

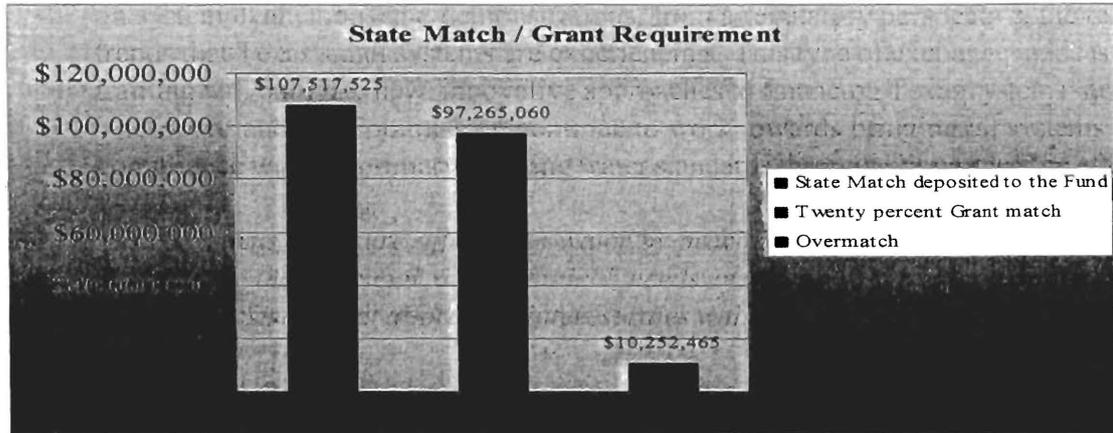
As shown on Table 4 three (3) applicants from the top ten ranked projects on the IUP received commitments in FY 2005. They are:

- Alpine (ranked #2) – distribution improvements and new pump station to address pressure and disinfection deficiencies.
- Marlin (ranked # 4) – new water treatment plant, transmission and distribution improvements to address pressure and water loss.
- Brown Co WID #1 (ranked #7) – expand existing treatment plant, new transmission line to address pressure, production and storage. Extend and expand wholesale water transmission lines.

**IV. DWSRF LOAN ACTIVITIES**

**A. Source of Funds**

Through the end of FY 2005, the Board received the FY 1997 through FY 2004 Capitalization Grants totaling \$ 486,325,300. The Board contributed \$3,130,403 in FY 2005 bringing the total State match to \$94,717,525. An additional \$12,800,000 in State match is pending as of 8/31/05. For \$486,325,300 capitalization grant funds awarded, the twenty percent match is \$97,265,060 [as summarized below and in Table 1, page 19], an overmatch of \$10,252,465 will result .



In addition, principal and interest payments from outstanding loans totaled \$11,811,215 through FY 2005.

Fiscal Year	Principal Paid	Interest Paid	Total Paid in Quarter Period
1998 - 2004	\$10,513,000	\$6,339,706	\$16,852,706
2005	\$8,006,000	\$3,805,215	\$11,811,215
<b>GRAND TOTAL</b>	<b>\$18,519,000</b>	<b>\$10,144,921</b>	<b>\$28,663,921</b>

**B. Uses of Funds**

- Binding Commitments:** The Board made ten (10) binding commitments to nine (9) entities for \$116,745,000 in FY 2005.

**Commitments in FY 2005 from the FY 2004 IUP -** Four commitments were made totaling \$6,760,000:

- Bolivar Peninsula SUD (\$3,755,000) – The District continues to work with the Lower Neches Valley Authority to construct a regional water treatment system. The District plans to install a new elevated storage tank and transmission line. The regional project will enable the District to provide potable water that meets state and federal drinking water standards to the entire peninsula. Bolivar Peninsula is accessible via ferry from the eastern tip of Galveston Island and High Island. The

District serves an estimated population of 17,700 during peak periods via 5,477 connections.

- City of Reno (\$900,000) – Reno will construct water mains to enhance pressure in the existing distribution system. The City has an estimated population of 3,235 and provides service to 1,124 water connections and 1,103 wastewater connections.
- City of Mexia (\$605,000) – The City will use the loan proceeds to construct a new 1.5 million gallon storage tank. The City's existing tank is more than 30 years old and is in need of replacement. Mexia plans to demolish and dispose of the existing tank and will construct the new tank at the same site. With an estimated population of 6,563, the City provides water to 2,737 connections and sewer service to 2,600 connections.
- City of Diboll (\$1,500,000) – Diboll plans to construct five new water wells, water transmission lines and a new 1.5 million gallon ground storage tank. The City is located approximately 110 miles Northeast of Houston Texas with an estimated population of 5,470. Diboll provides service to 1,425 water connections and 1,279 wastewater connections.

**Commitments from the FY 2005 Intended Use Plan - Six totaling \$102,685,000.**

- Brown Co WID #1 (\$24,405,000) – The project will correct capacity and storage needs identified by the Commission. The project includes the addition of a 12 million gallon per day membrane filtration process and rehabilitation and modification to the existing West Treatment Plant resulting in a total capacity of about 19 mgd. New ground storage and pump stations will enhance the reliability and capacity of the system. The District owns and operates Lake Brownwood. Lake Brownwood furnishes the entire water supply for the area. The District supplies wholesale treated water to the Cities of Brownwood and Bangs and the Brookesmith SUD. The District also supplies raw water to the Cities of Early, Santa Anna, Brookesmith SUD, Texas Department of Transportation, and other users for irrigation use.
- City of Alpine (\$4,860,000) – The City of Alpine received financial assistance in the amount of \$4,860,000, consisting of \$4,131,000 in loans and \$729,000 in loan forgiveness from the DWSRF Disadvantaged Community Program to finance water system improvements. The City will utilize this loan to construct transmission and distribution lines, pumping improvements, valves, hydrants and a 30,000 gallon ground storage tank. These improvements will help provide adequate system pressures, meet disinfection needs and provide adequately-sized water lines. The City also intends to drill new wells and replace existing wells, thereby expanding its well field capacity to improve its water sources and reduce costs for the system. The City of Alpine is the county seat of Brewster County with an estimated population of 6,053. The City currently has 2,550 residential and commercial customers.
- City of Alvord (\$360,000) – Alvord will utilize the loan proceeds to construct a new water well, replace a 50,000 gallon ground storage tank, and replace water lines. With an estimated population of 1,007, the City serves approximately 548 water and wastewater connections.
- City of Marlin (\$12,600,000) – The City of Marlin received financial assistance in the amount of \$12,600,000, consisting of \$10,710,000 in loans and \$1,890,000 in

loan forgiveness from the DWSRF Disadvantaged Community Program to finance water system improvements, utilizing the pre-design commitment option. The City will use the loan proceeds to construct a new surface water treatment plant, new transmission and storage facilities and improvements to the distribution system. These improvements are required to help bring the City into compliance with the Commission rules related to drinking water quality and pressures. Marlin is the county seat and principal commerce center of Falls County located 28 miles SE of the City of Waco with a population of 6,628 serving 2,300 water and sewer connections.

- City of Fort Worth (\$64,520,000) – The City of Fort Worth is financing improvements to its water system. The City will utilize the funding to expand the existing Eagle Mountain Water Treatment Plant and raw water conveyance system from its present 70 mgd capacity to 105 mgd capacity. The project also consists of an expansion of the existing underwater intake structure located in Eagle Mountain Lake, a new raw water pump station, and a new raw water pipeline. This project is identified in the City’s Water Master Plan that covers the 2005 – 2025 planning horizon. The City has an estimated population of 577,500 and provides service to 185,616 water connections and 178,564 wastewater connections.
- City of Diboll (\$3,240,000) – The City plans to construct a new well field near Eason Lake, a new high service pump station with chlorination facilities, transmission main, a new 1.5 million gallon ground storage tank, and related piping, electrical controls and site work. Diboll, located 10 miles south of Lufkin Texas has an estimated population of approximately 5,470 and provides 1,436 water connections and 1,288 wastewater connections.

**2. Disadvantaged Communities:** Alpine and Marlin received commitments in FY 2005 from the Disadvantaged Program totaling \$17,460,000.

- The City of Alpine (\$4,860,000)
- The City of Marlin (\$12,600,000)

Through FY 2005, nineteen communities have received \$157,284,941 in Disadvantaged Community funds, which is about 29% of the total EPA Capitalization Grants for the DWSRF program.

FY Grant	Grant Amount		Maximum % Allowed		Disadvantaged Appropriation	Total committed Under Disadvantaged	% of Grant Actually used for Disadvantaged
FY 97 grant	\$70,153,800	X	30%	=	\$21,046,140	\$20,783,000	29.6%
FY 98 grant	\$54,014,400	X	30%	=	\$16,204,320	\$8,375,000	15.5%
FY 99/00 grant	\$115,448,700	X	30%	=	\$34,634,610	\$38,307,235	33.2%
FY 2001 grant	\$59,079,800	X	30%	=	\$17,723,940	\$21,240,000	36.0%
FY 2002 grant	\$62,023,700	X	30%	=	\$18,607,110	\$19,430,000	31.3%
FY 2003 grant	\$61,651,000	X	30%	=	\$18,495,300	\$16,130,000	26.2%
FY 2004 grant	\$63,953,900	X	30%	=	\$15,988,475	\$15,559,706	24.3%
FY 2005 grant	\$63,818,500	X	30%	=	\$15,954,625	\$17,460,000	27.4%
<b>Totals</b>	<b>\$550,143,800</b>				<b>\$158,654,520</b>	<b>\$157,284,941</b>	
<b>Disadvantaged Communities Actually Committed</b>							<b>29%</b>

3. **Small Communities:** Six small communities received seven commitments for assistance in FY 2005 for \$24,065,000. These communities are:

- The City of Mexia – FY 2004 IUP (\$605,000)
- The City of Reno – FY 2004 IUP (\$900,000)
- The City of Alpine – FY 2005 IUP (\$4,860,000)
- The City of Alvord – FY 2005 IUP (\$360,000)
- The City of Marlin – FY 2005 (\$12,600,000)
- The City of Diboll – which received 2 commitments in FY 2005:
  1. FY 2004 Commitment (\$1,500,000)
  2. FY 2005 Commitment (\$3,240,000)

*DWSRF Small Communities - FEWER than 10,000 persons*

	Grant Amount				Maximum Small Community Appropriation	Total Committed under Small Community	% of Grant Actually used for Small Communities
FY 97 Grant	\$70,153,800	X	15%	=	\$10,523,070	\$ 5,955,000	8%
FY 98 Grant	\$54,014,400	X	15%	=	\$8,102,160	\$ 14,560,000	27%
FY 99 / 00 Grants	\$115,448,700	X	15%	=	\$17,317,305	\$ 34,965,000	30%
FY 2001 Grant	\$59,079,800	X	15%	=	\$8,861,970	\$ 26,665,000	45%
FY 2002 Grant	\$62,023,700	X	15%	=	\$9,303,555	\$ 28,745,000	46%
FY 2003 Grant	\$61,651,000	X	15%	=	\$9,247,650	\$ 24,355,000	40%
FY 2004 Grant	\$63,953,900	X	15%	=	\$9,593,085	\$ 15,975,000	25%
FY 2005 Grant	\$63,818,500	X	15%	=	\$9,572,775	\$ 21,060,000	33%
<b>Totals</b>	<b>\$550,143,800</b>				<b>\$82,521,570</b>	<b>\$172,280,000</b>	
<b>Small Communities Actually Committed</b>							<b>31%</b>

The Board has achieved compliance with Section 1452(a)(2) of the Safe Drinking Water Act, which requires that 15% of the funds credited to the loan fund be made available to provide assistance to public water systems which regularly serve fewer than 10,000 persons.

4. **Forgiveness Communities:** Alpine and Marlin received commitments in FY 2005 from the Forgiveness Program totaling \$17,460,000, consisting of \$14,841,000 in loans and \$2,619,000 in loan forgiveness from the DWSRF Disadvantaged Forgiveness Community Program. Through FY 2005, ten communities have received a total of \$105,987,941, consisting of \$78,610,000 in loans and \$24,040,941 in Forgiveness Funds.

- The City of Alpine (\$4,860,000 - \$4,131,000 loan / \$729,000 forgiveness)
- The City of Marlin (\$12,600,000 - \$11,504,000 loan / \$1,890,000 forgiveness)

FY Grant	Grant Amount				Forgiveness Appropriation	Total Committed Under Forgiveness	% of Grant Actually used for Forgiveness
FY 97 Grant	\$70,153,800	X	30%	=	\$21,046,140	\$1,253,000	6%
FY 98 Grant	\$54,014,400	X	30%	=	\$16,204,320	\$0	0%
FY 99/00 Grant	\$115,448,700	X	30%	=	\$34,634,610	\$6,027,235	17%
FY 01 Grant	\$59,079,800	X	30%	=	\$17,723,940	\$6,215,000	35%
FY 02 Grant	\$62,023,700	X	30%	=	\$18,607,110	\$2,791,000	15%
FY 03 Grant	\$61,651,000	X	30%	=	\$18,495,300	\$4,403,000	24%
FY 04 Grant	\$63,953,900	X	30%	=	\$19,186,170	\$732,706	4%
FY 05 Grant	\$63,818,500	X	30%	=	\$19,145,550	\$2,619,000	14%
<b>Totals</b>	<b>\$550,143,800</b>				<b>\$165,043,140</b>	<b>\$24,040,941</b>	
<b>Forgiveness Communities Actually Committed</b>							<b>15%</b>

5. **TWDB Source Water Protection Program:** We are aware of expressed interest in a Source Water Protection loan program, and plan to continue the program to the extent that we have potential applicants requesting funding from the program in the Intended Use Plan process.

**V. Uses of Funds – Set Asides**

1. **Commission State Program Management:** The Commission uses these funds to: administer the State Public Water Supply Supervision Program; administer and provide financial, managerial and technical assistance through source water protection programs; a capacity development program and, in prior years, an operator certification program. The Commission received \$2,126,279 for the 10% Set-Asides and \$475,656 in 2% Set-Asides in FY 2005. The Commission's FY 2005 Report on its set-aside activities is included as an attachment to this Annual Report.

**TCEQ Draws during FY 2005**

10% Set-Asides	97 Grant	98 Grant	99 Grant	00 Grant	01 Grant	02 Grant	03 Grant	04 Grant	Total
			\$732,091	\$66,104	\$593,052				
					\$145,927				
					\$589,105				
<b>Prior Years</b>	<b>\$2,500,000</b>	<b>\$4,875,000</b>	<b>\$3,773,641</b>	<b>\$4,439,628</b>	<b>\$4,419,526</b>	<b>\$4,599,725</b>	<b>\$4,232,271</b>	<b>\$0</b>	<b>\$28,839,791</b>
<b>Total</b>	<b>\$2,500,000</b>	<b>\$4,875,000</b>	<b>\$4,505,732</b>	<b>\$4,505,732</b>	<b>\$5,747,610</b>	<b>\$4,599,725</b>	<b>\$4,232,271</b>	<b>\$0</b>	<b>\$30,966,070</b>
2% Set-Asides	97 Grant	98 Grant	99 Grant	00 Grant	01 Grant	02 Grant	03 Grant	04 Grant	Total
						\$53,344		\$0	
						\$226,000			
						\$196,312			
<b>Prior Years</b>						<b>\$0</b>		<b>\$0</b>	<b>\$0</b>
<b>Total</b>						<b>\$475,656</b>		<b>\$0</b>	<b>\$475,656</b>

2. **Board Program Administration costs:** Board Program Administration costs for supporting the DWSRF program were \$2,658,647 during FY 2005 bringing the total to

\$13,256,332. See the table on the next page.

<b>Board Administration Costs</b>	
<b>Draws during:</b>	
FY 1997	\$192,000
FY 1998	\$759,000
FY 1999	\$1,207,086
FY 2000	\$1,457,857
FY 2001	\$2,482,311
FY 2002	\$2,009,547
FY 2003	\$1,133,625
FY 2004	\$1,356,259
FY 2005	\$2,337,198
FY 2005 Accrued as of 8/31/05	\$321,450
<b>Total Admin</b>	<b>\$13,256,332</b>

## V. PROVISIONS OF THE CAPITALIZATION GRANT/CERTIFICATIONS

### A. Administrative Conditions

1. The Board monitors all projects to insure they move as timely and expeditiously as possible to start construction.
2. The Board has complied with standard grant requirements and regulations regarding administration, property management, procurement and financial management, the purchase of items containing recovered materials, use of recycled paper, reporting, and use of equipment, and use of conference/convention/training space.
3. The Board has complied with 40 CFR, Part 31.41 regarding submission of the annual FSR.
4. The Board understands it must obtain prior clearance from OMB, through EPA, for obtaining information from 10 or more persons.
5. The Board has complied with OMB Circular A-87 as it relates to non-use of Federal and non-Federal funds to engage in lobbying the Federal Government or in litigation against the U.S.
6. The Board has strictly adhered to the accounting and reporting procedures described in the EPA-ACH manual. Federal funds are drawn as projects submit outlay reports showing evidence of costs incurred. Table 5 shows that \$34,543,692 in federal funds was drawn from the ACH System in FY 2005. Another \$2,162,866 was drawn for set-asides. This amount represents the federal share of all reported costs incurred for projects during the year.
7. The Board has disbursed all cash draws in a timely and expeditiously manner.

8. EPA Program for Utilization of Small, Minority, and Women's Business Enterprises in procurement under assistance agreements.

For FY 2005, the BOARD negotiated the following MBE/WBE goals with EPA, Region 6, as follows:

		FY 2005 MBE Actual		FY 2005 WBE Actual		
Total Procurement	MBE Goals	Dollar Value	% of Procurement	WBE Goals	Dollar Value	% of Procurement
\$27,839,281		\$1,934,754	6.95%		\$2,257,842	8.11%
<b>Construction</b>	<b>10.30%</b>	\$1,758,942	6.32%	<b>5.90%</b>	\$1,652,943	5.94%
<b>Supplies</b>	<b>5.00%</b>	\$0	0.00%	<b>7.60%</b>	\$566,500	2.03%
<b>Equipment</b>	<b>5.00%</b>	\$0	0.00%	<b>7.60%</b>	\$7,000	0.03%
<b>Services</b>	<b>11.50%</b>	\$175,812	0.63%	<b>14.50%</b>	\$31,399	0.11%

The Board has submitted a completed Standard Form 5700-52A within 30 days after each federal fiscal year quarter in which sub agreements were awarded. Projects are assigned to a federal grant in chronological order by commitment date. In FY 2003, the EPA revised the Standard Form 5700-52A to report on the four procurement categories and not by grant IUP year. These figures may change as additional contracts are awarded in the future.

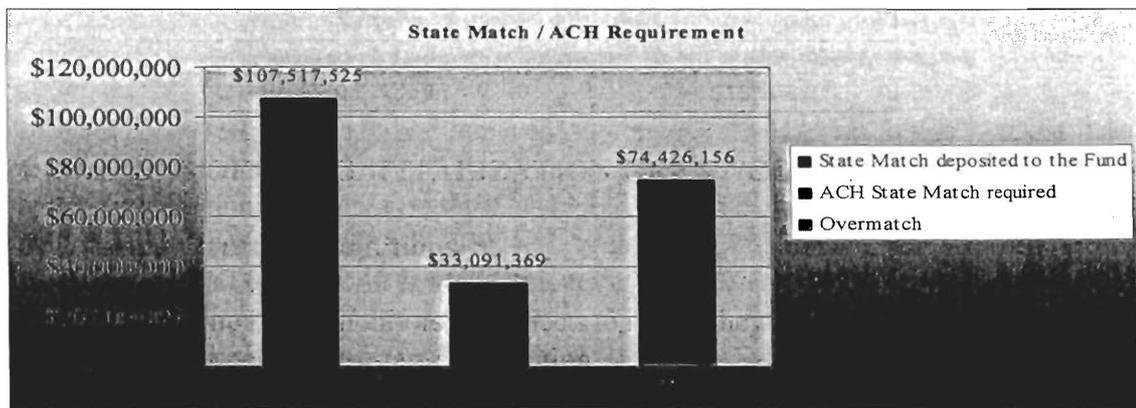
**B. Programmatic Conditions**

1. The Board has managed the DWSRF program in a fiscally prudent manner and adopted policies and processes which promote the long-term financial health of the Fund. [(Sec. 35.3570(3)(I)]

The Board established an accounting system and internal controls adequate to ensure the recording and safeguarding of all DWSRF activities in accordance with Generally Accepted Accounting Principles. The Board requires each SRF loan recipient to maintain project accounts in accordance with generally accepted accounting principles and standards. The BOARD has maintained separate account records for the DWSRF account and accounts related to set-asides pursuant to Section 1452 of the Safe Drinking Water Act as amended.

2. State Match: The Board has satisfied state match requirements through match and overmatch funds related to the FY 1993 PWS grant and to allowable State expenditures estimated for the current fiscal year and deposited its match (cash or State LOC) into the Fund in accordance with the requirements of Sec. 35.3550(g). [(Sec. 35.3570(3)(ii)]
3. The Board has accepted grant funds in accordance with the payment schedule.

- Cash Draw/Proportionality: The capitalization grant requires the State to deposit matching funds to the SRF in an amount equal to at least twenty (20%) of each draw on the EPA / ACH Payment System on or before the date of the cash draw. The Board transfers state bond proceeds to the SRF in sufficient amount that the Fund remains overmatched. At the end of FY 2005, total State match which had been deposited to the Fund was \$107,517,525 [Table 1, page 19]. State match required for cash draws for projects through FY 2005 totaled \$33,091,369 [Table 5, page 24], providing an overmatch of \$74,426,156 as summarized in the following graph.



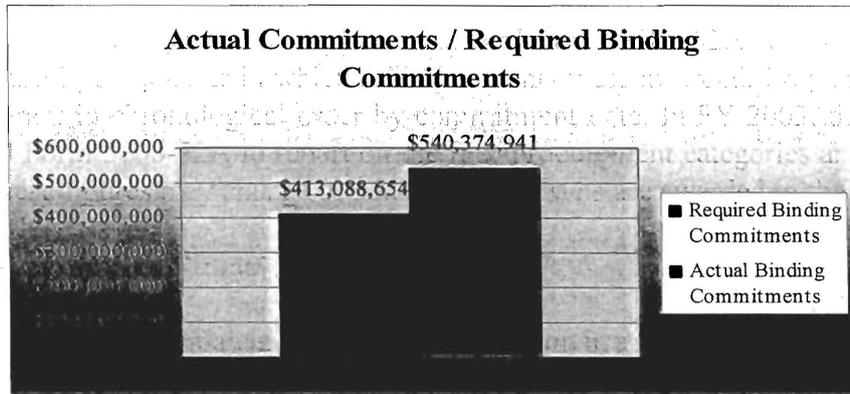
- The Board has complied with all requirements in the Interim Final Rule dated August 2000.
- Outlay Management: The Board has provided an estimate of outlays to be incurred in the next fiscal year.
- Annual and Biennial Reports: The Board prepared the initial Biennial Report for the DWSRF Program and submitted it to EPA Regional Office no later than 90 days after the end of the first fiscal year. This report meets the requirements of the 40 CRF Part 35.3570(a)(1).
- The Board has complied with Federal cross-cutting authorities that apply to the State as a federal grantee and those which flow through to assistance recipients. [(Sec. 35.3570(3)(xii)]
- The Board complied with data management and reporting requirements as described in "Interim Core Performance Measures & associated Reporting Requirements for State and Core Output Measures for Regions for the Water Program for FY 1998." BOARD enters data into DWNIMS as required.
- The Board provided assistance only for eligible set-aside activities under Sec. 35.3535 and conducted activities consistent with workplans and other requirements of Sec. 35.3535 and Sec. 35.3540; Workplans for BOARD and TCEQ for FY 2005 were

developed and submitted work plans. [(Sec. 35.3570(3)(vi)]

11. The Board reviewed all DWSRF program funded projects and activities in accordance with approved State environmental review procedures under Sec. 35.3580. [(Sec. 35.3570(3)(xiii)]

*All DWSRF funded projects are reviewed in accordance with the State Environmental Review Procedures (SERP). An EPA like environmental review or alternative State environmental review was conducted on all SRF funded projects. There were no Environmental Impact Statements required. Environmental Assessments were prepared and a Finding of No Significant Impact was issued for each project identified as an equivalency project and alternative environmental reviews were conducted and a State determination made for all projects.*

12. Table 2 on page 20 shows that the State has exceeded the requirement to enter into binding commitments in an amount equal to 120% of the amount of each grant payment within one year after the receipt of such grant payment. Binding Commitments required were \$413,088,654. By August 31, 2005, the State had made binding commitments equal to 130.81% of grant payments received through the fourth quarter of FY 2005.



13. The Board funded only the highest priority projects listed in the IUP which were ready to proceed and documented why priority projects were bypassed in accordance with Sec. 35.3555(c)(2) [Sec. 35.3570(3)(iv)].

*Table 4 on page 22 provides the prioritized FY 2005 IUP on each fundable project.*

14. Board provided assistance to:
  - a. Eligible public water systems and for eligible projects and project-related costs under Sec. 35.3520. [Sec. 35.3570(3)(v)]
  - b. Small systems consistent with the requirements of Sec. 35.3525(a)(5) and Sec. 35.3555(c)(2)(iv). [Sec.35.3570(3)(vii)] Table 6 lists all small systems funded to date.
  - c. Disadvantaged communities consistent with the requirements of Sec. 35.3525(b) and Sec. 35.3555(c)(7). [Sec. 35.3570(3)(viii)] See Table 6.

15. Board used fees for eligible purposes under Sec. 35.3530(b)(2) and (b)(3) and assessed fees included as principal in a loan in accordance with the limitations in Sec. 35.3530(b)(3)(I) through (b)(3)(iii). [Sec. 35.3570(3)(ix)]
16. Board complied with general grant regulations at 40 CRF part 31 and specific conditions of the grant. [Sec. 35.3570(3)(xiv)]
17. Funds were not transferred between the DWSRF program and CWSRF program [Sec. 35.3570(3)(x)], nor were fund assets of the DWSRF program and CWSRF program cross-collateralized [Sec.35.3570(3)(xi)].

## **VI. PROGRAMMATIC IMPROVEMENTS**

Staff has been developing the Board's marketing plan to increase program participation and loan activity. Over the next year, staff will be evaluating the number of pre-application meetings that result in loan applications and compare it to the number of pre-application meetings that did not materialize into a loan. Additionally, the solicitation materials that will be used to compile the 2007 Intended Use Plan (once submitted) are being mailed to a broad spectrum of potential applicants and consultants by the end of November and within those materials, staff has committed to schedule five open forums where applicants and/or their consultants can complete their forms with Board staff. In addition, staff will be reviewing the current Intended Use Plan and cold-call those on the list to expedite the process; from this effort, any obstructions to accessing our program will be highlighted and if needed, viable solutions will be developed. Staff will be continuing to develop additional opportunities to reach Texas water systems.



# TABLES

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**Table 1**  
**Drinking Water SRF Fund Status September 1, 1998 - August 31, 2005**  
**SRF FUND TOTALS**

<u>IUP YR</u>	<u>SRF Grant</u>	<u>Required State Match</u>	<u>Actual State Match</u>	<u>State Overmatch</u>	<u>Net Bond Proceeds</u>	<u>Total Funds</u>
1997	\$70,153,800	\$14,030,760	\$0		\$0	\$70,153,800
1998	\$54,014,400	\$10,802,880	\$22,010,511		\$0	\$76,024,911
1999	\$56,612,200	\$11,322,440	\$7,981,128		\$0	\$64,593,328
2000	\$58,836,500	\$11,767,300	\$5,768,872		\$0	\$64,605,372
2001	\$59,079,800	\$11,815,960	\$4,098,104		\$0	\$63,177,904
2002	\$62,023,700	\$12,404,740	\$14,500,000		\$0	\$76,523,700
2003	\$61,651,000	\$12,330,200	\$24,098,104		\$0	\$85,749,104
2004	\$63,953,900	\$12,790,780	\$13,130,403		\$0	\$77,084,303
2005	\$0	\$0	\$3,130,403		\$0	\$3,130,403
2005 *	<u>\$0</u>	<u>\$0</u>	<u>\$12,800,000</u>		<u>\$0</u>	<u>\$12,800,000</u>
<b>* Pending 8/31/05</b>	<b>\$486,325,300</b>	<b>\$97,265,060</b>	<b>\$107,517,525</b>	<b>\$10,252,465</b>	<b>\$0</b>	<b>\$593,842,825</b>

<b>Total SRF Fund Commitments</b>				
<u>IUP YR</u>	<u>Commitments</u>	<u>Committed Loan Portion</u>	<u>Forgiveness Portion</u>	<u>Total Funds Committed</u>
1997	6	\$30,720,000	\$1,253,000	\$31,973,000
1998	11	\$68,365,000	\$0	\$68,365,000
1999/2000	17	\$85,790,000	\$6,027,235	\$91,817,235
2001	7	\$69,730,000	\$6,215,000	\$75,945,000
2002	6	\$30,544,000	\$2,791,000	\$33,335,000
2003	7	\$33,637,000	\$4,403,000	\$38,040,000
2004	10	\$90,182,000	\$732,706	\$90,914,706
2005	<u>6</u>	<u>\$107,366,000</u>	<u>\$2,619,000</u>	<u>\$109,985,000</u>
	<b>70</b>	<b>\$516,334,000</b>	<b>\$24,040,941</b>	<b>\$540,374,941</b>

<b>TOTAL FUNDS DRAWN BY CATEGORY</b>									
<u>IUP YR</u>	<u>Federal Loan Portion</u>	<u>State Loan Portion</u>	<u>Total Loan Portion</u>	<u>Federal Forgiveness Portion</u>	<u>State Forgiveness Portion</u>	<u>Total Forgiveness Portion</u>	<u>Total Federal Drawn</u>	<u>Total State Drawn</u>	<u>Total Drawn</u>
1997	\$24,880,894	\$5,511,106	\$30,392,000	\$1,023,632	\$229,368	\$1,253,000	\$25,904,526	\$5,740,474	\$31,645,000
1998	\$47,525,958	\$10,619,042	\$58,145,000	\$0	\$0	\$0	\$47,525,958	\$10,619,042	\$58,145,000
1999/2000	\$54,867,292	\$12,935,709	\$67,803,001	\$4,292,701	\$1,202,209	\$5,494,910	\$59,159,993	\$14,137,918	\$73,297,911
SWP	\$2,145,000	\$0	\$2,145,000	\$0	\$0	\$0	\$2,145,000	\$0	\$2,145,000
2001	\$24,880,951	\$6,067,049	\$30,948,000	\$2,463,166	\$647,524	\$3,110,690	\$27,344,117	\$6,714,573	\$34,058,690
2002	\$1,753,895	\$434,106	\$2,188,001	\$131,023	\$32,264	\$163,287	\$1,884,918	\$466,370	\$2,351,288
2003	\$922,087	\$220,913	\$1,143,000	\$206,024	\$45,597	\$251,621	\$1,128,111	\$266,510	\$1,394,621
2004	\$338,719	\$101,281	\$440,000	\$0	\$0	\$0	\$338,719	\$101,281	\$440,000
2005	<u>\$25,505</u>	<u>\$9,495</u>	<u>\$35,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$25,505</u>	<u>\$9,495</u>	<u>\$35,000</u>
	<b>\$157,340,301</b>	<b>\$35,898,701</b>	<b>\$193,239,002</b>	<b>\$8,116,546</b>	<b>\$2,156,962</b>	<b>\$10,273,508</b>	<b>\$165,456,847</b>	<b>\$38,055,663</b>	<b>\$203,512,510</b>

**Table 2**  
**DWSRF GRANT PAYMENTS and BINDING COMMITMENTS by Quarter**  
**FY 1997 - 2006 Projects**

	FY 97 - FY 2003	FY 2004				FY 2005			
		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
		<b>GRANT PAYMENTS</b>				<b>GRANT PAYMENTS</b>			
<b>FY 2002</b>		\$9,341,628	\$7,418,295	\$7,418,295					
Set-Asides		\$0	\$0	\$0					
Loan Fund		\$9,341,628	\$7,418,295	\$7,418,295					
State Match (20% of payment)		\$1,868,326	\$1,483,659	\$1,483,659	\$0	\$0	\$0	\$0	\$0
<b>FY 2003</b>		\$8,580,798	\$6,590,798	\$8,590,798	\$10,000,000	\$7,000,000	\$8,000,000	\$8,207,808	
Set-Asides		\$3,580,798	\$590,798	\$590,798	\$0	\$0	\$0	\$0	
Loan Fund		\$5,000,000	\$6,000,000	\$8,000,000	\$10,000,000	\$7,000,000	\$8,000,000	\$8,207,808	
State Match (20% of payment)		\$1,716,160	\$1,318,160	\$1,718,160	\$2,000,000	\$1,400,000	\$1,600,000	\$1,641,562	
<b>FY 2004</b>					\$0	\$9,105,627	\$6,620,237	\$8,620,237	\$10,000,000
Set-Asides					\$4,710,237	\$4,105,627	\$620,237	\$620,237	\$0
Loan Fund					\$0	\$5,000,000	\$6,000,000	\$8,000,000	\$10,000,000
State Match (20% of payment)					\$0	\$1,821,125	\$1,324,047	\$1,724,047	\$2,000,000
<b>FY 2005</b>									
Set-Asides									
Loan Fund									
State Match (20% of payment)									
<b>QUARTERLY REQUIRED</b>		\$17,926,113	\$16,220,114	\$18,620,114	\$12,000,000	\$15,221,125	\$16,924,047	\$19,573,417	\$12,000,000
<b>CUMULATIVE REQUIRED BINDING COMMITMENTS</b>	\$348,322,314	\$366,248,427	\$382,468,541	\$401,088,654	\$413,088,654	\$428,309,780	\$445,233,827	\$464,807,244	\$476,807,244
	<b>FY 97 - FY 03 Total</b>	<b>FY 2005 BINDING COMMITMENTS</b>				<b>FY 2006 BINDING COMMITMENTS</b>			
<b>FY 1997 - 2003</b>									
<b>FY 2004</b>		\$5,260,000	\$1,500,000	\$0					
<b>FY 2005</b>			\$24,405,000	\$17,820,000	\$67,760,000				
<b>QUARTERLY TOTAL</b>		\$5,260,000	\$25,905,000	\$17,820,000	\$67,760,000	\$0	\$0	\$0	\$0
<b>CUMULATIVE BINDING COMMITMENTS</b>	\$423,629,941	\$428,889,941	\$454,794,941	\$472,614,941	\$540,374,941	\$540,374,941	\$540,374,941	\$540,374,941	\$540,374,941
<b>CUM. BINDING COMMITMENTS AS % OF REQUIRED AMOUNT</b>	121.62%	117.10%	118.91%	117.83%	130.81%	126.16%	121.37%	116.26%	113.33%

NOTE: According to the DWSRF Final Rule August 2000, Required Binding Commitments are calculated as the amount of the Loan Fund Payment plus the 20% State Match for the federal quarter. The cumulative binding commitments for each federal fiscal quarter are matched to the prior years quarter required binding commitments to determine the percentage achieved.

**Table 3  
Grant Balance Summary Sheet**

	Grant	Loan portion of grant	TCEQ Portion	SWP Portion	TCEQ 2% Small Systems	TWDB Administration Set-Aside
97	\$70,153,800	\$64,847,648	\$2,500,000			\$2,806,152
98	\$54,014,400	\$49,139,400	\$4,875,000			
99	\$56,612,200	\$44,284,672	\$4,505,732	\$5,661,220		\$2,160,576
2000	\$58,836,500	\$53,856,988	\$4,505,732	\$473,780		
2001	\$59,079,800	\$50,915,312	\$5,900,000			\$2,264,488
2002	\$62,023,700	\$52,529,766	\$5,900,000		\$1,240,474	\$2,353,460
2003	\$60,672,666	\$52,207,808	\$5,900,000		\$1,180,000	\$1,384,858
2004	\$63,953,900	\$53,897,562	\$6,395,390		\$1,180,000	\$2,480,948
<b>Total</b>	<b>\$485,346,966</b>	<b>\$421,679,156</b>	<b>\$40,481,854</b>	<b>\$6,135,000</b>	<b>\$3,600,474</b>	<b>\$13,450,482</b>
	<b>Total Grant \$ DRAWN</b>	<b>Loan Portion Drawn</b>	<b>TCEQ Drawn</b>	<b>SWP Drawn</b>	<b>SS Drawn</b>	<b>Set-Aside Drawn</b>
97	<b>-\$70,153,800</b>	<b>-\$64,847,648</b>	<b>-\$2,500,000</b>			<b>-\$2,806,152</b>
98	<b>-\$54,014,400</b>	<b>-\$49,139,400</b>	<b>-\$4,875,000</b>			
99	<b>-\$53,095,980</b>	<b>-\$44,284,672</b>	<b>-\$4,505,732</b>	<b>-\$2,145,000</b>		<b>-\$2,160,576</b>
2000	<b>-\$9,545,859</b>	<b>-\$5,040,127</b>	<b>-\$4,505,732</b>			
2001	<b>-\$8,012,097</b>	\$0	<b>-\$5,747,609</b>			<b>-\$2,264,488</b>
2002	<b>-\$7,428,841</b>	\$0	<b>-\$4,599,725</b>		<b>-\$475,656</b>	<b>-\$2,353,460</b>
2003	<b>-\$4,232,271</b>	\$0	<b>-\$4,232,271</b>		\$0	\$0
2004	<b>\$0</b>	\$0	<b>\$0</b>		\$0	\$0
<b>Total</b>	<b>-\$202,250,977</b>	<b>-\$163,311,847</b>	<b>-\$30,966,069</b>	<b>-\$2,145,000</b>	<b>-\$475,656</b>	<b>-\$9,584,676</b>
	<b>Grant \$ Remaining</b>	<b>Loan Portion Remainder</b>	<b>TCEQ Remainder</b>	<b>SWP Remainder</b>	<b>SS Remainder</b>	<b>Set-Aside Remainder</b>
97	\$0	\$0	\$0	\$0	\$0	\$0
98	\$0	\$0	\$0	\$0	\$0	\$0
99	\$3,516,220	\$0	\$0	\$3,516,220	\$0	\$0
2000	\$49,290,641	\$48,816,861	\$0	\$473,780	\$0	\$0
2001	\$51,067,703	\$50,915,312	\$152,391	\$0	\$0	\$0
2002	\$54,594,859	\$52,529,766	\$1,300,275	\$0	\$764,818	\$0
2003	\$56,440,395	\$52,207,808	\$1,667,729	\$0	\$1,180,000	\$1,384,858
2004	\$63,953,900	\$53,897,562	\$6,395,390	\$0	\$1,180,000	\$2,480,948
<b>Total</b>	<b>\$158,469,423</b>	<b>\$258,367,309</b>	<b>\$9,515,785</b>	<b>\$3,990,000</b>	<b>\$3,124,818</b>	<b>\$3,865,806</b>

**Table 4**  
**DWSRF Disposition of FY 2005 Intended Use Plan**

Rank	PWS ID	Applicant	Disadvantaged	Consolidation	Small Community	Loan Amount	Combined Factor	Commitment Date	Commitment Amount	Explanation
1	146xxxx	Lake Livingston WSSSC			X	\$7,220,000	8.50			Invited, but declined 11/18/04
2	220001	Alpine	X	X	X	\$4,860,000	3.00	3/15/05	4,860,000	Committed as planned
3	1080022	La Joya WSC	X	X		\$47,155,000	2.50			Invited, Board Declined
4	730002	Marlin	X	X	X	\$12,600,000	2.25	3/15/05	\$12,600,000	Committed as planned
5	1960006	Austwell	X	X	X	\$145,000	2.00			Invited, but declined 11/19/04
6	2150007	Stephens Co Rural WSC			X	\$9,000,000	1.75			Invited, due date Jan 1, 2005
7	250014	Brown Co WID #1				\$24,405,000	1.75	1/19/05	24,405,000	Committed as planned
8	2500005	Alba	X	X	X	\$955,000	1.50			Invited, due date 1 Jan 2005
9	2460022	Jonah SUD				\$6,140,000	1.50			Invited, but declined 10/26/04
10	2000001	Ballinger	X	X	X	\$4,070,000	1.38			Invited, due date 1 Jan 2005
11	1940008	Red River Co. WSC	X	X	X	\$375,000	1.25			Invited, but declined 10/18/04
12	110xxxx	Deerhaven Property Owners Assc.			X	\$1,305,000	1.25			Invited, but declined 11/16/04
13	2490001	Alvord			X	\$360,000	1.25	3/15/05	360,000	Committed as planned
14	1090005	Mount Calm			X	\$825,000	1.25			Invited, due date Jan 1, 2005
15	190001	DeKalb	X	X	X	\$1,840,000	1.25			Invited, due date Jan 1, 2005
16	2500004	Winnsboro	X	X	X	\$1,230,000	1.25			Invited, due date Jan 1, 2005
17	310004	Los Fresnos	X	X	X	\$10,325,000	1.25			Invited, due date Jan 1, 2005
18	1660001	Cameron			X	\$790,000	1.25			Invited, due date March 7, 2005
19	147004	Mexia	X	X	X	\$725,000	1.25	10/26/05	605,000	Committed under 04 \$
20	1160003	Commerce	X	X	X	\$1,675,000	1.25			Invited, due date March 7, 2005
21	2330001	Del Rio Utilities Commission				\$10,565,000	1.25			Invited, but declined 2/25/05
22	470015	Upper Leon River MWD	X	X		\$2,075,000	1.13			Invited, due date March 7, 2005
23	1940005	Avery	X	X	X	\$395,000	1.00			Invited, due date March 7, 2005
24	190004	Point	X	X	X	\$1,485,000	1.00			Invited, due date March 7, 2005
25	1160006	Lone Oak			X	\$720,000	1.00			Invited, due date May 1, 2005
26	190001	Emory			X	\$11,670,000	1.00			Invited, due date May 1, 2005
27	2280001	Groveton	X	X	X	\$5,140,000	1.00			Invited, due date May 1, 2005
28	1700118	Montgomery Co. MUD #15			X	\$1,400,000	1.00			Invited, due date May 1, 2005
29	2340002	Edgewood	X	X	X	\$555,000	1.00			Invited, due date May 1, 2005
30	1010261	Harris Co FWSD #27			X	\$925,000	1.00			Invited, due date May 1, 2005
31	670001	Cisco	X	X	X	\$2,660,000	1.00			Invited, due date May 1, 2005
32	30019	Central WCID			X	\$520,000	1.00			Invited, due date May 1, 2005

**Table 4  
DWSRF Disposition of FY 2005 Intended Use Plan**

Rank	PWS ID	Applicant	Disadvantaged	Consolidation	Small Community	Loan Amount	Combined Factor	Commitment Date	Commitment Amount	Explanation
33	2140006	La Grulla	X	X	X	\$4,655,000	1.00			Invited, due date May 1, 2005
34	1090068	Aquilla WSD				\$9,200,000	1.00			Invited, due date May 1, 2005
35	1080010	San Juan	X	X		\$1,080,000	1.00			Invited, due date May 1, 2005
36	710154	Lower Valley WD				\$470,000	1.00			Invited, due date May 1, 2005
37	1610049	Caney Creek Haven Club WS			X	\$300,000	0.75			Invited, due date May 1, 2005
38	200037	Surfside Beach			X	\$1,910,000	0.50	September-05		Invited, due on September Board
39	1390002	Paris				\$4,700,000	0.38			Invited, due date May 1, 2005
40	710002	El Paso				\$10,225,000	0.34			Invited, due date July 1, 2005
41	740009	Trenton			X	\$1,790,000	0.25			Invited, but declined 4/20/05.
42	1020019	Caddo Lake WSC			X	\$220,000	0.25			Invited, due date July 1, 2005
43	430036	Josephine			X	\$1,010,000	0.25			Invited, due date July 1, 2005
44	1590001	Stanton			X	\$815,000	0.25			Invited, due date July 1, 2005
45	2340010	Fruitvale WSC			X	\$1,110,000	0.25			Invited, but declined 5/20/05.
46	200003	Brazoria			X	\$1,000,000	0.25			Invited, due date July 1, 2005
47	30001	Diboll			X	\$5,700,000	0.25	8/16/05	3,240,000	Committed as planned
48	1070167	E. Cedar Creek FWSD				\$730,000	0.25	9/20/05	730,000	To be committed - Sept 05 Board
49	1000009	Pharr				\$19,340,000	0.25	October-05		Invited, due on October Board
50	430004	Farmersville			X	\$1,885,000	0.13			Invited, due date Aug 1, 2005
51	420001	Coleman			X	\$1,985,000	0.13			Invited but declined 6/17/05
52	1011161	Harris Co Pl			X	\$110,000	0.00			Invited, due date Aug 1, 2005
53	1900011	E. Tawakoni			X	\$1,205,000	0.00			Invited, due date Aug 1, 2005
54	1090017	Birome WSC			X	\$805,000	0.00			Invited, due date Aug 1, 2005
55	1840001	Aledo			X	\$5,765,000	0.00			Invited, due date Aug 1, 2005
56	2200022	Richland Hills			X	\$3,540,000	0.00			Invited, due date Aug 1, 2005
57	1740003	Nacogdoches				\$11,520,000	0.00	9/20/05	11,520,000	To be committed - Sept 05 Board
58	2200012	Fort Worth				\$64,520,000	0.00	8/16/05	64,520,000	Committed as planned
						<b>\$329,700,000</b>				

**Table 5**  
**DWSRF Federal Draws During FY 2005**

	<b>Sep.- Nov. QTR 1</b>	<b>Dec. - Feb. QTR 2</b>	<b>March - May QTR 3</b>	<b>June - Aug. QTR 4</b>	<b>Total</b>
ACH Available (Beginning)	\$238,029,587	\$244,558,912	\$249,153,025	\$254,942,105	
Cumulative ACH Payments	\$16,105,627	\$14,620,237	\$16,828,045	\$10,000,000	\$57,553,909
Cash draws from ACH (10% Set-Asides/Admin)	\$475,121	\$342,692	\$770,040	\$575,013	\$2,162,866
Cash draws from ACH (TCEQ)	\$0	\$1,590,518	\$815,105	\$0	\$2,405,623
Cash draws from Source Water Protection	\$0	\$0	\$0	\$1,965,000	\$1,965,000
Cash Draws from ACH (Loans)	\$9,101,181	\$8,092,914	\$9,453,820	\$7,895,779	\$34,543,694
<b>Total Cash Draws</b>	<b>\$9,576,302</b>	<b>\$10,026,124</b>	<b>\$11,038,965</b>	<b>\$10,435,792</b>	<b>\$41,077,183</b>
ACH Available (Ending)	\$244,558,912	\$249,153,025	\$254,942,105	\$254,506,313	
State Match Required for Cash Draws for loans	\$2,222,722	\$2,137,514	\$2,562,887	\$2,648,201	\$9,571,324
<b>State Match as % of Draws for Loans</b>	<b>24.42%</b>	<b>26.41%</b>	<b>27.11%</b>	<b>33.54%</b>	
<b>Draws</b>	<b>23.21%</b>	<b>21.32%</b>	<b>23.22%</b>	<b>25.38%</b>	

**Table 5A**  
**Total DWSRF Federal Draws from FY 1998 - FY 2005**

<b>FY</b>	<b>Federal</b>	<b>Actual State Match Drawn</b>	<b>Total Funds Drawn</b>	<b>* State Match Required for Cash Draws</b>
<b>1998 - 2004</b>	\$128,948,154	\$28,484,336	\$157,432,490	\$25,789,631
<b>2005</b>	\$36,508,694	\$9,571,324	\$44,198,814	\$7,301,739
<b>Totals</b>	<b>\$165,456,848</b>	<b>\$38,055,660</b>	<b>\$203,512,508</b>	<b>\$33,091,370</b>

\* State match required for cash draws is 20% of the federal amount drawn

**Table 6**  
**DWSRF Status of ALL Commitments**

FY	M/P	Project #	Entity	Commitment Date	Disadvantaged	Small Community	Projects in Design	Projects Under Construction	Projects Completed Construction	Repayable Loan Portion	Principal Forgiveness Portion	Commitment Amount
					19	47	16	35	19	10	70	
					\$ 157,284,941	\$ 172,288,000	\$288,869,706	\$247,595,235	\$79,850,000	\$ 516,334,000	\$ 24,040,941	\$ 540,374,941
05		61162	Alpine	3/15/2005	\$ 4,860,000	\$ 4,860,000	\$4,860,000			\$ 4,131,000	\$ 729,000	\$ 4,860,000
05		61118	Alvord	3/15/2005		\$ 360,000		360,000		\$ 360,000	\$ -	\$ 360,000
05		21543	Brown Co WID 1	1/19/2005			\$24,405,000			\$ 24,405,000		\$ 24,405,000
05		61041	Diboll	8/16/2005		\$3,240,000	\$3,240,000			\$ 3,240,000		\$ 3,240,000
05		61152	Ft Worth	8/16/2005			\$64,520,000			\$ 64,520,000		\$ 64,520,000
05		61142	Marlin	3/15/2005	\$12,600,000	\$12,600,000	\$12,600,000			\$ 10,710,000	\$ 1,890,000	\$ 12,600,000
04		61010	Anahuac	8/17/2004		\$1,385,000		\$1,385,000		\$ 1,385,000		\$ 1,385,000
04		61114	Ballinger	6/16/2004	\$3,870,000	\$3,870,000	\$3,870,000			\$ 3,870,000		\$ 3,870,000
04		61020	Baytown WA	6/16/2004			\$13,290,000			\$ 13,290,000		\$ 13,290,000
04		61039	Bolivar Peninsula SUD	10/26/2004			\$3,755,000			\$ 3,755,000		\$ 3,755,000
04		61002	Bonham	2/17/2004	\$7,715,000	\$7,715,000	\$7,715,000			\$ 7,715,000		\$ 7,715,000
04		61041	Diboll	2/17/2004		\$2,560,000		\$2,560,000		\$ 2,560,000		\$ 2,560,000
04		61054	LNVA - Angelina	4/21/2004	\$3,974,706		\$3,974,706			\$ 3,242,000	\$ 732,706	\$ 3,974,706
04		61054	LNVA - Angelina	4/21/2004			\$51,325,000			\$ 51,325,000		\$ 51,325,000
04		61159	Mexia	10/26/2004		\$605,000		\$605,000		\$ 605,000		\$ 605,000
04		61045	Port Lavaca	8/17/2004				\$1,535,000		\$ 1,535,000		\$ 1,535,000
04		61014	Reno	10/26/2004		\$900,000	\$900,000			\$ 900,000		\$ 900,000
03		60983	Alvord	11/19/2003				\$360,000		\$ 360,000		\$ 360,000
03		60910	Bolivar Peninsula SUD	10/15/2003			\$6,080,000			\$ 6,080,000	\$ -	\$ 6,080,000
03		60943	Brownwood (Phase 2)	11/17/2003		\$6,335,000		\$6,335,000		\$ 6,335,000		\$ 6,335,000
03		60813	Eagle Pass	3/19/2003	\$8,305,000			\$8,305,000		\$ 5,400,000	\$ 2,905,000	\$ 8,305,000
03		60946	LCRA - (N. Lake Buchanan)	6/19/2003	\$7,825,000	\$7,825,000		\$7,825,000		\$ 6,327,000	\$ 1,498,000	\$ 7,825,000
03		60946	LCRA - (Smithwick Mills)	6/19/2003		\$759,000		\$759,000		\$ 759,000		\$ 759,000
03		60946	LCRA -(Buena Vista)	6/19/2003		\$1,606,000		\$1,606,000		\$ 1,606,000	\$ -	\$ 1,606,000
03		61008	MacBee	7/21/2004		\$5,625,000	\$5,625,000			\$ 5,625,000		\$ 5,625,000
03		60906	Reno	10/15/2003		\$1,145,000		\$1,145,000		\$ 1,145,000	\$ -	\$ 1,145,000
02		60813	Eagle Pass	4/17/2002			\$4,590,000			\$ 4,590,000	\$ -	\$ 4,590,000
02		60916	El Jardin WSC	1/22/2003		\$3,550,000		\$3,550,000		\$ 3,550,000	\$ -	\$ 3,550,000
02		60748	Millersview-Doole WSC	2/20/2002	\$19,430,000	\$19,430,000		\$19,430,000		\$ 16,639,000	\$ 2,791,000	\$ 19,430,000
02		60904	Mount Calm **	3/19/2003		\$340,000			\$340,000	\$ 340,000		\$ 340,000
02		10016	Santa Rosa	9/18/2002		\$2,180,000	\$2,180,000			\$ 2,180,000	\$ -	\$ 2,180,000
02		60934	Willis	3/19/2003		\$3,245,000		\$3,245,000		\$ 3,245,000		\$ 3,245,000

Small Community = Fewer than 10,000

**Table 6**  
**DWSRF Status of ALL Commitments**

				Disadvantaged	Small Community	Projects in Design	Projects Under Construction	Projects Completed Construction	Repayable Loan Portion	Principal Forgiveness Portion	Commitment Amount
01	60541	Burleson Co. MUD	9/19/2001		\$1,575,000		\$1,575,000		\$ 1,575,000	\$ -	\$ 1,575,000
01	60811	Del Rio (Phase 2)	9/19/2001				\$6,435,000		\$ 6,435,000	\$ -	\$ 6,435,000
01	60813	Eagle Pass	9/19/2001					\$7,455,000	\$ 7,455,000		\$ 7,455,000
01	60813	Eagle Pass	9/19/2001	\$17,760,000			\$17,760,000		\$ 11,545,000	\$ 6,215,000	\$ 17,760,000
01	60736	Junction	9/19/2001	\$3,480,000	\$3,480,000		\$3,480,000		\$ 3,480,000	\$ -	\$ 3,480,000
01	60584	Mexia	8/15/2001		\$560,000			\$560,000	\$560,000		\$ 560,000
01	60749	Nacogdoches (Phase 2)	11/13/2001				\$17,630,000		\$ 17,630,000	\$ -	\$ 17,630,000
01	60850	Northeast TX MWD (Northside)	9/19/2001		\$8,650,000		\$8,650,000		\$ 8,650,000	\$ -	\$ 8,650,000
01	60850	Northeast TX MWD (Southside)	9/19/2001		\$12,400,000		\$12,400,000		\$ 12,400,000	\$ -	\$ 12,400,000
99/00	60532	Ballinger	3/21/2001		\$5,250,000			\$5,250,000	\$ 5,250,000	\$ -	\$ 5,250,000
99/00	60535	Big Foot WSC	3/9/2000	\$145,000	\$145,000		\$145,000		\$ 145,000	\$ -	\$ 145,000
99/00	60537	Brady	3/9/2000	\$9,405,000	\$9,405,000		\$9,405,000		\$ 6,115,000	\$ 3,290,000	\$ 9,405,000
99/00	60568	Hamlin	5/17/2000	\$5,500,000	\$5,500,000		\$5,500,000		\$ 5,500,000	\$ -	\$ 5,500,000
99/00	60572	Houston	5/17/2000				\$6,135,000		\$ 6,135,000	\$ -	\$ 6,135,000
99/00	60573	Hudson Oaks **	5/17/2000		\$1,540,000			\$1,540,000	\$ 1,540,000	\$ -	\$ 1,540,000
99/00	60582	LNVA-Bolivar Peninsula WS	10/18/2000	\$18,248,235			\$18,248,235		\$ 15,511,000	\$ 2,737,235	\$ 18,248,235
99/00	60582	LNVA-Bolivar Peninsula WS	10/18/2000	\$5,009,000			\$5,009,000		\$ 5,009,000	\$ -	\$ 5,009,000
99/00	60585	Nacogdoches (Phase 1)	11/15/2000				\$18,835,000		\$ 18,835,000	\$ -	\$ 18,835,000
99/00	60625	Olney	4/18/2001		\$1,250,000			\$1,250,000	\$ 1,250,000	\$ -	\$ 1,250,000
99/00	60589	Orange Co WCID #1	5/17/2000				\$2,960,000		\$ 2,960,000	\$ -	\$ 2,960,000
99/00	60596	Raymondville	8/15/2001		\$3,245,000		\$3,245,000		\$ 3,245,000	\$ -	\$ 3,245,000
99/00	60630	Sunbelt FWSD	10/18/2000		\$2,630,000		\$2,630,000		\$ 2,630,000	\$ -	\$ 2,630,000
99/00	60607	Thunderbird Bay WS	8/15/2001		\$1,200,000		\$1,200,000		\$ 1,200,000	\$ -	\$ 1,200,000
99/00	60608	Tioga	10/18/2000		\$580,000			\$580,000	\$ 580,000	\$ -	\$ 580,000
99/00	60612	Vernon	3/9/2000				\$5,665,000		\$ 5,665,000	\$ -	\$ 5,665,000
99/00	60613	Walnut Grove WSC	6/21/2000		\$25,000			\$25,000	\$ 25,000	\$ -	\$ 25,000
99/00	60614	West Jefferson Co MWD	5/17/2000		\$4,195,000			\$4,195,000	\$ 4,195,000	\$ -	\$ 4,195,000
98	21332	Brookeland FWSD	9/15/1999		\$1,945,000		\$1,945,000		\$ 1,945,000	\$ -	\$ 1,945,000
98	60539	Brownwood	11/17/1999				\$6,925,000		\$ 6,925,000	\$ -	\$ 6,925,000
98	60550	Deport	7/14/1999		\$350,000			\$350,000	\$ 350,000	\$ -	\$ 350,000
98	60429	East Medina Co. SUD	8/18/1999		\$3,200,000			\$3,200,000	\$ 3,200,000	\$ -	\$ 3,200,000
98	60431	El Paso PSB	7/14/1999					\$15,190,000	\$ 15,190,000	\$ -	\$ 15,190,000
98	60567	Golden WSC #1	9/15/1999		\$850,000		\$850,000		\$ 850,000	\$ -	\$ 850,000

Small Community = Fewer than 10,000

**Table 6**  
**DWSRF Status of ALL Commitments**

				Disadvantaged	Small Community	Projects in Design	Projects Under Construction	Projects Completed Construction	Repayable Loan Portion	Principal Forgiveness Portion	Commitment Amount
98	60452	Lufkin	7/14/2000				\$16,000,000		\$ 16,000,000	\$ -	\$ 16,000,000
98	60465	Northeast TX MUD	9/15/1999		\$6,800,000			\$6,800,000	\$ 6,800,000	\$ -	\$ 6,800,000
98	60468	Palmer	7/14/1999		\$1,415,000		\$1,415,000		\$ 1,415,000	\$ -	\$ 1,415,000
98	60481	Pecos City	5/17/2000	\$8,375,000			\$8,375,000		\$ 8,375,000	\$ -	\$ 8,375,000
98	60503	Sweetwater	11/19/1998					\$7,315,000	\$ 7,315,000	\$ -	\$ 7,315,000
97	60135	Corsicana	10/15/1998					\$10,865,000	\$ 10,865,000	\$ -	\$ 10,865,000
97	60632	Del Rio (Phase 1)	12/15/1999	\$ 6,173,000			\$6,173,000		\$ 6,173,000	\$ -	\$ 6,173,000
97	60632	Del Rio (Phase 1)	12/15/1999	\$ 5,400,000				\$5,400,000	\$ 5,400,000	\$ -	\$ 5,400,000
97	60126	GTUA - Paradise	9/17/1998		\$325,000			\$325,000	\$ 325,000	\$ -	\$ 325,000
97	60321	Kountze	4/16/1998	\$930,000	\$930,000			\$930,000	\$ 930,000	\$ -	\$ 930,000
97	60175	Possum Kingdom USC	12/17/1998	\$4,700,000	\$4,700,000			\$4,700,000	\$ 4,700,000	\$ -	\$ 4,700,000
97	10043	Roma	12/17/1998	\$3,580,000				\$3,580,000	\$ 2,327,000	\$ 1,253,000	\$ 3,580,000

Small Community = Fewer than 10,000



# **ATTACHMENTS**

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**TEXAS WATER DEVELOPMENT BOARD  
DRINKING WATER STATE REVOLVING FUND  
PROJECTED ANNUAL CASH FLOW MODEL  
AS OF AUGUST 31, 2005**

ATTACHMENT A

Fiscal Year Ending 8/31	Funds On Hand Restricted To Debt Service	Projected Revenues To Pay Debt Service	Total Projected Match Bond Debt Service	Coverage on Total Debt Service (2)	Total Projected Debt Service Requirements	Net Balance After Debt Service (3)	Projected Fee Income (4)	Projected Operating Expenses
2006 (1)	\$1,184,165	\$11,153,508	\$4,914,962	2.51	\$4,914,962	\$7,422,711	\$3,937,500	\$3,250,000
2007	-	13,311,258	5,081,979	2.62	5,081,979	8,229,279	3,937,500	3,250,000
2008	-	18,059,391	5,122,011	3.53	5,122,011	12,937,380	3,937,500	3,347,500
2009	-	22,685,218	5,168,563	4.39	5,168,563	17,516,655	3,937,500	3,447,925
2010	-	26,566,628	5,205,928	5.10	5,205,928	21,360,701	3,937,500	3,551,363
2011	-	30,591,892	5,254,263	5.82	5,254,263	25,337,629	3,937,500	3,551,363
2012	-	34,618,532	5,292,815	6.54	5,292,815	29,325,717	3,937,500	3,551,363
2013	-	36,122,969	5,321,778	6.79	5,321,778	30,801,191	3,937,500	3,551,363
2014	-	36,460,613	5,366,355	6.79	5,366,355	31,094,258	3,937,500	3,551,363
2015	-	35,873,499	5,405,278	6.64	5,405,278	30,468,221	3,937,500	3,551,363
2016	-	36,045,725	5,432,590	6.64	5,432,590	30,613,134	3,937,500	3,551,363
2017	-	36,565,074	5,468,185	6.69	5,468,185	31,096,889	3,937,500	3,551,363
2018	-	36,704,137	5,496,774	6.68	5,496,774	31,207,363	3,937,500	3,551,363
2019	-	37,378,858	5,532,514	6.76	5,532,514	31,846,344	3,937,500	3,551,363
2020	-	36,949,655	5,569,851	6.63	5,569,851	31,379,804	3,937,500	3,551,363
2021	-	35,983,694	5,348,435	6.73	5,348,435	30,635,259	3,937,500	3,551,363
2022	-	32,776,717	5,380,555	6.09	5,380,555	27,396,162	3,937,500	3,551,363
2023	-	32,713,460	5,413,065	6.04	5,413,065	27,300,394	3,937,500	3,551,363
2024	-	31,797,246	4,599,694	6.91	4,599,694	27,197,552	3,937,500	3,551,363
2025	-	31,983,502	3,437,666	9.30	3,437,666	28,545,836	3,937,500	3,551,363
2026	-	32,358,968	1,822,922	17.75	1,822,922	30,536,046	3,937,500	3,551,363
2027	-	32,760,606	995,657	32.90	995,657	31,764,949	3,937,500	3,551,363
2028	-	33,166,887	-	-	-	33,166,887	3,937,500	3,551,363
2029	-	31,899,349	-	-	-	31,899,349	3,937,500	3,551,363
2030	-	28,785,258	-	-	-	28,785,258	3,937,500	3,551,363
2031	-	25,853,489	-	-	-	25,853,489	3,937,500	3,551,363
2032	-	23,600,988	-	-	-	23,600,988	3,937,500	3,551,363
2033	-	21,401,730	-	-	-	21,401,730	3,937,500	3,551,363
2034	-	18,634,700	-	-	-	-	3,937,500	3,551,363
2035	-	18,655,531	-	-	-	-	3,937,500	3,551,363
2036	-	19,203,764	-	-	-	-	3,937,500	3,551,363
2037	-	19,751,998	-	-	-	-	3,937,500	3,551,363
2038	-	19,769,990	-	-	-	-	3,937,500	3,551,363
2039	-	1,723,072	-	-	-	-	3,937,500	3,551,363
2040	-	1,152,501	-	-	-	-	3,937,500	3,551,363
2041	-	585,428	-	-	-	-	3,937,500	3,551,363
		\$943,645,835	\$106,631,840		\$106,631,840			

- (1) Projections for Senior Lien Bonds and Subordinate Lien Bonds debt service for fiscal year 2006. Since Income and Debt Service Projections are as of August 31, 2005, and actual cash balances are used through that date, coverage for the fiscal year ending August 31, 2006, has been annualized and includes debt service already paid and excludes funds on hand at the beginning of such fiscal year available to meet debt service. Annualized coverage for the fiscal year ending August 31, 2006, is projected at .00 for Senior Lien Coverage, based strictly upon projected income and debt service in such fiscal year.
- (2) Debt service coverage is related to cumulative debt service requirements from left to right.
- (3) These funds available after payment of operating expenses are assumed to be used for new loans.
- (4) The service charges are fees charged to borrowers to cover the administrative costs of the program. The fees in all years are based upon the assumption that \$175,000,000 in principal amount of loans are made with charges of 2.25% of the loan amount. Fees are collected outside of the State Revolving Fund based upon federal requirements. Borrowers are being provided an additional

**TEXAS WATER DEVELOPMENT BOARD  
DRINKING WATER STATE REVOLVING FUND  
PROJECTED SOURCES OF PROGRAM REVENUES  
AS OF AUGUST 31, 2005**

ATTACHMENT A (1)

Fiscal Year Ending 8/31	Scheduled Income from Existing Political Subdivision Bonds (2)	Projected Income From These Bond Proceeds (3)	Projected Income from Future Loan Commitments (4)	Investment Income (5)	Projected Revenue To Pay Debt Service
2006 (1)	\$10,683,860	-	-	\$469,648	\$11,153,508
2007	12,745,072	-	\$498,643	67,543	13,311,258
2008	12,676,827	\$687,169	4,603,759	91,636	18,059,391
2009	12,292,749	757,698	9,519,665	115,108	22,685,218
2010	12,270,098	761,550	13,400,178	134,802	26,566,628
2011	12,416,969	760,035	17,259,660	155,227	30,591,892
2012	12,458,905	758,275	21,225,694	175,659	34,618,532
2013	13,405,449	761,270	21,772,957	183,292	36,122,969
2014	13,192,102	758,898	22,324,608	185,006	36,460,613
2015	12,059,669	761,280	22,870,524	182,027	35,873,499
2016	11,683,701	758,295	23,420,828	182,900	36,045,725
2017	11,649,077	760,065	23,970,396	185,536	36,565,074
2018	11,242,199	761,468	24,514,230	186,241	36,704,137
2019	11,369,239	757,503	25,062,451	189,665	37,378,858
2020	10,388,939	758,293	25,614,937	187,487	36,949,655
2021	8,880,827	758,715	26,161,566	182,586	35,983,694
2022	5,144,175	758,770	26,707,459	166,313	32,776,717
2023	4,531,392	758,458	27,257,618	165,992	32,713,460
2024	3,071,207	757,778	27,806,919	161,343	31,797,246
2025	2,704,122	761,730	28,355,362	162,288	31,983,502
2026	2,531,634	760,193	28,902,948	164,193	32,358,968
2027	2,386,410	758,288	29,449,677	166,231	32,760,606
2028	2,231,798	761,015	30,005,782	168,293	33,166,887
2029	2,190,786	763,253	28,945,311	-	31,899,349
2030	1,857,414	-	26,927,844	-	28,785,258
2031	1,053,401	-	24,800,088	-	25,853,489
2032	1,013,508	-	22,587,480	-	23,600,988
2033	1,009,937	-	20,391,794	-	21,401,730
2034	527,403	-	18,107,297	-	18,634,700
2035	-	-	18,655,531	-	18,655,531
2036	-	-	19,203,764	-	19,203,764
2037	-	-	19,751,998	-	19,751,998
2038	-	-	19,769,990	-	19,769,990
2039	-	-	1,723,072	-	1,723,072
2040	-	-	1,152,501	-	1,152,501
2041	-	-	585,428	-	585,428
	\$219,668,865	\$16,639,994	703,307,961	\$4,029,016	\$943,645,835

- (1) Represents revenues projected for the fiscal year ending August 31, 2006.
- (2) Represents scheduled repayments from \$172,104,000 outstanding principal amount of Political Subdivision Bonds as of August 31, 2005.
- (3) Represents \$12,800,000 in proceeds from Match Bonds that closed on October 7, 2005.
- (4) Represents projected Repayments from committed Political Subdivision Bonds that the Board has approved for funding and made a binding commitment to purchase, subject to availability of funds and compliance by Political Subdivisions with certain conditions. The actual interest rates are not determined until approximately 45 days prior to closing, and are based upon Board rules which consider market rate at the time and other characteristics of the loan (bonds). Political Subdivision Bonds have an assumed interest rate of 2.45% for purposes of illustration.
- (5) Assumes investment income from float at 3.06% per annum, \$25,085,234 investment income from funds on hand but not committed at 3.31% per annum and from reserve funds as follows:

**TEXAS WATER DEVELOPMENT BOARD      ATTACHMENT A (2)**  
**DRINKING WATER STATE REVOLVING FUND**  
**DEBT SERVICE REQUIREMENTS ON MATCH BONDS**  
**AS OF AUGUST 31, 2005**

Fiscal Year Ending 8/31	Debt from \$12,800,00 in Match Bonds Closed on 10/07/05	Match Bonds (2)			Total Debt Service
		Principal	Interest	Total	
2006 (1)	\$742,002	\$1,575,000	\$2,597,960	\$4,172,960	\$4,914,962
2007	870,071	1,665,000	2,546,908	4,211,908	5,081,979
2008	874,341	1,760,000	2,487,670	4,247,670	5,122,011
2009	882,604	1,865,000	2,420,959	4,285,959	5,168,563
2010	889,832	1,970,000	2,346,096	4,316,096	5,205,928
2011	895,983	2,095,000	2,263,279	4,358,279	5,254,263
2012	905,811	2,215,000	2,172,004	4,387,004	5,292,815
2013	909,284	2,340,000	2,072,494	4,412,494	5,321,778
2014	916,547	2,485,000	1,964,808	4,449,808	5,366,355
2015	922,360	2,635,000	1,847,918	4,482,918	5,405,278
2016	931,930	2,780,000	1,720,661	4,500,661	5,432,590
2017	934,487	2,950,000	1,583,698	4,533,698	5,468,185
2018	940,723	3,120,000	1,436,051	4,556,051	5,496,774
2019	950,400	3,305,000	1,277,114	4,582,114	5,532,514
2020	953,272	3,510,000	1,106,579	4,616,579	5,569,851
2021	959,523	3,465,000	923,912	4,388,912	5,348,435
2022	963,553	3,675,000	742,001	4,417,001	5,380,555
2023	970,660	3,895,000	547,406	4,442,406	5,413,065
2024	975,578	3,285,000	339,116	3,624,116	4,599,694
2025	983,270	2,290,000	164,396	2,454,396	3,437,666
2026	988,461	790,000	44,461	834,461	1,822,922
2027	995,657	-	-	-	995,657
2028	-	-	-	-	-
2029	-	-	-	-	-
2030	-	-	-	-	-
2031	-	-	-	-	-
2032	-	-	-	-	-
2033	-	-	-	-	-
2034	-	-	-	-	-
2035	-	-	-	-	-
2036	-	-	-	-	-
2037	-	-	-	-	-
2038	-	-	-	-	-
2039	-	-	-	-	-
2040	-	-	-	-	-
2041	-	-	-	-	-
	\$20,356,349	\$53,670,000	\$32,605,491	\$86,275,491	\$106,631,840

(1) Represents scheduled debt service for remaining 12 months of the fiscal year ending August 31, 2006.

(2) Reflects debt service on Match Bonds outstanding as of August 31, 2005.



**Texas Water Development Board**

**DRINKING WATER  
STATE REVOLVING FUND**

**Annual Financial Report**

For the Year Ended  
August 31, 2005

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Drinking Water State Revolving Fund

Exhibit I - Combined Statement of Net Assets - Proprietary Funds

August 31, 2005

	<b>Total Enterprise Funds (Exhibit F-1)</b>
<b>ASSETS</b>	
Current Assets:	
Short Term Investments	\$ 83,334,176.34
Receivables from:	
Federal	4,437,354.09
Interest and Dividends	1,520,220.41
Loans and Contracts	8,596,000.00
<b>Total Current Assets</b>	<b>97,887,750.84</b>
Non-Current Assets:	
Loans and Contracts	163,508,000.00
<b>Total Non-Current Assets</b>	<b>163,508,000.00</b>
<b>Total Assets</b>	<b>261,395,750.84</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Payables from:	
Accounts Payable	66,032.12
Interfund Payables	1,575,000.00
Due to Other Funds	587,379.00
Due to Other Agencies	3,979,286.48
Deferred Revenue	4,596,112.09
<b>Total Current Liabilities</b>	<b>10,803,809.69</b>
Non-Current Liabilities:	
Interfund Payable	52,095,000.00
<b>Total Non-Current Liabilities</b>	<b>52,095,000.00</b>
<b>Total Liabilities</b>	<b>62,898,809.69</b>
<b>NET ASSETS</b>	
Unrestricted	198,496,941.15
<b>Total Net Assets</b>	<b>\$ 198,496,941.15</b>

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Drinking Water State Revolving Fund

**Exhibit II - Combined Statement of Revenues, Expenses, and  
Changes in Fund Net Assets - Proprietary Funds**

For the Fiscal Year Ended August 31, 2005

	<b>Total Enterprise Funds</b> (Exhibit F-2)
<b>OPERATING REVENUES:</b>	
Interest and Investment Income	\$ 6,146,762.08
Other Operating Revenue	82,337.50
<b>Total Operating Revenues</b>	<b>6,229,099.58</b>
<b>OPERATING EXPENSES:</b>	
Salaries and Wages	3,707,388.61
Payroll Related Costs	671,922.54
Professional Fees and Services	4,016,134.17
Travel	76,992.48
Materials and Supplies	65,431.95
Communication and Utilities	20,746.74
Repairs and Maintenance	17,799.64
Rentals and Leases	19,147.60
Printing and Reproduction	660.96
Interest	2,634,747.47
Other Operating Expenses	298,472.80
<b>Total Operating Expenses</b>	<b>11,529,444.96</b>
<b>Operating Income (Loss)</b>	<b>(5,300,345.38)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Federal Revenue	44,732,426.88
Other Benefit Payments	(1,044.26)
Other Nonoperating Revenue (Expenses)	(5,207,974.26)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>39,523,408.36</b>
<b>Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<b>34,223,062.98</b>
<b>OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:</b>	
Transfers In	3,130,403.00
<b>Total Other Revenue, Expenses, Gain/Losses and Transfers</b>	<b>3,130,403.00</b>
<b>Change in Net Assets</b>	<b>37,353,465.98</b>
Total Net Assets - Beginning	161,143,475.17
<b>Total Net Assets, August 31, 2005</b>	<b>\$ 198,496,941.15</b>

UNAUDITED

Drinking Water State Revolving Fund

**Exhibit III - Combined Statement of Cash Flows - Proprietary Funds**

For the Fiscal Year Ended August 31, 2005

	<b>Total Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments to Suppliers for Goods and Services	\$ (508,938.94)
Payments to Employees for Salaries	(2,203,544.73)
Payments to Employees for Benefits	(390,138.18)
Payments to Employees for Other	(28,250.05)
<b>Net Cash Provided by Operating Activities</b>	<b>(3,130,871.90)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Proceeds from Federal Grants	41,311,207.54
Proceeds from State Appropriations	3,130,403.00
Payments of Interest	(2,631,919.93)
Payments for Grant Disbursements	(5,209,018.52)
Payment for Federal Grant Pass-Through	(2,601,934.55)
Repayments of Advances from Other Funds	(1,485,000.00)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>32,513,737.54</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Interest Income	2,124,602.99
Proceeds from Investment Income	3,782,974.67
Proceeds from Principal Payments on Non-Program Loans	7,594,000.00
Payments for Non-program Loans Provided	(40,610,351.00)
Payments to Acquire Investments	(2,274,092.30)
<b>Net Cash Provided by Investing Activities</b>	<b>(29,382,865.64)</b>
Net (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents--September 1, 2004	-
<b>Cash and Cash Equivalents--August 31, 2005</b>	<b>\$ -</b>

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Drinking Water State Revolving Fund

**Exhibit III - Combined Statement of Cash Flows - Proprietary Funds (cont.)**

For the Fiscal Year Ended August 31, 2005

	<u>Total Enterprise Funds</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	\$ (5,300,345.38)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income and Cash Flow Categories:	
Classification Differences	1,970,734.17
Changes in Assets and Liabilities:	
Increase (Decrease) in Payables	66,032.12
Increase (Decrease) in Due to Other Funds	132,707.19
<b>Total Adjustments</b>	<u><b>2,169,473.48</b></u>
<b>Net Cash Provided by Operating Activities</b>	<u><b>\$ (3,130,871.90)</b></u>

Notes  
to the  
Financial  
Statements

UNAUDITED

Drinking Water State Revolving Fund

## Notes to the Financial Statements

<b>NOTE 1: Summary of Significant Accounting Policies</b>
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### Entity

The Texas Water Development Board (the Board) is an agency of the state of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The Board was created as an agency of the state in 1957, when the voters of the state approved an amendment adding Section 49-c to Article 3 of the Texas Constitution. The Board is primarily responsible for administering state and federally funded financing programs for water-related projects, water resource planning, data collection, and studies relative to the surface and ground water resources of Texas.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

### Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

#### Proprietary Fund Types

##### Enterprise Funds

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service), be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

## UNAUDITED

### Drinking Water State Revolving Fund

#### ***Basis of Accounting***

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The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

#### ***Restricted Net Assets***

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When both restricted and unrestricted net assets are available for use, restricted resources are used first, then unrestricted resources are used as they are needed.

### **Assets, Liabilities, and Fund Balances / Net Assets**

#### ***ASSETS***

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##### Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

##### Investments

Investments of the Board in authorized securities are reported at fair value in accordance with GASB 31 requirements. Any short-term securities that are exchanged for other short-term securities are accounted for using the completed transaction method. This method treats the exchanges as separate sales, purchase transactions, and includes gains and losses on the sales in current revenue.

##### Interest and Dividends Receivable

Accrued interest receivable on loans and contracts as of the balance sheet date is included in the proprietary funds. For the governmental funds, interest due as of the balance sheet date is only accrued if it is expected to be received within the next sixty days.

##### Notes / Loans and Contracts Receivable

Although collateralized by bonds of the receiving entity, loans made to political subdivisions are presented as Notes/Loans and Contracts Receivable at par. The portion due within the next year is shown separately as a current asset with the remainder as noncurrent.

#### ***LIABILITIES***

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##### Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

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Drinking Water State Revolving Fund

Current Payables - Other

Other payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions. Other payables may be included in either the governmental or proprietary fund types.

**NET ASSETS**

The difference between fund assets and liabilities is 'Net Assets' on the proprietary fund statements.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

**INTERFUND ACTIVITIES AND BALANCES**

The agency has the following types of transactions among funds:

- (1) Transfers: Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfers Out' by the disbursing fund.
- (2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as "Current", repayment for two (or more) years is classified as "Non-Current".

**NOTE 2: Deposits, Investments & Repurchase Agreements**

The agency is authorized by statute to make investments following the "prudent person rule". There were no significant violations of legal provisions during the period.

**Investments**

As of August 31, 2005, the carrying value and fair value of investments are as presented below.

Governmental and Business-Type Activities	Carrying Value	Fair Value
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	\$83,334,176.34	\$83,334,176.34
<b>Total</b>	<b>\$83,334,176.34</b>	<b>\$83,334,176.34</b>

UNAUDITED

Drinking Water State Revolving Fund

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The agency will only make payment for and accept delivery of securities on a delivery versus payment basis, and securities are held in the name of the agency. As of August 31, 2005, investments were not exposed to custodial credit risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As required by the agency's investment policy, investments purchased must be rated as to investment quality by a nationally recognized investment rating firm with a minimum of an 'A' rating. Furthermore, our investment policy requires that our repurchase agreements be collateralized by obligations of the U.S. Government or U.S. Government Agencies. Following are the agency's credit quality distributions of securities and repurchase agreements held by the agency as of August 31, 2005.

*Moody's*

Fund Type	GAAP Fund	Investment Type	Aaa	Unrated
05	9999	Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	\$79,730,339.88	\$3,603,836.46

*Standard & Poor's*

Fund Type	GAAP Fund	Investment Type	AAA	Unrated
05	9999	Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	\$61,870,874.55	\$21,463,301.79

*Fitch*

Fund Type	GAAP Fund	Investment Type	AAA	Unrated
05	9999	Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	\$41,851,423.37	\$41,482,752.97

**NOTE 3: Summary of Long-Term Liabilities**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2005, the following changes occurred in liabilities:

Business-Type Activities	Balance 09/01/2004	Additions	Reductions	Balance 08/31/2005	Amounts Due Within One Year
Notes and Loans Payable (Interfund)	55,155,000.00	0.00	1,485,000.00	53,670,000.00	1,575,000.00
<b>Total Business-Type Activities</b>	<b>\$55,155,000.00</b>	<b>\$0.00</b>	<b>\$1,485,000.00</b>	<b>\$53,670,000.00</b>	<b>\$1,575,000.00</b>

UNAUDITED

Drinking Water State Revolving Fund

**Notes and Loans Payable (Interfund Payable)**

Notes and Loans Payable represent advances to the Drinking Water State Revolving Funds for the State Match portion of these programs. The debt service requirements are as follows:

Notes Payable (Interfund Payable) Debt Service Requirements	Business-Type Activities	
	Principal	Interest
2006	\$1,575,000.00	\$2,597,959.70
2007	1,665,000.00	2,546,908.16
2008	1,760,000.00	2,487,670.10
2009	1,865,000.00	2,420,958.88
2010	1,970,000.00	2,346,906.06
2011-2015	11,770,000.00	10,320,504.16
2016-2020	15,665,000.00	7,124,102.16
2021-2025	16,610,000.00	2,716,830.60
2026-2030	790,000.00	44,461.20
<b>Total Requirements</b>	<b>\$53,670,000.00</b>	<b>\$32,605,491.02</b>

**NOTE 4: Interfund Balances / Activities**

As explained in Note 1 on Interfund Activities and Balances there are numerous transactions between funds and agencies. At year-end amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due To Other Agencies
- Due From Other Funds or Due To Other Funds
- Transfers In or Transfers Out

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of current interfund balances will occur within one year from the date of the financial statement. Individual balances and activity at August 31, 2005, follows:

Interfund Receivables and Payables – Current			
Current Portion	Interfund Receivable	Interfund Payable	Purpose
ENTERPRISE (05)			
Appd Fund 0371, D23 Fund 0371			
Appd Fund 9999, D23 Fund 0951	1,575,000.00		Match Bonds
Appd Fund 9999, D23 Fund 0951			
Appd Fund 0371, D23 Fund 0371		1,575,000.00	Match Bonds
<b>Total Interfund Receivable/Payable</b>	<b>\$1,575,000.00</b>	<b>\$1,575,000.00</b>	

UNAUDITED

Drinking Water State Revolving Fund

Interfund Receivables and Payables – Non-current			
Non-current Portion	Interfund Receivable	Interfund Payable	Purpose
ENTERPRISE (05)			
Appd Fund 0371, D23 Fund 0371			
Appd Fund 9999, D23 Fund 0951	52,095,000.00		Match Bonds
Appd Fund 9999, D23 Fund 0951			
Appd Fund 0371, D23 Fund 0371		52,095,000.00	Match Bonds
Total Interfund Receivable/Payable	\$52,095,000.00	\$52,095,000.00	

**NOTE 5: Contingent Liabilities**

**Outstanding Loan and Grant Commitments**

At August 31, 2005, the Board had made commitments to provide political subdivisions and not-for-profit entities financing from the proceeds remaining from current bond issues, and from the proceeds of future bond issues, from the federal draw downs, or from appropriations as follows:

	For Loans	For Grants	Total
Drinking Water State Revolving Fund (DWSRF)	320,171,000.00	13,767,429.81	333,938,429.81

**Federal Costs**

As a prime contractor with a federal granting agency, the Board is contingently liable to refund any disallowed costs to the granting agency. The amount of disallowed cost, if any, was undeterminable at August 31, 2005.

**NOTE 6: Loans and Contracts**

The Board purchases bonds from political subdivisions (including private water supply corporations). As of August 31, 2005, the balance of these bonds owned by the Board was \$172,104,000. In general, the majority of these bonds pay interest semiannually and principal annually and allow for early redemption ten years after the original date of issuance. All bonds are secured by either pledged revenue or taxes. Interest rates on the bonds range from 0% to 6.28% maturing through the year 2035. It is the opinion of management that all bonds are fully collectible; therefore, no provision for uncollectible amounts is included in these financial statements.

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Drinking Water State Revolving Fund

**NOTE 7: Available Federal Funds**

As of August 31, 2005, the amount of Federal Funds available through the Automated Clearing House that remain undrawn for the Drinking Water State Revolving Fund is \$254,102,773.58.

**NOTE 8: Status of Available Administrative Funding**

The Texas Water Development Board has been awarded grants for this program totaling \$486,325,300. The available administrative funding relative to the 4% cap is \$19,453,012. During FY 2005, the Texas Water Development Board expended \$670,963.61 from fees, which included reimbursements to General Revenue for expenses totaling \$652,848.21.

An additional \$2,337,197.98 was drawn against the administration portion of the grant to reimburse expenses incurred in General Revenue, while another \$321,449.62 was accrued as a receivable for General Revenue as of August 31, 2005.

Loans issued in Fiscal Year 2005 resulted in the collection of administrative cost recovery charges. The Texas Water Development Board has collected service charges totaling \$6,402,188 from DWSRF loan recipients. In Fiscal Year 2005, \$260,649 was collected.

**NOTE 9: State Match Requirements**

Deferral of State match deposits was allowed by EPA for FY 97 grant payments until September 30, 1999. The Board deposited \$3,000,000 of match bond proceeds to the Fund on April 9, 1999. Subsequent deposits of match funds have been made bringing the total match for federal reporting purposes to \$94,717,525. During Fiscal Year 2005, state appropriations totaling \$3,130,403 were transferred.

# Combining Statements

UNAUDITED

Drinking Water State Revolving Fund

Exhibit F-1 - Combining Statement of Net Assets - Enterprise Funds

August 31, 2005

	Drinking Water Loan Program	Administration (Federal)	Administration (Fees)	Set Asides (Exhibit SA-2)	Totals (Exhibit I)
<b>ASSETS</b>					
Current Assets:					
Short Term Investments	\$ 83,082,501.13	\$ -	\$ 251,675.21	\$ -	\$ 83,334,176.34
Receivables from:					
Federal	136,618.00	321,449.61	-	3,979,286.48	4,437,354.09
Interest and Dividends	1,520,220.41				1,520,220.41
Loans and Contracts	8,596,000.00				8,596,000.00
<b>Total Current Assets</b>	<b>93,335,339.54</b>	<b>321,449.61</b>	<b>251,675.21</b>	<b>3,979,286.48</b>	<b>97,887,750.84</b>
Non-Current Assets:					
Loans and Contracts	163,508,000.00				163,508,000.00
<b>Total Non-Current Assets</b>	<b>163,508,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>163,508,000.00</b>
<b>Total Assets</b>	<b>256,843,339.54</b>	<b>321,449.61</b>	<b>251,675.21</b>	<b>3,979,286.48</b>	<b>261,395,750.84</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Payables from:					
Accounts Payable	-	66,032.12			66,032.12
Interfund Payables	1,575,000.00				1,575,000.00
Due to Other Funds	331,961.51	255,417.49			587,379.00
Due to Other Agencies	-			3,979,286.48	3,979,286.48
Deferred Revenue	-		4,596,112.09		4,596,112.09
<b>Total Current Liabilities</b>	<b>1,906,961.51</b>	<b>321,449.61</b>	<b>4,596,112.09</b>	<b>3,979,286.48</b>	<b>10,803,809.69</b>
Non-Current Liabilities:					
Interfund Payables	52,095,000.00				52,095,000.00
<b>Total Non-Current Liabilities</b>	<b>52,095,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,095,000.00</b>
<b>Total Liabilities</b>	<b>54,001,961.51</b>	<b>321,449.61</b>	<b>4,596,112.09</b>	<b>3,979,286.48</b>	<b>62,898,809.69</b>
<b>NET ASSETS</b>					
Unrestricted	202,841,378.03	-	(4,344,436.88)	-	198,496,941.15
<b>Total Net Assets</b>	<b>\$ 202,841,378.03</b>	<b>\$ -</b>	<b>\$ (4,344,436.88)</b>	<b>\$ -</b>	<b>\$ 198,496,941.15</b>

UNAUDITED

Drinking Water State Revolving Fund

Exhibit F-2 - Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Assets - Enterprise Funds

For the Fiscal Year Ended August 31, 2005

	Drinking Water Loan Program	Administration (Federal)	Administration (Fees)	Set Asides (Exhibit SA-2)	Totals (Exhibit II)
<b>OPERATING REVENUES:</b>					
Interest and Investment Income	\$ 6,138,508.40	\$ -	\$ 8,253.68	\$ -	\$ 6,146,762.08
Other Operating Revenue	-	-	82,337.50	-	82,337.50
<b>Total Operating Revenues</b>	<b>6,138,508.40</b>	<b>-</b>	<b>90,591.18</b>	<b>-</b>	<b>6,229,099.58</b>
<b>OPERATING EXPENSES:</b>					
Salaries and Wages	-	1,904,924.71	427,512.31	1,374,951.59	3,707,388.61
Payroll Related Costs	-	318,907.83	91,947.88	261,066.83	671,922.54
Professional Fees and Services	-	279,120.93	102,904.58	3,634,108.66	4,016,134.17
Travel	-	30,059.04	1,798.30	45,135.14	76,992.48
Materials and Supplies	-	42,338.23	7,461.06	15,632.66	65,431.95
Communication and Utilities	-	15,846.39	4,900.35	-	20,746.74
Repairs and Maintenance	-	11,473.95	6,325.69	-	17,799.64
Rentals and Leases	-	13,443.16	5,704.44	-	19,147.60
Printing and Reproduction	-	660.96	-	-	660.96
Interest	2,634,747.47	-	-	-	2,634,747.47
Other Operating Expenses	-	41,872.40	22,409.00	234,191.40	298,472.80
<b>Total Operating Expenses</b>	<b>2,634,747.47</b>	<b>2,658,647.60</b>	<b>670,963.61</b>	<b>5,565,086.28</b>	<b>11,529,444.96</b>
<b>Operating Income (Loss)</b>	<b>3,503,760.93</b>	<b>(2,658,647.60)</b>	<b>(580,372.43)</b>	<b>(5,565,086.28)</b>	<b>(5,300,345.38)</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>					
Federal Revenue	36,508,693.00	2,658,647.60	-	5,565,086.28	44,732,426.88
Federal Grant Pass-Through Revenue (Expe	-	-	-	-	-
Other Benefit Payments	(1,044.26)	-	-	-	(1,044.26)
Other Nonoperating Revenue (Expenses)	(5,207,974.26)	-	-	-	(5,207,974.26)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>31,299,674.48</b>	<b>2,658,647.60</b>	<b>-</b>	<b>5,565,086.28</b>	<b>39,523,408.36</b>
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	34,803,435.41	-	(580,372.43)	-	34,223,062.98
<b>OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:</b>					
Transfers In	3,130,403.00	-	-	-	3,130,403.00
<b>Total Other Revenue, Expenses, Gain/Losses and Transfers</b>	<b>3,130,403.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,130,403.00</b>
<b>Change in Net Assets</b>	<b>37,933,838.41</b>	<b>-</b>	<b>(580,372.43)</b>	<b>-</b>	<b>37,353,465.98</b>
Total Net Assets - Beginning	164,907,539.62	-	(3,764,064.45)	-	161,143,475.17
<b>Total Net Assets, August 31, 2005</b>	<b>\$ 202,841,378.03</b>	<b>\$ -</b>	<b>\$ (4,344,436.88)</b>	<b>\$ -</b>	<b>\$ 198,496,941.15</b>

UNAUDITED

Drinking Water State Revolving Fund

Exhibit SA-2 - Combining Statement of Expenses - Set Aside Programs

For the Fiscal Year Ended August 31, 2005

	Administer State PWSS	Source Water Protection	Capacity Development	Operator Certification	Technical Assistance	Totals (Exhibit F-2)
<b>OPERATING EXPENSES:</b>						
Salaries and Wages	493,961.90	107,501.95	441,164.26	605.23	-	1,043,233.34
Payroll Related Costs	124,835.95	26,547.26	109,683.62	-	-	261,066.83
Professional Fees and Services	2,163,144.10	294,113.00	693,795.71	-	483,055.85	3,634,108.66
Travel	9,561.17	-	35,573.97	-	-	45,135.14
Materials and Supplies	6,777.40	-	8,855.26	-	-	15,632.66
Other Operating Expenses	80,872.60	-	153,318.80	-	-	234,191.40
Indirect	153,402.92	34,750.38	143,564.95	-	-	331,718.25
<b>Total Operating Expenses</b>	<b><u>3,032,556.04</u></b>	<b><u>462,912.59</u></b>	<b><u>1,585,956.57</u></b>	<b><u>605.23</u></b>	<b><u>483,055.85</u></b>	<b><u>5,565,086.28</u></b>

# Schedules

UNAUDITED

Drinking Water State Revolving Fund

Schedule 1 - Loans and Contracts

For the Fiscal Year Ended August 31, 2005

Recipient	Original Amount	Outstanding Balance	Due From	Due To
<b>Drinking Water State Revolving Fund:</b>				
ALVORD, CITY OF	65,000.00	50,000.00	10/1/2004	10/1/2023
ALVORD, CITY OF	35,000.00	35,000.00	10/1/2006	10/1/2025
ANAHUAC, CITY OF	125,000.00	125,000.00	8/1/2006	8/1/2025
BALLINGER, CITY OF	5,250,000.00	4,865,000.00	6/1/2004	6/1/2023
BIG FOOT WSC	69,000.00	62,000.00	10/1/2001	10/1/2030
BRADY, CITY OF	5,180,000.00	4,510,000.00	5/1/2002	5/1/2031
BROOKELAND FWSD	1,880,000.00	1,750,000.00	9/1/2001	9/1/2020
BROWNWOOD, CITY OF	5,085,000.00	4,760,000.00	3/15/2002	3/15/2021
BROWNWOOD, CITY OF	235,000.00	235,000.00	3/15/2006	3/15/2025
BURLESON CO MUD #1	1,426,000.00	1,421,000.00	6/1/2005	6/1/2034
CORSICANA, CITY OF	10,865,000.00	8,860,000.00	8/15/2001	8/15/2020
DEL RIO, CITY OF	5,845,000.00	4,421,000.00	6/1/2001	6/1/2020
DEL RIO, CITY OF	5,400,000.00	4,320,000.00	6/1/2002	6/1/2021
DEL RIO, CITY OF	5,540,000.00	5,005,000.00	6/1/2004	6/1/2022
DEPORT, CITY OF	350,000.00	295,000.00	9/1/2001	9/1/2020
DIBOLL, CITY OF	200,000.00	200,000.00	2/15/2006	2/15/2025
EAGLE PASS, CITY OF	5,777,000.00	5,777,000.00	12/1/2005	12/1/2034
EAGLE PASS, CITY OF	7,455,000.00	5,225,000.00	12/1/2003	12/1/2032
EAGLE PASS, CITY OF	350,000.00	235,000.00	12/1/2004	12/1/2033
EAST MEDINA CO SUD	3,200,000.00	2,710,000.00	7/1/2002	7/1/2021
EL JARDIN WSC	270,000.00	195,000.00	9/1/2004	9/1/2033
EL PASO, CITY OF	15,190,000.00	12,930,000.00	3/1/2002	3/1/2021
GOLDEN WSC	660,000.00	640,000.00	7/1/2002	7/1/2022
GREATER TEXOMA UA	325,000.00	270,000.00	10/1/1999	10/1/2018
HAMLIN, CITY OF	670,000.00	105,000.00	3/1/2002	3/1/2031
HOUSTON, CITY OF	2,145,000.00	2,135,000.00	12/1/2004	12/1/2023
HUDSON OAKS, CITY OF	1,320,000.00	1,050,000.00	8/1/2001	8/1/2020
JUNCTION, CITY OF	240,000.00	95,000.00	3/1/2004	3/1/2033
KOUNTZE, CITY OF	930,000.00	900,000.00	3/15/2000	3/15/2024
LOWER COLORADO RA	247,000.00	247,000.00	5/15/2006	5/15/2034
LOWER COLORADO RA	49,000.00	10,000.00	5/15/2005	5/15/2024
LOWER NECHES VALLEY AUTHORITY	18,906,000.00	18,906,000.00	8/1/2006	8/1/2035
LUFKIN, CITY OF	8,165,000.00	6,400,000.00	11/1/2002	11/1/2021
MEXIA, CITY OF	560,000.00	500,000.00	8/15/2003	8/15/2022
MEXIA, CITY OF	45,000.00	25,000.00	8/15/2005	8/15/2024
MILLERSVIEW-DOOLE WSC	927,000.00	927,000.00	12/1/2005	12/1/2034
MOUNT CALM, CITY OF	331,000.00	326,000.00	3/1/2005	3/1/2024
NACOGDOCHES, CITY OF	18,595,000.00	18,530,000.00	3/1/2003	3/1/2030
NACOGDOCHES, CITY OF	6,505,000.00	6,495,000.00	3/1/2004	3/1/2034
NORTHEAST TEXAS MWD	6,800,000.00	5,810,000.00	9/1/2001	9/1/2020
NORTHEAST TEXAS MWD	2,290,000.00	2,290,000.00	9/1/2007	9/1/2026
NORTHEAST TEXAS MWD	1,155,000.00	1,155,000.00	9/1/2005	9/1/2024
OLNEY, CITY OF	1,250,000.00	1,150,000.00	9/1/2003	9/1/2022
ORANGE CO WCID #1	2,405,000.00	2,075,000.00	2/15/2003	2/15/2021
PALMER, CITY OF	1,405,000.00	1,245,000.00	7/1/2003	7/1/2022
PECOS CITY, TOWN OF	8,095,000.00	6,860,000.00	6/15/2001	6/15/2020
PORT LAVACA, CITY OF	70,000.00	25,000.00	2/15/2005	2/15/2024
POSSUM KINGDOM WSC	4,700,000.00	4,505,000.00	12/15/2004	12/15/2023
RAYMONDVILLE, CITY OF	1,970,000.00	1,910,000.00	4/1/2003	4/1/2022
RENO, CITY OF	135,000.00	110,000.00	1/1/2005	1/1/2024
ROMA, CITY OF	2,327,000.00	1,927,000.00	11/1/2000	11/1/2029
SUNBELT FWSD	2,340,000.00	2,155,000.00	12/1/2002	12/1/2026

UNAUDITED

Drinking Water State Revolving Fund

Schedule 1 - Loans and Contracts

For the Fiscal Year Ended August 31, 2005

Recipient	Original Amount	Outstanding Balance	Due From	Due To
SWEETWATER, CITY OF	7,315,000.00	6,175,000.00	8/15/2000	8/15/2020
TIOGA, CITY OF	580,000.00	560,000.00	4/1/2002	4/1/2031
VERNON, CITY OF	4,985,000.00	4,220,000.00	3/15/2002	3/15/2021
WEST JEFFERSON CO MWD	4,195,000.00	3,890,000.00	4/1/2003	4/1/2022
WILLIS, CITY OF	660,000.00	495,000.00	8/1/2004	8/1/2023
<b>Total, Drinking Water State Revolving Fund</b>	<b>\$ 193,089,000.00</b>	<b>\$ 172,104,000.00</b>		