

STATE OF TEXAS

Texas Water
Development Board

Annual Report

Clean Water State Revolving Fund

www.twdb.state.tx.us/financial/programs/cwsrf.asp



SFY 2011

TEXAS WATER DEVELOPMENT BOARD
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Cover photo: Reclaimed water project in El Paso Texas

Clean Water State Revolving Fund

SFY 2011 Annual Report



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SFY 2011 Annual Financial Report



1. Executive Summary

The purpose of the Clean Water State Revolving Fund (CWSRF) is to provide below market-rate loans to assist applicants in meeting the wastewater needs of their communities. The Texas Water Development Board (TWDB) CWSRF program has received a total of \$1,773,567,141 in Environmental Protection Agency (EPA) Capitalization Grants and Amendments through August 31, 2011. Through leveraging of the capitalization grants, the State of Texas has made a total of 611 binding commitments totaling \$6,294,101,803 since the inception of the program in 1988 [Table 2, Appendix A].

The State Fiscal Year (SFY) 2011 Intended Use Plan (IUP) project priority list was developed by soliciting specific project information from all eligible applicants with a letter dated October 23, 2009. Eligible entities had through January 22, 2010, to submit a project information form. Additional nonpoint source projects were solicited on May 19, 2010, and the project information was due on June 4, 2010. TWDB staff reviewed and ranked all submissions based on the requirements as set forth in the TWDB rules and the SFY 2011 IUP.

For the SFY 2011 IUP, the TWDB received information for 230 eligible projects totaling approximately \$1,607,985,000. The TWDB applied for the Federal Fiscal Year (FFY) 2010 capitalization grant in the amount of \$93,126,000 and applied it to the SFY 2011 IUP. In June 2011, TWDB also received the FFY 2011 grant award of \$67,492,000 that will be used with the SFY 2012 IUP. The 2011 Congressional Appropriation was a continuing resolution of the FFY 2010 appropriation.

Based on the capacity model developed and implemented by the TWDB to ensure the

perpetuity of the fund, the TWDB's Executive-Administrator set the lending capacity for the SFY 2011 CWSRF program at \$323,000,000. Applicants designated for federal equivalency (Tier III) funding receive an interest rate subsidy of 130 basis points below market rates. All projects from the SFY 2011 Intended Use Plan are designated as Tier III projects. In SFY 2011, the TWDB made 15 commitments for CWSRF loans totaling \$206,451,340. Of those, seven commitments totaling \$154,830,000 were funded from the SFY 2010 IUP. As of August 31, 2011, an additional twelve applications from the SFY 2011 IUP are pending TWDB Board action for a potential \$110,641,460 in funding.

The TWDB completed 17 loan and loan forgiveness closings in SFY 2011 totaling \$378,605,000. The American Recovery and Reinvestment Act (ARRA) CWSRF grant and loan closings were all done in SFY 2010. Disbursements to the ARRA projects during the year totaled \$103,443,694. This amount includes \$8,161,713 to an ARRA provisional entity, the City of McAllen. Details of the ARRA and base projects are found in Appendix B.

The CWSRF program funds are made available from EPA grants, principal repayments, interest earnings, and self-supporting revenue and general obligation state match bonds. In SFY 2011, no revenue bonds were issued by the TWDB.



2. Introduction

This past year has been one of continued challenge for our economy, our state budget, and our water and wastewater systems. The current drought is extraordinary and has caused an increased awareness of the scarcity and value of our water. The viability of our water and wastewater systems directly impacts the health of the citizens, economy and living resources. Conservation and planning have never seemed more important. The TWDB will continue to work closely with our customers to plan, coordinate and develop sustainable wastewater systems in Texas.

3. Goals and Achievements

The primary mission of the Clean Water Act is to restore and maintain the chemical, physical, and biological integrity of the state's waters; the CWSRF program supports achievement of this mission. The TWDB provides effective and efficient administration of the CWSRF program, combined with below-market interest rates and long-term financing to assist entities in protecting the water quality of the state.

A. Short-Term Goals of the Texas CWSRF

1. Goal: Evaluate the pre-design funding (PDF) option in order to expeditiously utilize capitalization grant funds through separation of the planning, acquisition, and design (PAD) phase from the construction phase of projects. SFY 2012 solicitation packets will contain the revised methodology for application and funding in phases.

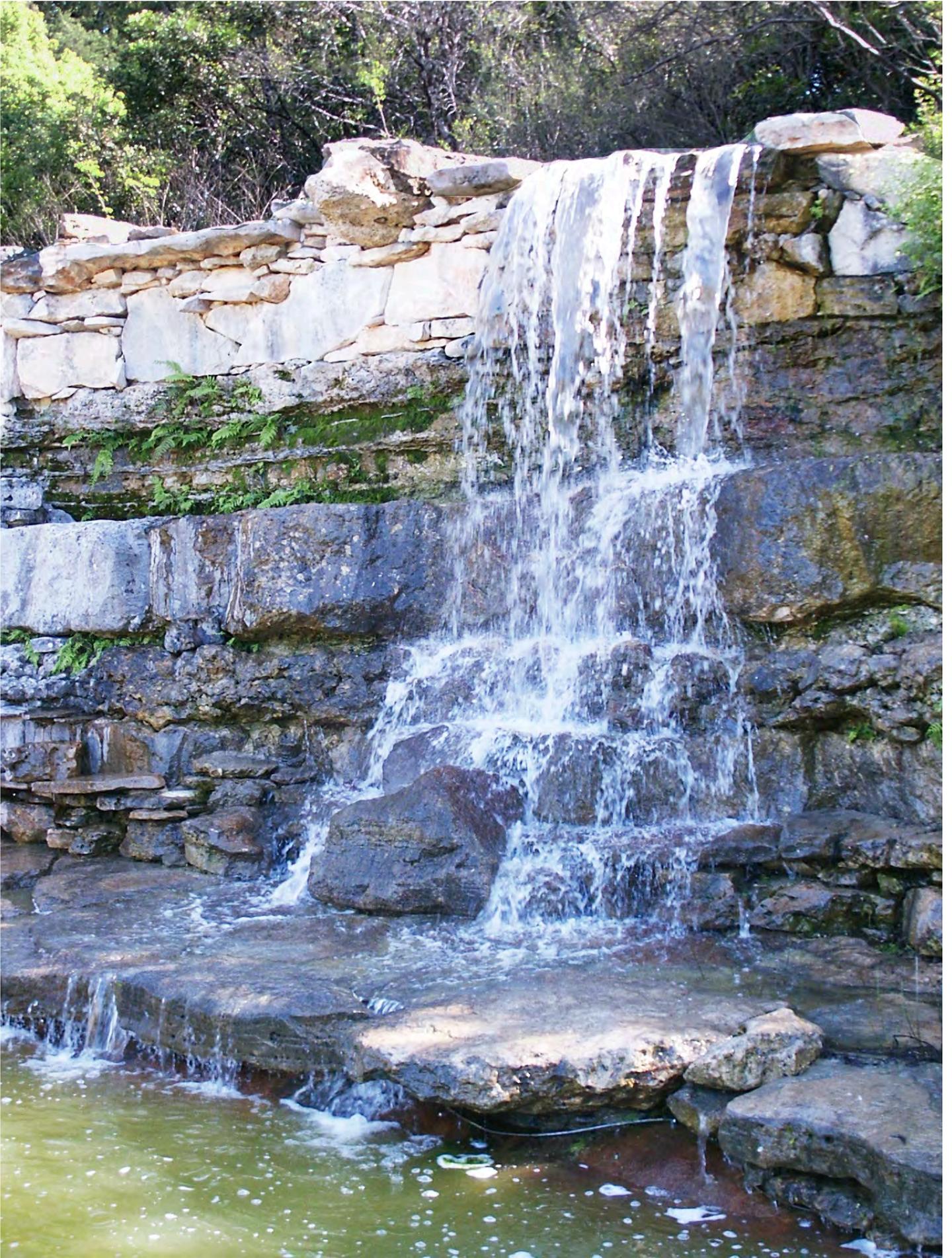
During SFY 2011, the PDF option was still available as a funding choice for projects invited from the project priority list (PPL). A total of fifteen projects received a funding commitment. Five projects from the SFY 2011 IUP applied for construction funding only. They were the City of Bryan, Harris

County MUD #33, City of Houston, City of Keller and San Antonio Water System. The Village of Vinton received a funding commitment for design only. The remaining nine projects received a PDF commitment. The details of each project with a commitment are contained in Appendix B.

The PDF option allows an applicant to receive a single loan commitment for both the planning, acquisition and design and construction portions of a project. The PAD must be approved and the construction portion of the project must be deemed ready to proceed before funds for the construction phase will be released. Because this method ties up large amounts of the CWSRF before it is planned to be used, beginning in SFY 2012, this PDF option will only be considered for projects where there are no significant permitting, social, contractual, environmental, engineering, or financial issues that would delay construction of the project. Additionally, the PDF option will only be considered where construction of the project will begin within 18 months of the date of commitment. All loans utilizing the pre-design or construction funding option must close within one year of receiving a commitment.

2. Goal: Participate in outreach meetings and trade association conferences, where possible, to provide information on CWSRF funding opportunities. Hold workshops for utilities, entities, and the public on all rule, policy, and guidance changes to the SRF programs.

During SFY 2011, the TWDB held workshops around the state to share information about the CWSRF. The workshops focused on the changes to the program and details of the pre-application process. During SFY 2011, six workshops were held in conjunction with the SFY

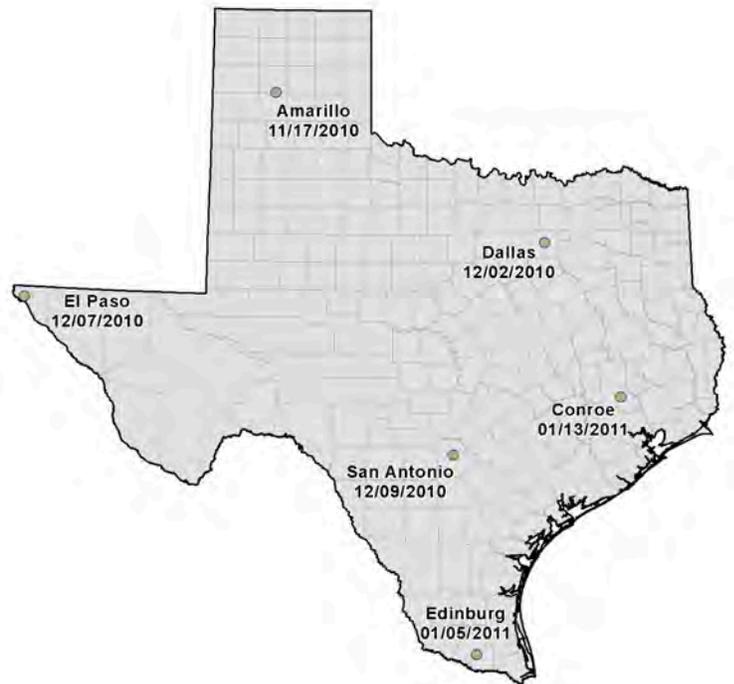


2012 project solicitation. These workshops were held between November 17, 2010, and January 13, 2011, in the cities of Amarillo, Dallas, El Paso, San Antonio, Edinburg and Conroe. The deadline for SFY 2012 projects to be submitted was March 1, 2011. Exhibit A, “Map of Workshops”, indicates the cities where TWDB held workshops during SFY 2011.

Three Consultant Workshops were held in Dallas, San Antonio, and Houston to communicate the recent changes to the SRF program. Eighteen other conferences were attended to display exhibit booths with financial assistance information in eight different cities. Table 7 in Appendix A shows the list of conferences attended in SFY 2011.

During the last fiscal year, TWDB held pre-application meetings with twenty-three entities that planned to apply for assistance. Ultimately, eighteen of the entities chose to apply for financial assistance from the CWSRF.

Exhibit A. Map of Workshops



3. Goal: Support components of the state clean water program by directing the necessary resources toward the state’s most pressing compliance and health needs.

Based on the Federal Fiscal Year (FFY) 2010 Federal Appropriation’s Law and the resulting programmatic conditions included in the FFY 2010 federal capitalization grant, TWDB staff proposed changes to the SFY 2012 rating criteria to promote CWSRF planning and sustainability. TWDB completed draft amendments to the SFY 2011 IUP which detailed the additional rating criteria to be utilized with SFY 2012 projects. Upon completion of a public comment period from

January 21, 2011, to February 22, 2011, the Amendment was approved by the Board on March 9, 2011.

To further illustrate our efforts relating to prioritization of compliance and health, please see Exhibit C which shows the new effective management criteria used to rate SFY 2012 projects. Additionally, Appendix D includes the evaluation procedure to determine eligibility for disadvantaged funding and a table that compares the original SFY 2011 Rating Criteria and the criteria, as amended, for use with SFY 2012 projects.

Below, in Exhibit B, is a graphical representation of compliance categories from the Clean Water Benefits Reporting System which demonstrates that most funds were used to maintain compliance during SFY 2011.

4. Goal: Continue development of a comprehensive financial assistance program management information system known as Texas Water Information System Expansion (TxWISE).

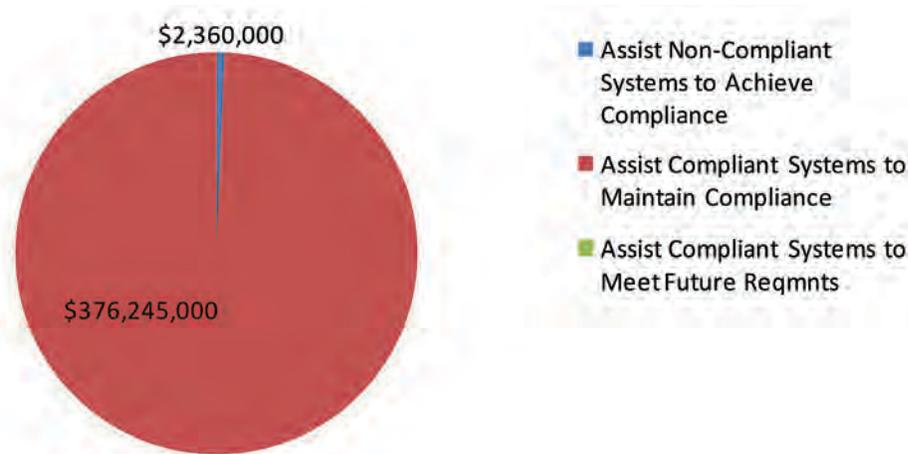
TWDB continues to move forward with the Texas Water Information System Expansion (TxWISE) project in partnership with Northbridge Environmental Consulting. TxWISE Phase 1 was completed in October 2009; Phase 2 integrated Inspection and Field Support System and Contract Administration System functionality and was deployed to production on October 28, 2010. Phase I and Phase II are described in more detail in the SFY 2009 Annual Report.

TxWISE Phase 3 is expected to be a 2-year project. Project planning began in April 2011. Design and development tasks are scheduled

to extend through the 2012/2013 biennium. Scheduled for deployment in November 2012, TxWISE Phase 3 will replace an outdated, unsupported Financial Information System (FIS) with an integrated solution that will:

- Meet the regulatory requirements including those expected to be implemented under the Finance Reform Bill, regulatory changes under the Depository Trust Corporation and the Internal Revenue Service.
- Resolve data redundancy and data synchronization issues caused by data duplication in two systems (Project data in TxWISE; Financial data in FIS).
- Enable TWDB staff to access both project and financial data on water-related projects, grants, loans, and contracts in one, integrated solution.
- Transfer TxWISE from Microsoft Access to a web-based platform, which will:
 - Provide the TxWISE user community, particularly those in outlying Inspection and Field Support offices, with a more responsive system.

Exhibit B. Clean Water SRF Compliance Purpose



- Reduce maintenance and support costs associated with current MS Access technology.
- Align TxWISE with Agency-supported technology, thereby allowing Agency Information Technology staff to more readily support and update the system.
- Provide enhanced system security by incorporating the existing TWDB security module to control user authentication and access to application, and role-based security to mitigate security breaches to the network and the applications.
- Bring TxWISE into alignment with both federal and state accessibility requirements.

5. Goal: Encourage and increase project and system sustainability through promotion of asset management planning and training during SFY 2012 and improving the state's capacity development assistance program.

In October 2010, the EPA released a Sustainability Policy that states: "EPA will work with its partners to build upon existing efforts that support sustainable water infrastructure and community sustainability." Although the Sustainability Policy has a number of facets (resource efficiency, appropriate rate structures, transportation and housing), one EPA focus for clean water is to support wastewater systems that use "comprehensive planning processes to pursue water infrastructure investments that are cost-effective over their life cycle." Additionally, the FFY 2010 Capitalization Grant includes a programmatic condition to ensure that additional

subsidization is used to fund infrastructure that is sustainable for communities that lack technical, managerial, and financial capacity to become and remain sustainable. The 1996 amendments to the federal Safe Drinking Water Act incorporated specific requirements for financial, managerial and technical (FMT) capacity in public water systems. The federal Clean Water Act does not include FMT, but EPA has incorporated FMT into the Sustainability Policy for the CWSRF.

During SFY 2011, TWDB revised the ranking system to include rating points for projects based on effective management criteria beginning with SFY 2012 projects. The SFY 2011 IUP was amended so that projects received points if:

- an entity has adopted an asset management plan; or
- the proposed project addresses goals in a water conservation plan or energy audit; or
- the proposed project is consistent with a municipal, regional, and/or state watershed protection plan, integrated water resource management plan, regional facility plan, regionalization or consolidation plan, or any plan developed pursuant to legislative authority.

Points awarded for effective management must be supported by inclusion of the necessary portions of the entity's planning information in the Project Information Form submission, if points are sought in this category. A project can also receive a point to develop an asset management plan if they intend to complete the work as part of the proposed project.

The new criteria and point system is illustrated in Exhibit C.

6. Goal: Apply to the EPA Region 6 for a Federal Fiscal Year (FFY) 2010 CWSRF Capitalization Grant in the approximate amount of \$93,126,000.

The FFY 2010 Capitalization Grant Allocation of \$93,126,000 was applied for in July 2010, and received in September 2010, to fund the SFY 2011 CWSRF IUP. The FFY 2011 CWSRF Capitalization Grant was applied for in March 2011, awarded in July 2011, and will fund the SFY 2012 CWSRF IUP.

Exhibit C. Effective Management Rating Criteria

- 1 pt Asset management plan contains an inventory of assets.
- 1 pt Asset management plan contains an assessment of the criticality and condition of the assets.
- 1 pt Asset management plan contains the prioritization of capital projects needed.
- 1 pt Asset management plan contains a budget.
- 1 pt Asset management plan contains the development of a public education plan.
- 1 pt Entity is planning to prepare an asset management plan as part of the proposed project.
- 1 pt Asset-management training has been administered to the entity's governing body and employees.
- 1 pt Proposed project addresses a specific goal in a water conservation plan.
- 1 pt Proposed project addresses a specific goal in a energy assessment, audit, or optimization study conducted within the past three years.
- 1 pt Project is consistent with a municipal and/or state watershed protection plan, water efficiency plan, integrated water resource management plan, or any plan developed pursuant to legislative authority.
- 2 pt Project is consistent with a regional facility plan, regionalization or consolidation plan, or any plan developed pursuant to legislative authority.

B. Long-Term Goals of the Texas CWSRF

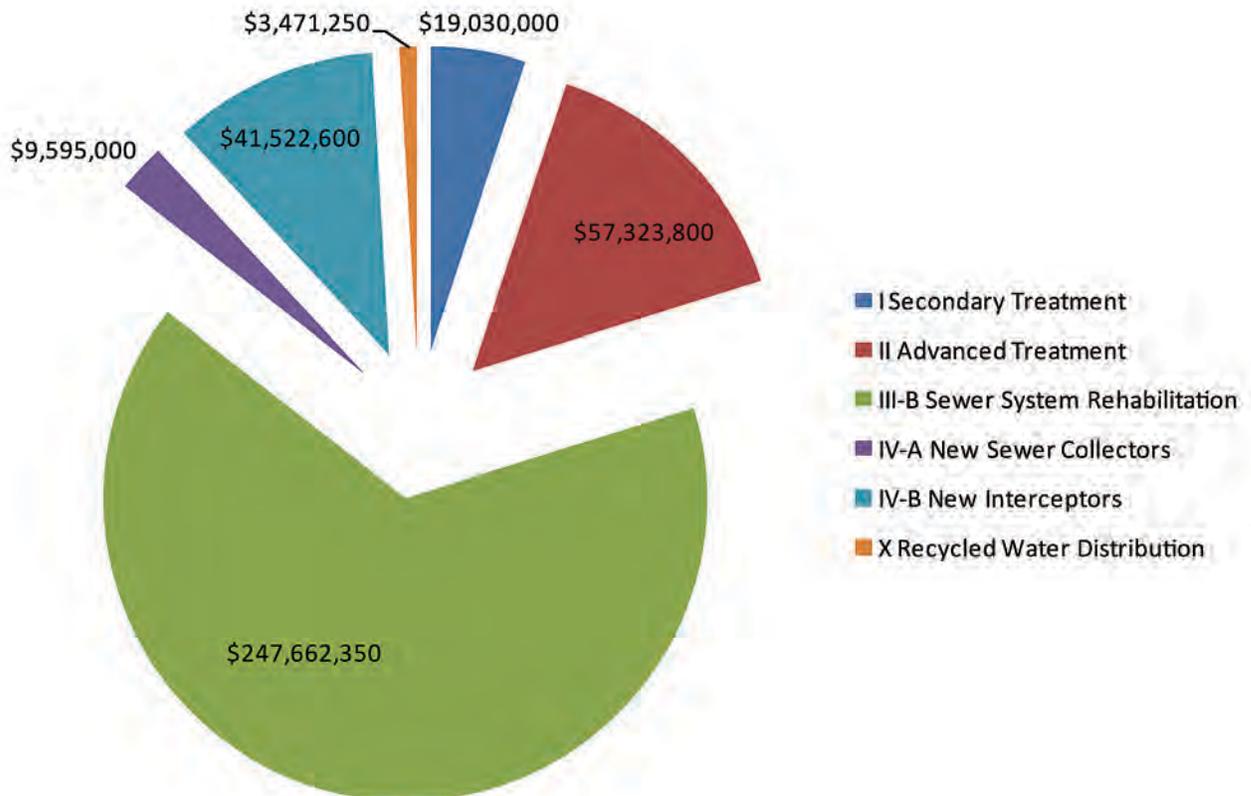
1. Goal: Restore and maintain the chemical, physical, and biological integrity of the state's waters while being responsive to changes in the state's priorities and needs. This will include strategic assessment of changing needs, ongoing or completed changes aimed at addressing those needs, and use of the National Information Management System (NIMS) and Clean Water Benefit Reporting system (CBR) data to illustrate achievements and specific contaminants addressed.

The restoration and biological integrity of the state's waters in compliance with the Clean Water Act is the basis of the State's priority system for projects submitted for consideration

in the IUP. This ensures projects that would assist communities to achieve or maintain compliance with water quality standards rank high on the Project Priority List.

The NIMS and CBR data continue to be prepared and submitted, as required. The July 1, 2010 through June 30, 2011, NIMS data was submitted to EPA on August 25, 2011. The SFY 2011 funded projects include six of the treatment categories and are recorded in the Clean Water Benefits Reporting System as the loans are closed. Appendix B has a list of SFY 2011 Closed Loans and the CBR Summary sheets. Exhibit D is generated from the CBR data for the period of September 1, 2010, through August 31, 2011, and demonstrates a wide range of the construction categories of projects closed in this SFY.

Exhibit D. Clean Water SRF Projects by Category



2. Goal: Maintain the fiscal integrity of the CWSRF in perpetuity and assure continuous enhancement of the fund for future generations through periodic cash flow and capacity analysis, program leveraging, portfolio monitoring, and appropriate fiscal and lending policy implementation.

The fiscal integrity of the fund is monitored quarterly through cash flow and capacity analyses. Efficient and effective use of program resources remains a top priority of the program given the economic pressure of low borrower and investment rates. In addition, prepayments are evaluated on a case by case basis to determine the best use of the asset in meeting the program long-term goals in conjunction with federal regulations.

The unique challenge of prepayments, in conjunction with federal regulations, requires that prepayments be evaluated on a case by case basis to determine the best use of the asset to maintain the program for perpetuity. Prepayments have been used for new loans reducing the need for leveraging. At times the prepayments have been used to call debt in line with federal regulations, deleveraging the program to maintain high cash flow coverage.

The capability of the CWSRF program to meet future generations' needs is enhanced by the natural AAA credit rating from the three major rating agencies. Staff reviews monthly the credit ratings of the borrowers, their insurers (if any), and the portfolio concentration and makeup. This review ensures that management understands the rating risk of the program and allows appropriate management of such.

3. Goal: Assist entities to ensure affordable wastewater collection and treatment by providing an efficient program that can respond to the financial and technical needs of wastewater systems and other eligible entities, and by providing financial assistance at affordable interest rates while maintaining the fiscal integrity of the fund.

During SFY 2011, TWDB allocated \$27,937,800 for subsidized assistance to disadvantaged communities. Four disadvantaged projects received a commitment during the fiscal year; two of the project loans closed, one from the SFY 2010 IUP and one from the SFY 2011 IUP. Details of the projects are found in Appendix B and in Section 4 regarding the subsidies awarded to promote sustainability.





4. Subsidies to Promote Sustainability

According to EPA Guidance, additional subsidies should be directed to:

- 1) Repair, replacement and upgrade of infrastructure in existing communities;
- 2) Investigations, studies, or plans that improve the technical, financial and managerial capacity of the assistance recipient to operate, maintain, and replace financed infrastructure; and/or,
- 3) Preliminary planning, alternatives

assessment and eligible capital projects that reflect the full life cycle costs of infrastructure assets, conservation of natural resources, and alternative approaches to integrate natural or “green” systems into the built environment.

Given the EPA guidance and the capitalization grant condition to give subsidies to projects that could not otherwise afford such projects, the following entities have received subsidies from the FFY 2010 capitalization grant:

- **Alton, Texas**, is a disadvantaged community with a population around 10,000 located in Hidalgo County, near the Texas-Mexico border. This project will provide first time service to eighteen colonias and 859 residents. The residents are currently using cesspools, pit privies, and septic tanks. Funding for the project was committed on March 17, 2011, and closed on June 23, 2011. Alton was given 100 percent loan forgiveness in the amount of \$9,595,000.

- **La Feria, Texas**, is a disadvantaged community with a population of approximately 7,000 located in Cameron County, near the Texas-Mexico border. This project will build collection facilities to provide first time service in the vicinity of La Feria. The residents have failing septic systems adjacent to water wells. The water table in the area has been as high as three feet from the surface so the risk of contamination is high. The collection system extensions were committed to La Feria on May 4, 2011. La Feria qualifies for 100 percent loan forgiveness in the amount of \$8,381,340.

- **San Augustine, Texas**, is a disadvantaged community with a population of approximately 2,400 located in San Augustine County in east Texas near the Sabine National Forest. This project will upgrade aging lift stations and collection system lines to address inflow/infiltration. The environmental impact will be lessened by paralleling the existing collection system. The wastewater treatment plant will be repaired to come into compliance with state standards. San Augustine received a TWDB commitment for a 0 percent loan on September 23, 2010. The loan closed on January 1, 2011, in the amount of \$1,050,000.

- **Vinton, Texas**, is a disadvantaged community with a population just under 2,000 located in El Paso County in far west Texas near the New Mexico and Mexico borders. The project will replace dilapidated and failing on-site wastewater treatment systems with a centralized collection system. Vinton received a commitment for a 0 percent loan from TWDB on December 16, 2010, in the amount of \$1,210,000.

The TWDB has committed \$20,236,340 of the CWSRF to these small disadvantaged communities in order to achieve the basic health and safety compliance with the Clean Water Act. The new infrastructure will establish first time service to promote a safer environment for those previously on septic systems by having a dependable wastewater collection for the citizens living in these areas.



5. Green Project Reserve

The SFY 2011 CWSRF IUP is funded under the FFY 2010 capitalization grant, which requires that not less than an equivalent of 20 percent of the capitalization grant fund project components that are considered to be environmentally friendly or “green”.

Projects funded under the Green Project Reserve (GPR) must meet the general eligibility criteria for the CWSRF program. The GPR may fund planning, design, or construction components. The TWDB has developed “Green Project Information Worksheets” in order to facilitate a uniform approach to providing business case information. Most projects require a business case to demonstrate their green components while others are considered categorically green without need for further supporting information.

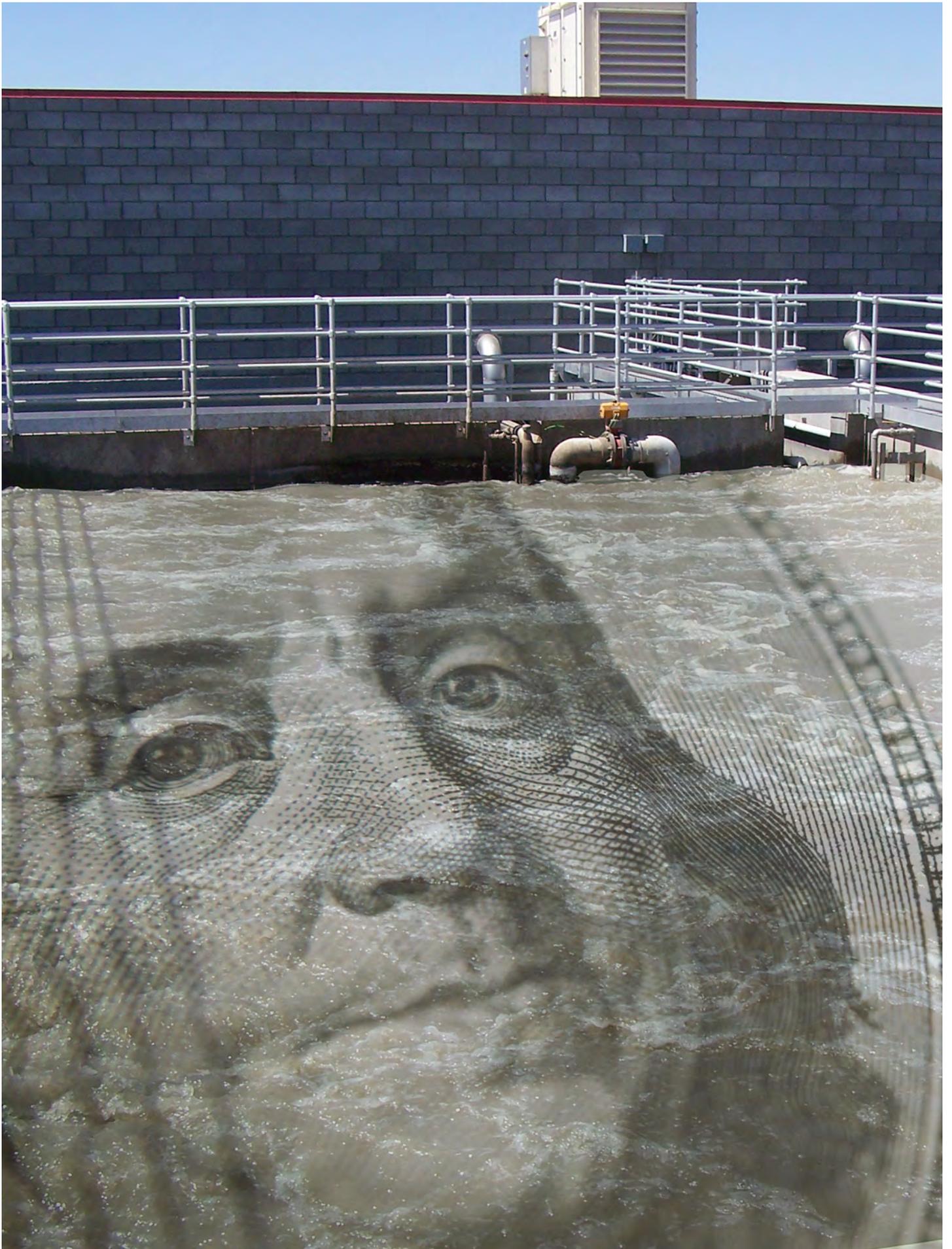
For the SFY 2011 CWSRF IUP, the minimum required amount of funds for green projects is \$18,625,200. Of the 22 projects on the green fundable list, only four have been considered green upon further review.

TWDB designates these projects as green on the IUP based upon designation by the entity and review of the initial information by TWDB. Projects designated as having green components may receive invitations to apply for assistance along with green project information worksheets to complete within thirty days of the invitation. Upon receipt, TWDB reviews the green project information worksheets to determine eligible green components and then notifies the entity of the results of the green project review.

The four projects with associated green budgets totaling \$13,108,750 that have been designated eligible for GPR are, as follows:

- **City of Burnet**, \$290,000 for a wastewater reuse project.
- **City of Bedford**, \$630,000 for a truck line pipeline bursting replacement.
- **San Antonio Water System**, \$10,712,750 to repair Dos Rios anaerobic digesters and produce and sell biogas to third party energy supplier.
- **Cibolo Creek Municipal Authority**, \$1,476,000 for expansion and repair of WWTP reclamation/reuse plant.

All of these projects received a CWSRF commitment in SFY 2011 or are expected to receive a commitment in SFY 2012. In order to meet the required minimum assistance for GPR, TWDB methodically moved down the PPL to invite projects with designated green components. TWDB has cycled through four rounds of invitations but has not met the 20 percent requirement. Additionally, SFY 2011 projects that have received a funding commitment have been reviewed to determine if there are green components that were not designated previously.



6. Timely and Expeditious Use of Funds

In order to use funds more efficiently, the TWDB initiated new programmatic policies and processes by dividing projects into phases that are ready to proceed to expedite the draw of the federal funds. The Planning, Acquisition, and Design (PAD) and Construction (C) configuration for applicants is the result of this initiative. Under this new approach, TWDB will focus on funding PAD and Construction as separate components to promote a more efficient and expeditious use of funds. As a result, funding will be awarded for activities to be accomplished quickly and not tied up for long periods of time.

The TWDB is also taking an active approach to managing stalled projects. The Executive Administrator created a Project Oversight group during SFY 2011 with the specific task of monitoring project status and managing project progress from the beginning of a project through close out. Projects that have stalled, or have experienced continued delays are being directly contacted by our engineering and project oversight staff and asked for an updated schedule to ensure the project will be moving forward in a timely manner.

Outlay reporting is the mechanism used by borrowers to document CWSRF invoiced project costs which allow draw down of the federal capitalization grants. Borrowers are normally required to produce outlay requests on a quarterly basis during planning and design phases and on a monthly basis during

construction. As a standard practice, letters are sent to borrowers who do not submit timely outlays. The goal of the followup is to maintain contact with the entities to assist with any problems or delays as they arise. If for any reason there is an issue or question regarding an outlay, the project oversight lead or engineer will contact the client directly to request additional information.

Efficiencies have become very important with reduced staffing resources for most state and federal agencies. The TWDB led the creation and implementation of the Texas Water Infrastructure Coordinating Committee (TWICC) which is made up of several federal and state funding and technical assistance agencies. This cooperation and collaboration between agencies promotes a more efficient use of resources, and better opportunities to jointly fund projects. This initiative is described later in this report.



7. Performance Evaluation Follow Up

The CWSRF requires that States comply with Title VI, Section 606 (e) of the Clean Water Act, and 40 CFR 35.3165 (c), its capitalization grant conditions, and operating agreement conditions. The EPA conducts an annual Performance Evaluation Review (PER) to evaluate compliance with the grant requirements. The SFY 2010 PER was held from March 23 through 25, 2011. The review was based upon the TWDB SFY 2010 Annual Report, onsite discussions, file reviews, and completion of the standardized national EPA checklists of program evaluation questions. The Draft PER was received by TWDB in April 2011, and the final SFY 2010 PER was received by TWDB on July 14, 2011.

SFY 2010 CWSRF base program PER

Action Item: Closely monitor TWDB staff workload

Closely monitor TWDB staff workload and increase staffing, as appropriate.

Response: The TWDB has adequate staff to manage the CWSRF; however, TWDB will review tasks and workloads and make adjustments, as appropriate. For example, as a result of staff reductions in SFY 2011, TWDB will limit participation at conferences and other events. To supplement fewer direct marketing contacts, TWDB will share information with potential applicants through webcast communication and postings on the TWDB website. In addition, TWDB will reach stakeholders by utilizing staff in other areas of the Agency. For instance, TWDB regional planning managers will share information regarding the TWDB funding programs, including the SRFs, when attending regional planning meetings throughout the State.

Action Item: Project environmental reviews should identify sole source aquifers.

Project environmental reviews should indicate if the project is located on an EPA-designated Sole Source Aquifer.

Response: The TWDB has added this Sole Source Aquifer coordination to the Environmental Review guidance, and has implemented the review with all projects since March 2011.

Action Item: Submit State Audits

Submit State Audits upon receipt.

Response: The TWDB will submit the State Audit Office (SAO) reports and the subsequent TWDB responses to EPA. TWDB will send a copy of the report and responses to EPA when the report is finalized by SAO.

SFY 2010 mid-year CWSRF ARRA program annual PER review

EPA completed the PER for the 2010 mid-year CWSRF ARRA Program on March 21-25, 2011; however, there were no outstanding issues.

State Auditor's Office

The State auditors did not review the CWSRF in SFY 2010.

Follow-up from the SFY 2009 SAO Audit was completed in SFY 2011. The items that were resolved are: implementation of tighter Annual Report internal review controls, clarification of Group of projects versus Equivalency projects method of draw with the base program; for the ARRA program the issues resolved were: verification of suspension and debarment status of all sub recipients, CFDA award information to all sub recipients, Single Audit certification and management decisions on audit findings, and up to 30 year maturities allowable under the CWSRF.



8. Bypass Procedures

Periodically, TWDB invokes a bypass, or skipping, of higher-rated projects in favor of lower-rated projects for funding consideration to ensure that funds available are utilized in a timely manner, and that statutory and capitalization grant requirements are met. Entities with projects that are bypassed are not invited to submit an application or upon further review their application is withdrawn from consideration. Reasons for bypassing projects include, but are not limited to:

Disadvantaged Community – A minimum of 30 percent of the capitalization grant is made available in the form of additional subsidies to projects proposed by disadvantaged communities. In the event that the amount of subsidy commitments for disadvantaged community projects above the funding line do not equal 30 percent of the capitalizations grant, the Executive Administrator may bypass projects to invite projects that are eligible for additional subsidy. Bypass of non-disadvantaged community projects is used only to ensure that a minimum of 30 percent of the capitalization grant is made available to communities in the form of additional subsidies.

Up to 30 percent of the funds allocated to Nonpoint Source (NPS) (§ 319) or estuary management (§ 320) projects may receive subsidy and be credited toward the 30 percent of the capitalization grant allotted to disadvantaged communities. Any funding with subsidies for NPS or estuary management projects that are not utilized will be rolled into the disadvantaged community funds for publicly owned treatment works (§ 212) projects.

Green Project Reserve – A minimum of 20 percent of the capitalization grant is allocated for the green project reserve and is required by federal law to be used for green component costs associated with eligible CWSRF projects. In the event that CWSRF projects above the funding line do not contain green component costs equaling at least 20 percent of the capitalization grant, the Executive Administrator may bypass projects for

systems with projects that contain green component costs that in total meet the federal requirement.

Small Communities – A minimum of 15 percent of the capitalization grant is made available to small communities (systems serving populations less than 10,000). In the event that small community projects above the funding line do not equal 15 percent of the capitalization grant, the Executive Administrator may bypass projects to include additional small community projects below the funding line. Bypass of large community projects (systems serving populations of 10,000 or greater) is used only to ensure that a minimum of 15 percent of the capitalization grant is made available to small communities.

Project Repetition – A project that receives a commitment under the SFY 2011 IUP will not be considered eligible for funding the same project phase of that specific project in any future IUP.

Emergency Relief – The TWDB will consider funding emergency projects involving systems that have failed or pose an imminent threat of failure in response to an emergency situation. In order to be placed on the PPL, entities will be required to demonstrate that a proposed emergency project results from the occurrence or imminent threat of widespread or severe damage, injury, or loss of life or property resulting from a natural or man-made cause, including fire, flood, earthquake, wind, storm, wave action, oil spill or other water contamination, volcanic activity, epidemic, air contamination, blight, drought, infestation, explosion, riot, hostile military or paramilitary action, other public calamity requiring emergency action, or energy emergency as defined in Texas Government Code § 418.004. Emergency Relief project allowance was new to the IUP this past year and would not bypass PPL projects when implemented unless funds were available from leveraging, repayments, withdrawals or lapses.

In summary, TWDB did not need to utilize any of the bypass procedures in the SFY 2011 IUP to meet capitalization grant requirements.



9. Other Program Accomplishments and Challenges

Nonpoint Source Agency Coordination

The TWDB meets quarterly with two other agencies that offer financial assistance for nonpoint source projects under § 319, the Texas Commission on Environmental Quality (TCEQ) and the Texas State Soil and Water Conservation Board (TSSWCB). The TCEQ and TSSWCB provide input on funding needs from information gathered during the development of the Integrated Water Quality Report, Total Maximum Daily Loads, and Watershed Protection Plans. The TWDB uses this information in the rating process in an effort to focus funding priorities on projects with the greatest environmental benefits.

For the SFY 2011 IUP, the TWDB applied separate new rating criteria for NPS and estuary management projects and extended a special solicitation for information on these projects. Although the solicitation period was short, the effort to target NPS projects yielded fifteen (15) eligible projects with a total demand of \$68,185,000. The SFY 2011 IUP had reserved 5 percent of the capacity or \$16,150,000 for NPS and 2 percent or \$6,460,000 for estuary management projects as a goal. Of these, the following three NPS projects received or will receive a commitment for funding:

Caddo Mills	\$4,430,000
Keller	\$5,835,000
La Feria	\$8,381,340
<hr/>	
Total NPS Commitments	\$18,646,340

Project descriptions may be found in Appendix B for the commitments made in SFY 2011.

Emergency Relief

The SFY 2011 CWSRF IUP was amended in March 2011 to include the ability to add emergency relief projects to the PPL. The amendment allows TWDB to consider funding emergency projects involving systems that have failed or pose an imminent threat of failure in response to an emergency situation.

Projects determined to be eligible in accordance with the Emergency Relief Policy as determined by the Executive Administrator will be rated by TWDB and added to the category “Emergency Relief Projects” on the PPL. Funding will be provided, if available, by any funds remaining for the SFY after all PPL projects ready to proceed have received an invitation; or, alternatively, if additional funds are made available through de-obligation or closure of previous loan commitments or repayments. Rating, project schedule, amount of funds needed, disadvantaged community designation, and population served will be taken into consideration prior to invitation of the project for funding.

Through the remainder of SFY 2011, no CWSRF projects were submitted for consideration as an emergency relief project.

Texas Water Infrastructure Coordinating Committee (TWICC)

The TWICC has representatives from the TWDB, TCEQ, Texas Department of Rural Affairs, Texas Secretary of State, U.S. Department of Agriculture-Rural Development, Border Environment Cooperation Commission, Community Resource Group, and Texas Rural Water Association, with guidance from EPA Region 6. TWICC is open to other state and federal agencies. TWICC meets bi-monthly to

discuss agency program status and available funding for systems in need of state and/or federal financial and technical assistance. Through coordination with the TWICC, entities may be invited to future meetings to present project information to member agencies and ask questions regarding program requirements, program funds available, and obtain points of contact for application coordination.

To address the goals and objectives of the TWICC, four subcommittees were created in 2010 - 2011:

Finance - The purpose of this subcommittee is to coordinate externally with systems seeking financial assistance, conduct project screenings, analyze available program funding opportunities, and recommend strategies to coordinate the financial request among the respective agencies. To request assistance from the TWICC Finance Subcommittee, interested systems must complete the project profile form and submit to: twicc@twdb.state.tx.us.

Targeting/Priorities - The purpose of this subcommittee is to establish priorities for the TWICC, including strategies to assist systems with affordable and innovative technology solutions to comply with Safe Drinking Water Act and Federal Pollution Control Act standards. Additionally, the Targeting/Priorities Subcommittee coordinates strategies to target available financial assistance to various groups including systems affected by new federal standards and rule revisions.

Marketing/Outreach - This subcommittee is responsible for the development of outreach and marketing strategies for the TWICC, including website development, representation at events such as the TCEQ's annual Public Drinking Water Conference, and strategies to educate the public about the TWICC mission and ability to assist systems in need of funding from state and/or federal agencies.

Uniform Standards - The purpose of this subcommittee is to analyze areas of uniformity between the various state and federal financial assistance programs. Namely, the Uniform Standards Subcommittee has focused on general requirements that are required for every agency and strategies to provide a single set of requirements for applicants seeking to utilize planning and design documents for phased or combined funding from different agencies.

During SFY 2011, TWICC met six times and the sub-committees held several conference calls. By the end of the SFY, TWICC was able to draft a TWICC web page and place it in production. The web site for TWICC is www.twicc.org. In August 2011, TWICC gave its first presentation and hosted a work session at the TCEQ Public Drinking Water Conference. In addition, TWICC unveiled the new project profile form at the conference to begin formal interaction with Texas drinking water systems to discuss infrastructure funding and technical assistance.

10. Acronyms

American Recovery and Reinvestment Act of 2009	ARRA
Construction	C
Clean Water Act	CWA
Clean Water State Revolving Fund	CWSRF
Federal Fiscal Year	FFY
Green Project Reserve	GPR
Intended Use Plan	IUP
National Information Management System	NIMS
Nonpoint Source	NPS
Planning Acquisition, and Design	PAD
Project Information Forms	PIFs
Project Priority List	PPL
State Fiscal Year	SFY
State Revolving Fund	SRF
Texas Commission on Environmental Quality	TCEQ
Texas Water Development Board	TWDB
Texas Water Infrastructure Coordinating Committee	TWICC
Texas Water Information System Expansion	TxWISE

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Appendix A CWSRF SFY 2011 Tables

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Perpetuity Model for the CWSRF Program

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SFY	Grant Award #	SRF Grant	State Match 20%	State Match Provided*	Over/(Under)	Net Bond Proceeds	Total Funds
1988							\$ -
1989	N-480001-88	\$ 105,190,250	\$ 21,038,050	\$ 21,037,500	\$ (550)	\$ -	\$ 126,227,750
1990	CS-480001-89	\$ 82,691,538	\$ 16,538,308	\$ 32,452,673	\$ 15,914,365	\$ -	\$ 115,144,211
1990	CS480001-91	\$ 72,843,855	\$ 14,568,771	\$ 28,760,000	\$ 14,191,229	\$ -	\$ 101,603,855
1991	CS480001-91	\$ 1,466,749	\$ 293,350	\$ -	\$ (293,350)	\$ -	\$ 1,466,749
1991	CS480001-91	\$ 96,302,005	\$ 19,260,401	\$ -	\$ (19,260,401)	\$ -	\$ 96,302,005
1991	CS480001-91	\$ 1,900,000	\$ 380,000	\$ -	\$ (380,000)	\$ 261,215,069	\$ 263,115,069
1992	CS480001-92	\$ 92,254,341	\$ 18,450,868	\$ -	\$ (18,450,868)	\$ 114,180,000	\$ 206,434,341
1993	CS480001-93	\$ 98,743,594	\$ 19,748,719	\$ 10,000,000	\$ (9,748,719)	\$ -	\$ 108,743,594
1994	CS480001-94	\$ 57,750,000	\$ 11,550,000	\$ 18,030,000	\$ 6,480,000	\$ -	\$ 75,780,000
1995	CS480001-95	\$ 56,296,944	\$ 11,259,389	\$ 20,552,574	\$ 9,293,185	\$ 343,336,367	\$ 420,185,885
1996	CS480001-96	\$ 97,216,124	\$ 19,443,225	\$ 12,000,000	\$ (7,443,225)	\$ 314,165,259	\$ 423,381,383
1997	CS480001-97	\$ 28,485,864	\$ 5,697,173	\$ 17,000,000	\$ 11,302,827	\$ 142,991,230	\$ 188,477,094
1998	CS-48000198	\$ 61,546,617	\$ 12,309,323	\$ 25,000,000	\$ 12,690,677	\$ 234,333,389	\$ 320,880,006
1999	CS-48000199	\$ 61,551,864	\$ 12,310,373	\$ -	\$ (12,310,373)	\$ 91,741,498	\$ 153,293,362
2000	CS-48000201	\$ 63,343,000	\$ 12,668,600	\$ 25,000,000	\$ 12,331,400	\$ -	\$ 88,343,000
2001	CS-48000201	\$ 60,797,781	\$ 12,159,556	\$ -	\$ (12,159,556)	\$ -	\$ 60,797,781
2002	CS-48000202	\$ 60,933,213	\$ 12,186,643	\$ 13,000,000	\$ 813,357	\$ -	\$ 73,933,213
2003	CS-48000203	\$ 60,537,213	\$ 12,107,443	\$ 13,000,000	\$ 892,557	\$ -	\$ 73,537,213
2004	CS-48000204	\$ 61,080,444	\$ 12,216,089	\$ 12,500,000	\$ 283,911	\$ -	\$ 73,580,444
2005	CS-48000205	\$ 49,252,104	\$ 9,850,421	\$ 10,000,000	\$ 149,579	\$ -	\$ 59,252,104
2006	CS-48000206	\$ 40,024,512	\$ 8,004,902	\$ 4,000,000	\$ (4,004,902)	\$ -	\$ 44,024,512
2007	CS-48000208	\$ 61,564,429	\$ 12,312,886	\$ 11,988,141	\$ (324,746)	\$ 480,460,386	\$ 554,012,956
2008	CS-48000209	\$ 31,103,000	\$ 6,220,600	\$ 6,254,247	\$ 33,647	\$ 224,975,000	\$ 262,332,247
2009	CS-48000210	\$ 31,101,800	\$ 6,220,360	\$ 6,220,360	\$ -	\$ -	\$ 37,322,160
ARRA	2W-96692401	\$ 179,121,900	\$ -	\$ -	\$ -	\$ -	\$ 179,121,900
2010**	No Grant Used	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011	CS-48000210-1	\$ 93,126,000	\$ 18,625,200	\$ 18,625,200	\$ -	\$ -	\$ 111,751,200
2012	CS-48000211	\$ 67,492,000	\$ 13,498,400	\$ 13,498,400	\$ -	\$ -	\$ 80,990,400
		\$ 1,773,717,141	\$ 318,919,048	\$ 318,919,095	\$ 46	\$ 2,207,398,198	\$ 4,300,034,434
*match provided or to be provided			**SFY 2010 IUP used repayments due to new grant conditions causing rule adjustments				

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Table 2 - CWSRF Commitments Status			
IUP YR	# of Commitments	Commitments after withdraws and lapses	Original Commitments
1988-2001	388	\$ 3,093,453,206	\$ 3,118,677,324
2002	24	\$ 228,320,000	\$ 215,340,000
2003	12	\$ 169,080,000	\$ 211,385,000
2004	16	\$ 301,150,000	\$ 309,500,000
2005	15	\$ 152,925,000	\$ 172,365,000
2006	8	\$ 167,550,000	\$ 93,425,000
2007	45	\$ 666,400,000	\$ 723,440,000
2008	18	\$ 337,356,717	\$ 136,846,053
2009	45	\$ 539,910,000	\$ 874,225,000
2010	12	\$ 211,314,480	\$ 215,320,062
ARRA	20	\$ 171,957,024	\$ 171,957,024
2011	8	\$ 51,621,340	\$ 51,621,340
Totals	611	\$ 6,091,037,767	\$ 6,294,101,803

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Table 3 CWSRF Federal Funds Drawn					
SFY		Federal	State		Total Funds
1989		\$105,187,501	\$21,037,500		\$126,225,001
1990		\$123,845,098	\$24,769,020		\$148,614,118
1991		\$137,906,475	\$27,581,295		\$165,487,770
1992		\$173,641,705	\$34,728,341		\$208,370,046
1993		\$55,626,699	\$11,125,340		\$66,752,039
1994		\$64,406,219	\$12,881,244		\$77,287,463
1995		\$52,785,020	\$10,557,004		\$63,342,024
1996		\$56,951,258	\$11,390,252		\$68,341,510
1997		\$36,514,636	\$7,302,927		\$43,817,563
1998		\$46,924,306	\$9,384,861		\$56,309,167
1999		\$77,571,747	\$15,514,349		\$93,086,096
2000		\$114,761,727	\$22,952,345		\$137,714,072
2001		\$17,818,655	\$3,563,731		\$21,382,386
2002		\$23,134,356	\$4,626,871		\$27,761,227
2003		\$6,032,064	\$1,206,413		\$7,238,477
2004		\$5,389,732	\$1,077,946		\$6,467,678
2005		\$9,408,387	\$1,881,677		\$11,290,064
2006		\$15,495,249	\$3,099,050		\$18,594,299
2007		\$169,701,730	\$33,940,346		\$203,642,076
2008		\$63,249,011	\$12,649,802		\$75,898,813
2009		\$18,761,712	\$3,752,342		\$22,514,054
2010	Base	\$21,024,776	\$4,204,955		\$25,229,731
2010	ARRA	\$47,060,500			\$47,060,500
2011	Base	\$21,786,661	\$4,357,332		\$26,143,993
2011	ARRA	\$96,433,621			\$96,433,621
		\$1,561,418,845	\$283,584,945		\$1,845,003,790

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Table 4- Grant Payments by Quarter						
		SFY 88 -SFY 10 Total	FY 2011			
		Total	Qtr 1	Qtr 2	Qtr 3	Qtr 4
GRANT PAYMENTS						
IUP FY 1988 - 2008						
FY 2009-10	CS-48000210		\$ 13,968,900	\$ 6,984,450	\$ 6,834,450	\$ 16,297,050
ARRA	2W-96692401		\$ 4,846,717	\$ -	\$ 9,693,434	\$ 4,846,717
FY2011						\$ 2,462,500
QUARTERLY TOTAL			\$ 18,815,617	\$ 6,984,450	\$ 16,527,884	\$ 23,606,267
FY Required Binding			\$ 16,762,680	\$ 8,381,340	\$ 8,201,340	\$ 22,511,460
CUMULATIVE PAYMENTS		\$ 1,593,447,398	\$ 1,612,263,015	\$ 1,619,247,465	\$ 1,635,775,349	\$ 1,659,381,616
* REQUIRED BINDING COMMITMENTS		\$ 1,683,048,959	\$ 1,928,899,558	\$ 1,943,096,958	\$ 1,951,298,298	\$ 1,985,441,879

**Texas Water Development Board
SFY 2011 Clean Water State Revolving Fund
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Table 5– Binding Commitments by Quarter

	SFY 88 - SFY 10	SFY 2011 BINDING COMMITMENTS			
		Qtr 1	Qtr 2	Qtr 3	Qtr 4
IUP 1988-2010	\$ 6,087,650,463				
IUP 2010		\$ 153,620,000	\$ 1,210,000	\$ -	\$ -
IUP 2011		\$ -	\$ -	\$ 22,056,340	\$ 29,565,000
Quarterly Total		\$ 153,620,000	\$ 1,210,000	\$ 22,056,340	\$ 29,565,000
Cumulative Binding Commitments	\$ 6,087,650,463	\$ 6,241,270,463	\$ 6,242,480,463	\$ 6,264,536,803	\$ 6,294,101,803
Cumulative Binding Commitments as a % of Required Amount	361.70%	323.57%	321.26%	321.04%	317.01%
Cumulative Required Binding Commitments	\$1,683,048,959	\$1,928,899,558	\$1,943,096,958	\$1,951,298,298	\$1,985,441,879

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TABLE 6 - Administrative Costs						
SFY	FEDERAL 4% Cap Used				State Loan Origination Fee Account (funds used)	Total Administration both Federal and State Fees actually drawn or used
	Federal 4% drawn from Cap Grant	Federal banked funds drawn from the Cap Grant	Funds drawn 'recycled' funds inside the SRF	Total Funds drawn or used from the 4% cap		
1991	\$ 2,212,581	\$ -	\$ -	\$ 2,212,581	\$ -	\$ 2,212,581
1992	\$ 1,806,072	\$ -	\$ 1,500,674	\$ 3,306,746	\$ -	\$ 3,306,746
1993	\$ -	\$ -	\$ 4,259,370	\$ 4,259,370	\$ -	\$ 4,259,370
1994	\$ -	\$ -	\$ 4,578,753	\$ 4,578,753	\$ -	\$ 4,578,753
1995	\$ -	\$ -	\$ 5,077,507	\$ 5,077,507	\$ -	\$ 5,077,507
1996	\$ -	\$ -	\$ 4,069,387	\$ 4,069,387	\$ 700,000	\$ 4,769,387
1997	\$ -	\$ -	\$ -	\$ -	\$ 5,166,713	\$ 5,166,713
1998	\$ -	\$ -	\$ -	\$ -	\$ 5,157,083	\$ 5,157,083
1999	\$ -	\$ -	\$ -	\$ -	\$ 5,175,910	\$ 5,175,910
2000	\$ -	\$ -	\$ -	\$ -	\$ 5,035,877	\$ 5,035,877
2001	\$ -	\$ -	\$ -	\$ -	\$ 4,795,878	\$ 4,795,878
2002	\$ -	\$ -	\$ -	\$ -	\$ 5,026,804	\$ 5,026,804
2003	\$ -	\$ -	\$ -	\$ -	\$ 4,957,912	\$ 4,957,912
2004	\$ -	\$ -	\$ -	\$ -	\$ 4,513,673	\$ 4,513,673
2005	\$ -	\$ -	\$ -	\$ -	\$ 4,882,643	\$ 4,882,643
2006	\$ -	\$ -	\$ -	\$ -	\$ 5,366,376	\$ 5,366,376
2007	\$ -	\$ 2,645,945	\$ -	\$ 2,645,945	\$ 2,026,297	\$ 4,672,242
2008	\$ 1,600,980	\$ 2,761,882	\$ -	\$ 4,362,862	\$ 181,452	\$ 4,544,314
2009	\$ 2,294,578	\$ 2,866,919	\$ -	\$ 5,161,497	\$ -	\$ 5,161,497
2010	\$ 2,485,401	\$ 3,240,999	\$ -	\$ 5,726,400	\$ -	\$ 5,726,400
2010 ARRA	\$ 2,222,875		\$ -	\$ 2,222,875	\$ -	\$ 2,222,875
2011	\$ 3,725,040	\$ 1,633,184	\$ -	\$ 5,358,224	\$ -	\$ 5,358,224
2011 ARRA	\$ 1,153,259	\$ -	\$ -	\$ 1,153,259	\$ -	\$ 1,153,259
Totals	\$ 17,500,786	\$ 13,148,929	\$ 19,485,691	\$ 50,135,406	\$ 52,986,618	\$ 103,122,024

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TABLE 7 - Marketing Conferences

#	Conferences Attended	Location
1	Texas Association of Counties, Annual Conference and Exposition	Austin, Texas
2	The Art of Water Supply, Short Course presentations	Alpine, Texas
3	17th Annual Texas Midwest Conference	Abilene, Texas
4	27th Annual Trade show and Market Symposium for the Association of General Contractors of Texas	Austin, Texas
5	98th Annual Conference of the Texas Municipal League	Corpus Christi, Texas
6	Trinity-Glenn Rose Groundwater Conservation District Open House	San Antonio, Texas
7	Municipal CIP Funding Seminar	San Marcos, Texas
8	53rd Annual Texas County Judges & Commissioners Continuing Education Conference	Austin, Texas
9	TWDB Conservation Planning Workshop	Waco, Texas
10	Texas Water Utilities Association (TWUA)	Corpus Christi, Texas
11	Texas Water Conservation Association (TWCA)	Austin, Texas
12	Texas Rural Water Association (TRWA)	Austin, Texas
13	Kimley-Horn Funding Presentation	Austin, Texas
14	Water Environment Association of Texas (WEAT) & TX. American Water Works Association	Fort Worth, Texas
15	Houston-Galveston Area Council - Wastewater Regionalization Workshop	Houston, Texas
16	Association of Water Board Directors (AWBD)	Fort Worth, Texas
17	TCEQ Public Drinking Water Conference	Austin, Texas
18	Texas Association of Counties, Annual Conference and Exposition	Austin, Texas

**Texas Water Development Board SFY 2011 Clean Water State Revolving Fund
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Table 8- Sources and Uses of Funds			
Statement of Sources and Uses of Capital for Loans & Debt Service as of August 31, 2011			
SOURCES:		SFY 2011	
Current base program grant balance including Set-asides as of 8/31/11		\$	172,822,171
Current ARRA grant balance as of 8/31/10 (Federal Grant #2W-96692401)		\$	35,627,779
Total Banked Administrative Funds as of 8/31/11 (Federal Grant #CS-48000210 & CS-48000211)		\$	3,840,871
Anticipated Federal grant (Federal Grant #CS-48000212)		\$	67,000,000
Anticipated State Match - Required 20% (Federal Grant #CS-48000212)		\$	13,400,000
Interest Repayments from Loans as of 8/31/11		\$	83,036,542
Principal Repayments from Loans as of 8/31/11		\$	159,329,000
Cash to be use for Loans (per Capacity Model)		\$	-
Projected Investment Earnings on funds as of 8/31/11		\$	78,128
Projected Bonds to be sold (per Capacity Model)		\$	-
Total Sources:		\$	535,134,491
USES:			
ARRA Administrative Expenses (Federal Grant #2W-96692401)		\$	3,788,742
Administrative Expenses (Federal Grant #CS-48000211)		\$	2,699,680
Estimated funding for SFY 2013 IUP		\$	80,400,000
TxWISE Project		\$	407,400
Banked Administrative Expenses		\$	3,840,871
Total Set-Aside uses:		\$	91,136,693
Loans to be Funded:			
Binding commitments as of 8/31/11		\$	377,085,000
Projected Commitments from 9/1/11- 8/31/12		\$	56,311,460
Debt Service:			
Sr Lien (Leverage) Bonds Debt Service		\$	6,318,425
Subordinate Variable Rate Debt Service		\$	77,026
Subordinate Fixed Rate Debt Service		\$	46,307,338
Match Bond Debt Service		\$	11,649,805
Debt Service on new debt issuance		\$	-
Total Uses:		\$	588,885,747
Net Sources (Uses)		\$	(53,751,256)
Available Funds from Interest to pay debt:		FY Commitments anticipated to close:	
Interest Repayments from Loans	\$ 83,036,542	2012	\$ 288,780,000
Investment Earnings on funds	\$ 78,128	2013	\$ 88,305,000
Subtotal	\$ 83,114,670		
Less Match Bond Debt	\$ 11,649,805		
	\$ 71,464,865		\$ 377,085,000

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Perpetuity Model

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**TEXAS WATER DEVELOPMENT BOARD
 CLEAN WATER STATE REVOLVING FUND
 PROJECTED ANNUAL CASH FLOW COVERAGE
 AS OF AUGUST 31, 2011**

Operational Minimum DSC: 1.10
Lowest Total DSC: 3.44

Fiscal Year	Funds On Hand Restricted To Debt Service & Prior Year Balance	Loan Receipts 9/1 - 5/31 (2)	Loan Receipts & Investment Projections (3)	Total Existing Senior Lien Debt Service (4)
2012 (1)	\$103,569,923	\$117,708,680	\$78,128	\$6,318,425
2013	195,493,152	121,451,957		6,318,425
2014	288,412,941	129,733,405	73,719	6,318,425
2015	385,389,252	132,778,626	20,078,089	40,493,425
2016	475,195,058	135,710,437	20,078,089	33,007,850
2017	579,809,346	135,504,772	20,078,089	29,783,650
2018	701,663,786	134,986,698	20,078,089	6,299,750
2019	830,321,081	134,604,476	20,078,089	2,385,750
2020	890,317,242	130,126,745	20,078,089	27,618,250
2021	1,011,430,439	129,418,794	20,078,089	
2022	1,163,814,009	125,591,620	20,078,089	
2023	1,306,367,173	115,313,012	20,078,089	
2024	1,438,199,113	111,194,794	20,078,089	
2025	1,561,619,943	101,779,162	20,078,089	
2026	1,668,054,292	81,779,449	20,078,089	
2027	1,756,737,485	68,049,269	20,078,089	
2028	1,823,941,335	58,045,271	20,078,089	
2029	1,893,472,183	48,544,671	20,078,089	
2030	1,943,444,837	42,722,170	20,078,089	
2031	2,035,676,578	36,210,175	20,078,089	
2032	2,133,665,722	32,511,886	20,078,089	
2033	2,231,042,508	28,936,230	20,078,089	
2034	2,283,546,206	28,527,476	20,078,089	
2035	2,336,133,598	26,533,927	5,911,848	
2036	2,367,786,580	26,084,875	5,911,848	
2037	2,398,993,107	25,161,150	5,911,848	
2038	2,427,862,355	25,122,122	5,911,848	
2039	2,456,699,799	15,941,108	5,911,848	
2040	2,479,416,009	8,754,488	5,911,848	
2041	2,494,450,341	6,268,150	5,911,848	
2042	2,507,004,602	202,998	5,911,848	
2043	2,513,509,445	81	5,911,848	
2044	2,519,426,456		5,911,848	
2045	2,525,338,304			
2046				
2047				
		\$2,315,298,670	\$460,832,116	\$158,543,950

**TEXAS WATER DEVELOPMENT BOARD
 CLEAN WATER STATE REVOLVING FUND
 PROJECTED ANNUAL CASH FLOW COVERAGE
 AS OF AUGUST 31, 2011**

Senior Lien Debt Service Coverage (5)	Total Existing Subordinate Lien Debt Service (4)	Combined Sr. & Sub. Debt Service Coverage (5)	Total Existing Match Bond Debt Service (4)	Total Debt Service Coverage (5)
35.03	\$46,384,364	4.20	\$11,649,805	3.44
50.16	49,617,264	5.67	11,697,841	4.69
66.19	55,687,826	6.74	11,716,755	5.67
13.29	55,781,264	5.59	11,733,385	4.98
19.12	58,271,364	6.91	11,771,860	6.12
24.69	54,138,114	8.76	11,782,253	7.68
135.99	74,976,964	10.54	11,791,918	9.21
412.87	146,026,464	6.64	9,250,925	6.25
37.68	55,890,138	12.46	8,425,516	11.32
	56,211,138	20.65	8,436,948	17.96
	61,994,800	21.12	8,463,953	18.59
	62,638,988	23.02	6,510,827	20.85
	66,524,088	23.59	6,523,189	21.49
	70,670,900	23.82	5,585,158	22.08
	68,238,438	25.94	5,619,284	23.96
	78,379,650	23.54	4,566,425	22.24
	60,949,438	31.21	2,815,900	29.83
	64,343,938	30.49	2,820,312	29.21
	18,116,250	110.74	2,506,531	97.28
	7,201,250	290.50	281,144	279.58
	3,151,750	693.66		693.66
	3,154,750	722.74		722.74
	3,157,000	738.72		738.72
	3,148,250	752.35		752.35
	3,153,750	760.93		760.93
	3,147,500	772.06		772.06
	3,144,750	781.91		781.91
\$1,234,100,386			\$153,949,929	

**TEXAS WATER DEVELOPMENT BOARD
 CLEAN WATER STATE REVOLVING FUND
 PROJECTED ANNUAL CASH FLOW COVERAGE
 AS OF AUGUST 31, 2011**

Total Existing Debt Service Requirements (4)	Balance	Loan Receipts 6/1 - 8/31	Net Balance After Debt Service
\$64,352,594	\$157,004,137	\$38,489,016	\$195,493,152
67,633,530	249,311,579	39,101,362	288,412,941
73,723,006	344,497,059	40,892,193	385,389,252
108,008,074	430,237,894	44,957,164	475,195,058
103,051,074	527,932,510	51,876,835	579,809,346
95,704,017	639,688,190	61,975,596	701,663,786
93,068,632	763,659,941	66,661,141	830,321,081
157,663,139	827,340,508	62,976,735	890,317,242
91,933,904	948,588,173	62,842,267	1,011,430,439
64,648,086	1,096,279,236	67,534,773	1,163,814,009
70,458,753	1,239,024,965	67,342,208	1,306,367,173
69,149,815	1,372,608,460	65,590,654	1,438,199,113
73,047,276	1,496,424,720	65,195,222	1,561,619,943
76,256,058	1,607,221,136	60,833,156	1,668,054,292
73,857,721	1,696,054,109	60,683,376	1,756,737,485
82,946,075	1,761,918,768	62,022,567	1,823,941,335
63,765,338	1,838,299,357	55,172,826	1,893,472,183
67,164,250	1,894,930,694	48,514,142	1,943,444,837
20,622,781	1,985,622,315	50,054,264	2,035,676,578
7,482,394	2,084,482,448	49,183,274	2,133,665,722
3,151,750	2,183,103,947	47,938,561	2,231,042,508
3,154,750	2,276,902,077	6,644,130	2,283,546,206
3,157,000	2,328,994,772	7,138,826	2,336,133,598
3,148,250	2,365,431,123	2,355,457	2,367,786,580
3,153,750	2,396,629,554	2,363,554	2,398,993,107
3,147,500	2,426,918,606	943,750	2,427,862,355
3,144,750	2,455,751,575	948,224	2,456,699,799
	2,478,552,755	863,254	2,479,416,009
	2,494,082,345	367,996	2,494,450,341
	2,506,630,339	374,263	2,507,004,602
	2,513,119,447	389,998	2,513,509,445
	2,519,421,374	5,081	2,519,426,456
	2,525,338,304		2,525,338,304
	2,525,338,304		2,525,338,304
<hr/> <hr/>			
\$1,546,594,265		\$1,192,231,861	
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**TEXAS WATER DEVELOPMENT BOARD
 CLEAN WATER STATE REVOLVING FUND
 PROJECTED SOURCES OF REVENUES
 AS OF AUGUST 31, 2011**

Income to be Used Within the Same Fiscal Year

Fiscal Year	Loan Receipts 9/1 - 5/31 (6)	Projected Loan Receipts (7)
2012 (1)	\$117,708,680	
2013	121,451,957	
2014	129,733,405	\$73,719
2015	132,778,626	20,078,089
2016	135,710,437	20,078,089
2017	135,504,772	20,078,089
2018	134,986,698	20,078,089
2019	134,604,476	20,078,089
2020	130,126,745	20,078,089
2021	129,418,794	20,078,089
2022	125,591,620	20,078,089
2023	115,313,012	20,078,089
2024	111,194,794	20,078,089
2025	101,779,162	20,078,089
2026	81,779,449	20,078,089
2027	68,049,269	20,078,089
2028	58,045,271	20,078,089
2029	48,544,671	20,078,089
2030	42,722,170	20,078,089
2031	36,210,175	20,078,089
2032	32,511,886	20,078,089
2033	28,936,230	20,078,089
2034	28,527,476	20,078,089
2035	26,533,927	5,911,848
2036	26,084,875	5,911,848
2037	25,161,150	5,911,848
2038	25,122,122	5,911,848
2039	15,941,108	5,911,848
2040	8,754,488	5,911,848
2041	6,268,150	5,911,848
2042	202,998	5,911,848
2043	81	5,911,848
2044		5,911,848
2045		
2046		
2047		
	\$2,315,298,670	\$460,753,988

**TEXAS WATER DEVELOPMENT BOARD
 CLEAN WATER STATE REVOLVING FUND
 PROJECTED SOURCES OF REVENUES
 AS OF AUGUST 31, 2011**

Income to be Used Within the Same Fiscal Year

Projected Investment Income (8)	Total Projected Income to Pay Debt Service	Loan Receipts From 6/1 - 8/31 (6)
\$78,128	\$117,786,808	\$38,489,016
	121,451,957	39,101,362
	129,807,124	40,892,193
	152,856,716	44,957,164
	155,788,526	51,876,835
	155,582,861	61,975,596
	155,064,787	66,661,141
	154,682,565	62,976,735
	150,204,834	62,842,267
	149,496,883	67,534,773
	145,669,709	67,342,208
	135,391,101	65,590,654
	131,272,883	65,195,222
	121,857,251	60,833,156
	101,857,538	60,683,376
	88,127,358	62,022,567
	78,123,360	55,172,826
	68,622,761	48,514,142
	62,800,259	50,054,264
	56,288,264	49,183,274
	52,589,975	47,938,561
	49,014,319	6,644,130
	48,605,566	7,138,826
	32,445,775	2,355,457
	31,996,723	2,363,554
	31,072,998	943,750
	31,033,970	948,224
	21,852,956	863,254
	14,666,336	367,996
	12,179,998	374,263
	6,114,846	389,998
	5,911,929	5,081
	5,911,848	
\$78,128	\$2,776,130,785	\$1,192,231,861

**TEXAS WATER DEVELOPMENT BOARD
 CLEAN WATER STATE REVOLVING FUND
 DEBT SERVICE ON OUTSTANDING BONDS
 AS OF AUGUST 31, 2011**

Fiscal Year	Senior Lien Fixed Rate Bonds		
	Principal	Interest	Total
2012 (1)		\$6,318,425	\$6,318,425
2013		6,318,425	6,318,425
2014		6,318,425	6,318,425
2015	\$34,175,000	6,318,425	40,493,425
2016	28,520,000	4,487,850	33,007,850
2017	26,780,000	3,003,650	29,783,650
2018	4,680,000	1,619,750	6,299,750
2019	1,000,000	1,385,750	2,385,750
2020	26,280,000	1,338,250	27,618,250
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
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2044			
2045			
2046			
2047			
	\$121,435,000	\$37,108,950	\$158,543,950

**TEXAS WATER DEVELOPMENT BOARD
 CLEAN WATER STATE REVOLVING FUND
 DEBT SERVICE ON OUTSTANDING BONDS
 AS OF AUGUST 31, 2011**

Variable Rate Bonds (9)		
Principal	Interest	Total
	\$77,026	\$77,026
	77,026	77,026
	77,026	77,026
	77,026	77,026
	77,026	77,026
	77,026	77,026
	77,026	77,026
\$96,283,000	77,026	96,360,026

\$96,283,000	\$616,211	\$96,899,211
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**TEXAS WATER DEVELOPMENT BOARD
 CLEAN WATER STATE REVOLVING FUND
 DEBT SERVICE ON OUTSTANDING BONDS
 AS OF AUGUST 31, 2011**

Subordinate Lien Fixed Rate Bonds			
Principal	Interest	Total	Grand Total
\$11,275,000	\$35,032,338	\$46,307,338	\$46,384,364
14,935,000	34,605,238	49,540,238	49,617,264
21,675,000	33,935,800	55,610,800	55,687,826
22,800,000	32,904,238	55,704,238	55,781,264
26,405,000	31,789,338	58,194,338	58,271,364
23,585,000	30,476,088	54,061,088	54,138,114
45,570,000	29,329,938	74,899,938	74,976,964
22,510,000	27,156,438	49,666,438	146,026,464
29,755,000	26,135,138	55,890,138	55,890,138
31,560,000	24,651,138	56,211,138	56,211,138
38,935,000	23,059,800	61,994,800	61,994,800
41,565,000	21,073,988	62,638,988	62,638,988
47,570,000	18,954,088	66,524,088	66,524,088
54,125,000	16,545,900	70,670,900	70,670,900
54,430,000	13,808,438	68,238,438	68,238,438
67,325,000	11,054,650	78,379,650	78,379,650
53,310,000	7,639,438	60,949,438	60,949,438
59,370,000	4,973,938	64,343,938	64,343,938
16,100,000	2,016,250	18,116,250	18,116,250
5,990,000	1,211,250	7,201,250	7,201,250
2,240,000	911,750	3,151,750	3,151,750
2,355,000	799,750	3,154,750	3,154,750
2,475,000	682,000	3,157,000	3,157,000
2,590,000	558,250	3,148,250	3,148,250
2,725,000	428,750	3,153,750	3,153,750
2,855,000	292,500	3,147,500	3,147,500
2,995,000	149,750	3,144,750	3,144,750
\$707,025,000	\$430,176,175	\$1,137,201,175	\$1,234,100,386

**TEXAS WATER DEVELOPMENT BOARD
 CLEAN WATER STATE REVOLVING FUND
 DEBT SERVICE ON OUTSTANDING BONDS
 AS OF AUGUST 31, 2011**

State Match Fixed Rate Bonds (10)			Total Debt Service
Principal	Interest	Total	
\$6,395,590	\$5,254,214	\$11,649,805	\$64,352,594
6,724,412	4,973,429	11,697,841	67,633,530
7,048,853	4,667,902	11,716,755	73,723,006
7,392,672	4,340,714	11,733,385	108,008,074
7,781,818	3,990,042	11,771,860	103,051,074
8,168,764	3,613,489	11,782,253	95,704,017
8,578,419	3,213,500	11,791,918	93,068,632
6,462,126	2,788,799	9,250,925	157,663,139
5,950,882	2,474,634	8,425,516	91,933,904
6,253,165	2,183,783	8,436,948	64,648,086
6,590,893	1,873,060	8,463,953	70,458,753
4,968,834	1,541,993	6,510,827	69,149,815
5,225,702	1,297,487	6,523,189	73,047,276
4,547,962	1,037,196	5,585,158	76,256,058
4,806,288	812,995	5,619,284	73,857,721
3,993,508	572,917	4,566,425	82,946,075
2,436,810	379,090	2,815,900	63,765,338
2,561,089	259,223	2,820,312	67,164,250
2,374,602	131,928	2,506,531	20,622,781
267,539	13,605	281,144	7,482,394
			3,151,750
			3,154,750
			3,157,000
			3,148,250
			3,153,750
			3,147,500
			3,144,750
\$108,529,928	\$45,420,001	\$153,949,929	\$1,546,594,265

FOOTNOTES:

- (1) The Texas Water Development Board's fiscal year runs from 9/1 to 8/31.
- (2) Represents loan receipts received from September 1st through May 31st to be used for debt service.
- (3) Represents the total income available from loan receipt and investment projections based on current fund balances.
- (4) Represents current debt service requirements.
- (5) Total revenue to debt ratio. Total revenue includes beginning fund balances, actual loan receipts received from September 1st thru May 31st, and projected loan receipt and investment projections.
- (6) Represents scheduled repayments of \$2,570,002,000 in outstanding principal amount of Political Subdivision Bonds as of August 31, 2011.
- (7) Represents projected repayments from (a) \$3,423,284 in Board commitments which include \$313,845,000 in Tier II loans, \$62,030,000 in Tier III loans, and \$1,210,000 in Tier II Disadvantaged loans; and (b) \$113,714,508 in projected loans to be made with excess available program funds.
- (8) Assumes investment income on fund balances at 0.03% for 8 months.
- (9) Assumes an interest rate of 0.08% for variable rate bonds.
- (10) State Match Bonds are paid only from interest repayments.

Appendix B CWSRF SFY 2011 Projects

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CWSRF Grant and IUP Project Cycles for the SFY 2011

SFY 2010 IUP Projects* invited & committed, October 21, 2009 - August 31, 2010 →-----

FY 2010 Appropriation's Law (P.L. 11-88), October 30, 2009

SFY 2011 IUP Projects solicited, October 23, 2009 - January 22, 2010

Draft SFY 2011 IUP published, July 15, 2010

Applied for FFY 2010 capitalization grant, July 15, 2010

Final SFY 2011 IUP, September 15, 2010

SFY 2011 IUP Projects invited & committed, September 15, 2010 – October 20, 2011

FY 2010 cap grant awarded for SFY 2011 IUP, September 27, 2010

SFY 2012 IUP Projects solicited, December 1, 2010 – March 1, 2011

Applied for FY 2011 capitalization grant, March 24, 2011

FY 2011 Appropriation Law (P.L.112-10), April 15, 2011

Draft SFY 2012 IUP, June 22, 2011

SFY 2012 IUP final, August 18, 2011

| SFY 2012 IUP Projects →---



< State Fiscal Year 2010

>< State Fiscal Year 2011

>< SFY 2012

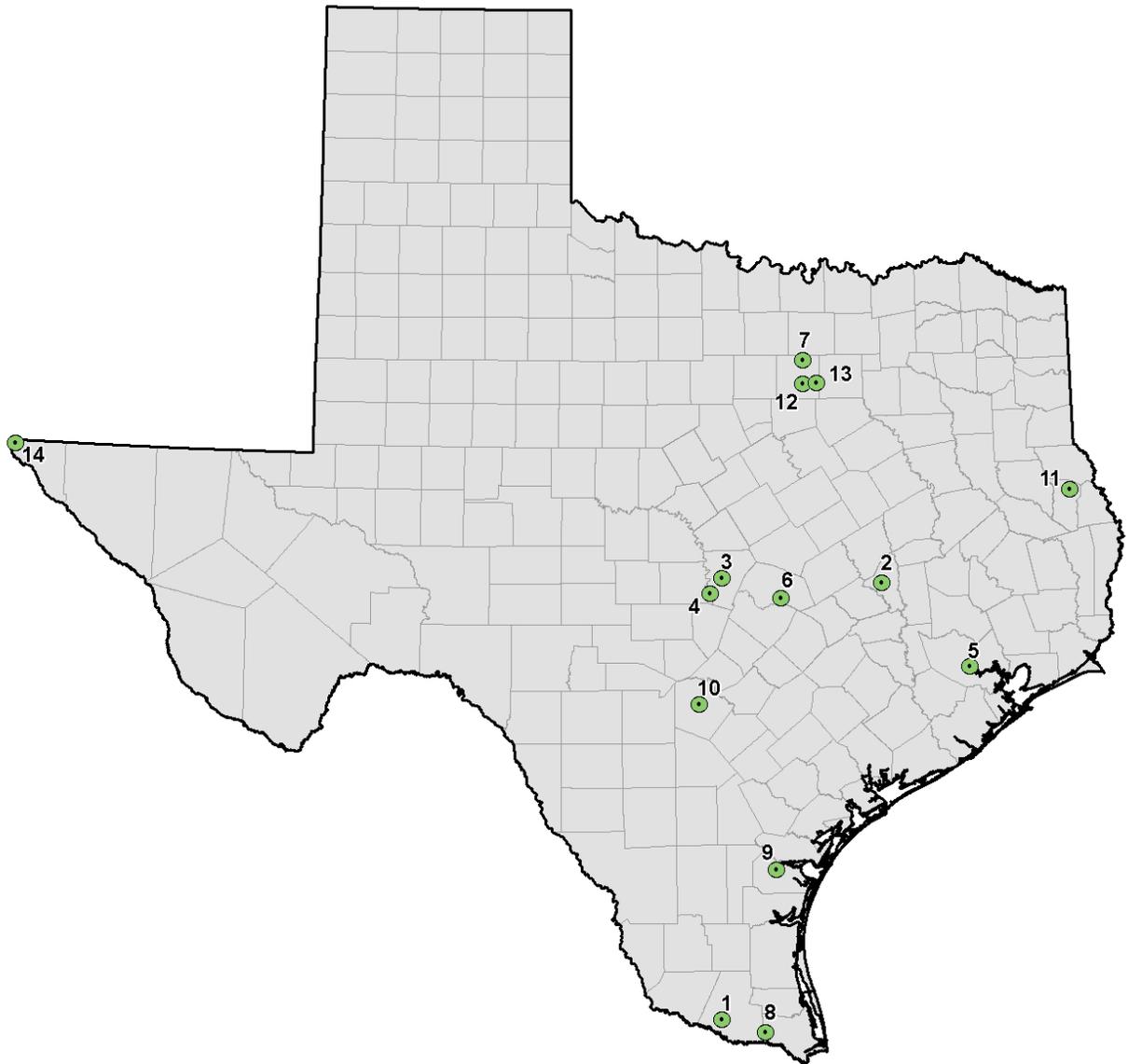
*Due to Congressional appropriations in 2009, TWDB was required to rescind the SRF rules and republish new rules, draft and implement policies in order to accommodate new grant conditions based on the annual appropriation's law. Based on the changes to the law, SFY 2010 projects could not be funded from the FFY 2010 capitalization grant and as a result loans were made from program repayments. Once new rules and corresponding policies were in place to accommodate additional subsidy and green projects, the FFY 2010 capitalization grant was used to projects on the SFY 2011 IUP.

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Legend and Map of the CWSRF SFY 2011 Commitments*

CWSRF MAP LEGEND for Loans Committed in SFY 2011			
Label	Applicant	Project Title	County
1	Alton	Collection System Expansion	Hidalgo
2	Bryan	SH 21 East Service Extension	Brazos
3	Burnet	Wastewater Rehabilitation Phase II	Burnet
4	Granite Shoals	New Wastewater System	Burnet
5	Harris Co MUD # 33	Lincoln Green East Rehabilitation	Harris
6	Hutto	Brushy Creek Interceptor Phase II	Williamson
7	Keller	Sanitary Sewer Lines	Tarrant
8	La Feria	Collection System Extensions	Cameron
9	Robstown	Collection System Rehabilitation	Nueces
10	San Antonio Water System	Dos Rios WRC & Leon Creek Interconnect	Bexar
11	San Augustine	Collection System Upgrade	San Augustine
12	Trinity River Authority	Central Regional System Upgrades	Dallas, Tarrant
13	Trinity River Authority	Denton Creek Relief Interceptors	Denton, Tarrant
14	Vinton	New Collection System	El Paso

CWSRF Projects Committed in SFY 2011



CWSRF SFY 2011 BASE PROGRAM NARRATIVE DESCRIPTIONS

City of Alton <i>Collection System Expansion</i>			
County	Hidalgo	Project #	73600
Commitment Amount	\$9,595,000 Tier III	Commitment Date	03/17/2011
Status	Closed 06/23/11	Map Location	# 1

Description: This project will expand the City's wastewater collection system to provide first time service to one subdivision on the north side (Tierra Estates) and ten subdivisions on the west side. The project will upgrade the lift station at Inspiration Blvd and Mile 5 Road, demolish the Aloha Village Lift Station, and construct 50,300 feet of 8 to 24-inch gravity sewer line. The proposed service area includes 680 prospective customers. Residents currently use substandard cesspools, pit privies, and septic tanks. The City's collected wastewater is treated under contract by the City of McAllen. Funds from the Texas Department of Rural Affairs and or the U.S. Department of Agriculture-Rural Development will be used for lateral connections and decommissioning of septic tanks.

City of Bryan <i>State Hwy 21 East Service Extension</i>			
County	Brazos	Project #	73605
Commitment Amount	\$1,445,000 Tier III	Commitment Date	05/04/2011
Status	Commitment Not Closed	Map Location	# 2

Description: This project will extend the City's collection system on both sides of SH 21 from Clark Street east to Coulter Airport. The new lines will serve existing buildings at Coulter Airport and provide service to other businesses and residences along State Highway 21.

City of Burnet <i>Wastewater Rehabilitation Phase II</i>			
County	Burnet	Project #	73607
Commitment Amount	\$1,905,000 Tier III	Commitment Date	07/21/2011
Status	Commitment Not Closed	Map Location	# 3

Description: The project is Phase II of the City's wastewater system rehabilitation program (Phase I will replace the WWTP and some interceptor sewer, TWDB project 72325 in 2010). Major sewer rehabilitation in three locations: 2,700 feet along Hamilton Creek from north of SH 29 to the west end of Tommy White Park; 3,700 feet east from US 281 N to the intersection of Rhombert & Graves (FM 963); and 3,700 feet east from US 281 S on Elm Street to the railroad tracks. These lines will eliminate sources of infiltration and inflow, and through pipe bursting or open trench construction methods,

expand system capacity. Also install 3,400 feet of 8-inch force main to reclaim and reuse treated wastewater at selected sites.

City of Granite Shoals <i>New Wastewater Treatment System</i>			
County	Burnet	Project #	72325
2 Commitment Amounts	\$2,745,000 Tier II \$12,000,007 Tier II	Commitment Date	09/23/2010
Status	Commitments Not Closed	Map Location	# 4

Description: This project will construct a new wastewater collection system and treatment plant for first time service to many residents. The City is located over a shallow, granite/gravel aquifer and shallow granite bedrock. Discharge from septic tank leach fields infiltrate rapidly through the aquifer and fractures in the bedrock, and threaten groundwater and nearby Lake LBJ. The City has purchased 131 acres southwest of the intersection of Phillips Ranch Road and FM 1431 for a treatment plant site. The plant is expected to utilize sequencing batch reactors and land disposal. The collection system will be low pressure, with grinder pumps at each connection. Funding will include \$1.5M from bonds offered on the open market and a \$250,000 CDBG grant.

Harris County Municipal Utility District #33 <i>Lincoln Green East Rehabilitation</i>			
County	Harris	Project #	73621
Commitment Amount	\$2,195,000 Tier III	Commitment Date	08/18/2011
Status	Commitment Not Closed	Map Location	# 5

Description: This project will rehabilitate 34,400 feet of 8 to 12-inch collection line in the Lincoln Green East Section One subdivision using cured-in-place and pipe bursting methods of construction. The system was constructed in 1977 with concrete and truss pipe. A television inspection in 2009 revealed many cracks and offset joints, sources of infiltration and inflow. Future rehabilitation projects (after cleaning and televising), will include the McKamy Meadows and Briar creek subdivisions.

City of Hutto <i>Brushy Creek Interceptor Phase II</i>			
County	Williamson	Project #	72792
Commitment Amount	\$5,175,000 Tier II	Commitment Date	09/23/2010
Status	Closed 07/27/11	Map Location	# 6

Description: This project is Phase II of the Brushy Creek Interceptor to provide service to the western portion of the City and the State Highway 130 corridor. The upstream end will be near Limmer Road east of SH 130. The interceptor will parallel Carmel Creek to its confluence with Brushy Creek and continue east along Brushy Creek to the Enclave Lift Station. The project will include approximately 14,920 feet of 24 to 42-inch

diameter pipe. Flow will be treated at the City of Hutto WWTP owned by the Lower Colorado River Authority. The interceptor will eventually connect to a downstream segment (Phase I) that will convey flow to the proposed Lower Brushy Creek regional treatment plant.

City of Keller <i>Sanity Sewer Lines</i>			
County	Tarrant	Project #	73608
Commitment Amount	\$5,835,000 Tier III	Commitment Date	07/21/2011
Status	Commitment Not Closed	Map Location	# 7

Description: This project will construct sanitary sewer lines in three locations (phases) to allow decommissioning of septic tanks. Phase 1 - Katy Road - includes 9,400 feet of 8-inch gravity line, 2,500 feet of 3-inch force main and a lift station. Phase 2 - Big Bear Creek East - collection facilities to serve the Country Place Estates, Treehouse Lane and Blackwood/Florence areas and transport flow to the Big Bear Creek Interceptor and the Trinity River Authority's Central Regional WWTP in Grand Prairie. Phase 3 - Marshall Branch East - collection facilities to serve the Belaire Hills Estates and Summer Ridge areas and transport flow to the proposed East-West Marshall Branch Interceptor, then to TRA's Denton Creek Regional WWTP in Roanoke. In all, Keller will construct 9,400 feet of 8-inch line, a lift station and 2,500 feet of force main to enable decommissioning of septic systems. Keller was submitted as a nonpoint source project.

City of La Feria <i>Collection System Extensions</i>			
County	Cameron	Project #	73602
Commitment Amount	\$8,381,340 Tier III	Commitment Date	05/04/2011
Status	Commitment Not Closed	Map Location	# 8

Description: This project will extend first time sanitary sewer service to several existing disadvantaged areas within the CCN service area. The proposed service also includes the purchase and installation of a SCADA system at the existing wastewater treatment plant. La Feria was submitted as a nonpoint source project.

City of Robstown <i>Collection System Rehabilitation</i>			
County		Project #	73603
Commitment Amount	\$2,635,000 Tier III	Commitment Date	05/04/2011
Status	Commitment Not Closed	Map Location	# 9

Description: This project provides for the rehabilitation of the sewer collection system

including gravity lines, lift stations and force mains. The existing system is old and contributes to I&I problems. The identified projects repair the areas most in need.

San Antonio Water System <i>Dos Rios WRC & Leon Creek Interconnect</i>			
County	Bexar	Project #	73613
Commitment Amount	\$19,630,000 Tier III	Commitment Date	08/18/2011
Status	Commitment Not Closed	Map Location	# 10

Description: This project is the second of three phases to improve the Dos Rios WRC sludge digester complex. Phase 2 involves digesters 1, 2 and 3, and sludge holding tank 1, and includes cleaning and repairs to the dome liners, dome hatches, manways, and pressure and relief assemblies. Digester mixing systems will be replaced, gas metering improved, and pumping and exchange systems rehabilitated or replaced. Design will also incorporate electrical, instrumentation and control improvements. The project will also construct the Leon Creek Interconnect; 12,000 feet of 60-inch interceptor to transfer peak flow from the Leon Creek WRC to the Dos Rios WRC via the Medina River Outfall. Segment 2 of the outfall will be completed in 2012 and will include a stub out for the interconnecting pipe. The interconnect and outfall will enable the City to utilize capacity at Dos Rios to avoid expanding the Leon Creek WRC to serve population growth on the west side.

City of San Augustine <i>Collection System Upgrade</i>			
County	San Augustine	Project #	73085
Commitment Amount	\$1,050,000 Tier II	Commitment Date	09/23/2010
Status	Closed 01/11/11	Map Location	# 11

Description: The project will rehabilitate or replace components in eight aging lift stations and replace approximately 13,000 feet of line in the City's wastewater collection system to reduce infiltration and inflow. The City is under TCEQ enforcement for flow related violations.

Trinity River Authority <i>Central Regional System Upgrades</i>			
County	Dallas	Project #	73447
Commitment Amount	\$104,615,000 Tier II	Commitment Date	09/23/2010
Status	Commitment Not Closed	Map Location	# 12

Description: The Trinity River Authority (TRA) requests construction funding for the rehabilitation of existing buildings and treatment components at the existing 162 MGD Central Regional WWTP and the rehabilitation of approximately 33,440 linear feet of 72 inch and 96 inch pipe. In addition to funding the construction administration of the

above referenced projects, TRA also proposes to fund engineering costs pertaining to the planning and design of four additional interceptor projects. Construction costs for these projects will be funded either under future CWSRF commitments, or with other funds obtained by TRA.

Trinity River Authority Denton Creek Relief Interceptors			
County	Denton	Project #	73573
Commitment Amount	\$28,035,000 Tier II	Commitment Date	09/23/2010
Status	Commitment Not Closed	Map Location	# 13

Description: The Trinity River Authority requests funding for the engineering and construction of approximately 11,900 linear feet of 48-inch and 54-inch parallel relief interceptor, including the improvement of an associated siphon section in the same interceptor. The loan commitment also provides funding for engineering costs pertaining to the planning and design of three additional parallel relief line interceptor projects. Construction costs for these three projects will be funded either under future CWSRF commitments, or with other funds obtained by TRA.

Village of Vinton Collection System Improvements			
County		Project #	73523
Commitment Amount	\$1,210,000 Tier II Disadvantaged (0%)	Commitment Date	12/16/2010
Status	Not Closed	Map Location	# 14

Description: Provide a centralized wastewater collection system for first-time service to Village residents, with a lift station and force main for treatment by the City of El Paso. The system would be owned by Vinton and operated by El Paso Water Utilities. The Village has a \$1,210,000 CWSRF commitment to design the system, and have applied for \$400,000 from the EDAP for easements and land acquisition.

SFY 2011 CWSRF Tier III Crosscutter Projects				
Alton	G110016	A	73600	\$9,595,000
Bryan	L110042	C	73605	\$1,445,000
Burnett	L110058	C	73607	\$1,905,000
Harris Co MUD #33	L110056	C	73621	\$2,195,000
Keller	L110057	C	73608	\$5,835,000
La Feria	G110014	C	73602	\$8,381,340
Robstown	L110033	C	73603	\$2,635,000
San Antonio Water System	L110061	C	73613	\$19,630,000
			Total	\$51,621,340
City of Alton	73600	17-Mar-11		\$9,565,000
City of La Feria	73602	04-May-11		\$8,381,340
City of San Augustine	73085	23-Sep-10		\$1,050,000
Village of Vinton	73523	16-Dec-10		\$1,210,000
				\$20,236,340

Table of SFY 2011 Commitments Made by IUP year

CWSRF Commitments made in SFY 2011					
Entity Name	Amount	Date	IUP 2010	IUP 2011	Tier
Alton	\$ 9,595,000	17-Mar-11		\$ 9,595,000	III
Bryan	\$ 1,445,000	04-May-11		\$ 1,445,000	III
Burnett	\$ 1,905,000	21-Jul-11		\$ 1,905,000	III
Granite Shoals	\$ 2,745,000	23-Sep-10	\$ 2,745,000		II
Granite Shoals	\$ 12,000,000	23-Sep-10	\$ 12,000,000		II
Harris Co MUD #33	\$ 2,195,000	18-Aug-11		\$ 2,195,000	III
Hutto	\$ 5,175,000	23-Sep-10	\$ 5,175,000		II
Keller	\$ 5,835,000	21-Jul-11		\$ 5,835,000	III
La Feria	\$ 8,381,340	04-May-11		\$ 8,381,340	III
Robstown	\$ 2,635,000	04-May-11		\$ 2,635,000	III
San Antonio Water Sys	\$ 19,630,000	18-Aug-11		\$ 19,630,000	III
San Augustine	\$ 1,050,000	23-Sep-10	\$ 1,050,000		II
Trinity River Authority	\$ 104,615,000	23-Sep-10	\$ 104,615,000		II
Trinity River Authority	\$ 28,035,000	23-Sep-10	\$ 28,035,000		II
Vinton (Village of)	\$ 1,210,000	16-Dec-10	\$ 1,210,000		II
Totals	\$ 206,451,340		\$ 154,830,000	\$ 51,621,340	

Legend and Map of the CWSRF SFY 2011 Closed Loans

CWSRF MAP LEGEND for Loans Closed in SFY 2011			
Label	Applicant	Project Title	County
1	Aledo	WWTP Expansion	Parker
2	Alton	Collection System Expansion	Hidalgo
3	Arlington	Collection System Rehabilitation	Tarrant
4	Azle	Ash Creek WWTP Expansion	Parker, Tarrant
5	Bryan	Thompsons Creek WWTP	Brazos
6	Burnet	WWTP Replacement	Burnet
7	Cleveland	Collection System Rehabilitation	Liberty
8	Fort Worth	Sanitary Sewer Mains	Dallas, Tarrant
9	Houston	Collection & WWTP Rehabilitation	Harris
10	Houston	Task Driven Sewer Rehabilitation	Harris
11	Hutto	Brushy Creek Interceptor Phase II	Williamson
12	Orange Co WCID # 1	Wastewater System Consolidation	Orange
13	San Antonio Water System	Medio Creek WRC Expansion	Bexar
14	San Antonio Water System	Dos Rios WRC & Relief Interceptors	Bexar
15	San Augustine	Collection System Upgrade	San Augustine
16	Trinity River Authority	Whites Branch Outfall	Denton
17	Trinity River Authority	Central Regional WWTP Improvements	Dallas, Tarrant

CWSRF Projects Closed in SFY 2011

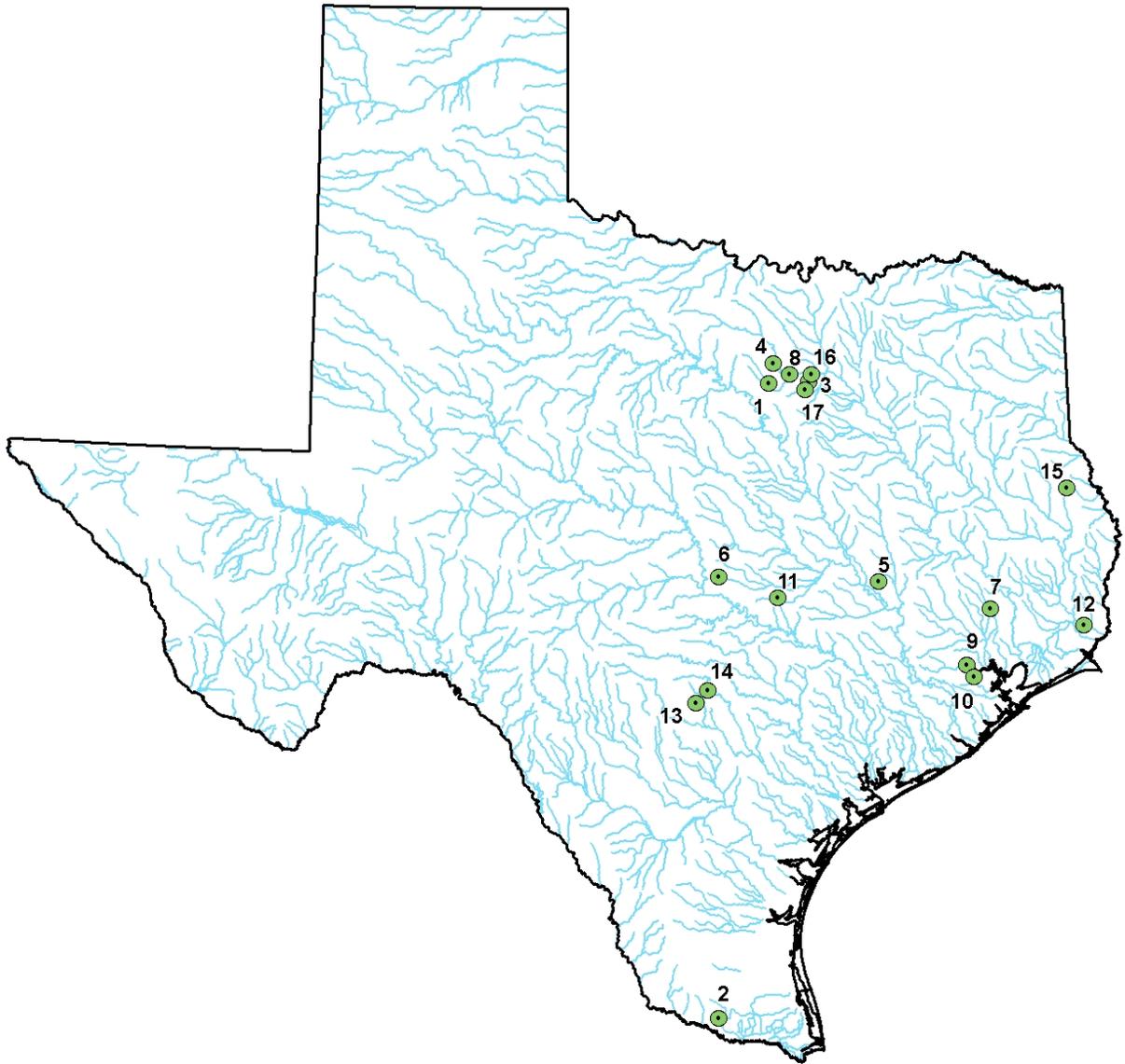


Table of SFY 2011 Closed Loans by IUP year

Entity Name	Amount	IUP Yr	1st principal date	Last principal date	Interest rate
Aledo	\$ 3,345,000	2009	8/15/13	8/15/42	4.15%
Alton	\$ 9,595,000	2011	100% loan forgiveness	100% loan forgiveness	100% loan forgiveness
Arlington	\$ 13,885,000	2009	6/1/11	6/1/30	3.15%
Azle	\$ 13,595,000	2010	2/1/13	2/1/30	2.85%
Bryan	\$ 15,685,000	2010	7/1/12	7/1/30	1.70%
Burnet	\$ 11,425,000	2008	2/1/12	2/1/40	0%
Cleveland	\$ 2,360,000	2007	3/1/12	3/1/31	3.15%
Fort Worth	\$ 28,000,000	2008	2/15/11	2/15/30	4.15%
Houston	\$ 22,795,000	2008	11/15/11	11/15/40	2.40%
Houston	\$ 58,245,000	2008	11/15/11	11/15/40	4.15%
Hutto	\$ 2,520,000	2010	8/1/13	8/1/36	3.30%
Orange Co WCID #1	\$ 13,610,000	2007	8/15/12	8/15/31	2.58%
San Antonio Water System	\$ 17,930,000	2005	5/15/11	5/15/40	3.10%
San Antonio Water System	\$ 18,095,000	2008	5/15/12	5/15/41	2.13%
San Augustine	\$ 1,050,000	2010	2/15/12	2/15/40	0%
Trinity River Authority	\$ 19,465,000	2008	8/1/14	8/1/43	3.25%
Trinity River Authority	\$ 127,005,000	2009	2/1/13	2/1/38	4.15%
n=17	\$ 378,605,000				

SFY 2011 CWSRF Project Construction Starts					
Entity	Loan #	Project #	Close Date	Start Construction	Net amount
Aledo	L090038	72212	5/24/2011	5/9/2011	\$3,345,000
Azle	L100069	72467	9/23/2010	3/8/2011	\$13,595,000
Bell Co WCID #2	L080020	72273	7/10/2008	10/19/2010	\$1,055,000
Bryan	L100094	72528	6/28/2011	7/18/2011	\$15,685,000
Cleveland	L070084	72110	5/9/2011	7/10/2011	\$2,360,000
Eastland	L080050	72270	8/21/2008	11/8/2010	\$975,000
Greater Texoma UA	L090107	72302	12/18/2009	9/14/2010	\$1,400,000
Harris Co WCID #89	L070107	72144	6/10/2009	9/7/2010	\$7,565,000
Hidalgo Co MUD #1	L080052	72241	12/16/2008	7/25/2011	\$3,520,000
Houston	L090006	72229	6/2/2011	12/9/2010	\$58,245,000
Kermit	L080004	72103	3/11/2008	7/18/2011	\$4,595,000
Oak Ridge North	L090040	72200	7/14/2009	10/8/2010	\$4,600,000
Rio Grande City	L070022	72014	4/23/2008	9/26/2010	\$2,885,000
Seminole	L090052	72310	6/16/2009	2/17/2011	\$2,960,000
Taft	L090063	72361	6/16/2010	4/3/2011	\$5,780,000
Trinidad	L070045	72122	12/14/2007	10/6/2010	\$400,000
Trinity River Auth	L100032	72322	1/21/2010	1/3/2011	\$23,410,000
Totals	17				\$152,375,000

SFY 2011 CWSRF Construction Complete / Initiation of Operations						
Entity	Loan #	Project #	Start Construction	End Date	Original Amount	Net Amount
Alice	L100001	72477	1/5/2010	3/8/2011	\$6,940,000	\$4,257,000
Alice	L100041	72538	2/17/2010	3/22/2011	\$8,780,000	\$2,054,000
Bell Co WCID	L080020	72273	10/19/2010	4/28/2011	\$1,055,000	\$1,055,000
Bridgeport	126600	71503	1/5/2009	2/23/2011	\$2,365,000	\$2,365,000
Burnet	G100006	72498	2/9/2010	2/10/2011	\$363,000	\$315,651
Dayton	L060032	72027	9/17/2007	8/10/2010	\$8,500,000	\$8,500,000
Eagle Pass	125700	60813	5/12/2003	11/30/2010	\$10,110,000	\$10,110,000
Eagle Pass	128100	60813	5/12/2003	11/30/2010	\$700,000	\$700,000
El Paso	L100021	72610	2/10/2010	12/2/2010	\$6,425,000	\$2,163,000
Groves	137900	72046	4/10/2008	11/16/2010	\$5,000,000	\$5,000,000
Houston	132600	71619	10/18/2004	9/22/2010	\$61,545,000	\$61,545,000
Houston	132500	71732	7/27/2005	1/25/2011	\$69,595,000	\$69,595,000
Houston	L070016	72151	11/15/2007	2/28/2011	\$61,545,000	\$61,545,000
Ingram	L100002	72732	2/27/2010	6/20/2011	\$1,150,000	\$837,000
Jarrell	L060022	2006	5/31/2008	9/22/2010	\$7,895,000	\$7,895,000
Jarrell	L090010	2008	5/31/2008	9/22/2010	\$1,520,000	\$1,520,000
Munday	G100002	72947	12/21/2009	4/12/2011	\$419,000	\$379,078
New Caney MUD	122200	71426	10/6/2008	3/29/2011	\$380,000	\$380,000
New Caney MUD	130400	71426	10/6/2008	3/29/2011	\$3,095,000	\$3,095,000
Trinity River Authority	135300	71725	11/16/2005	10/26/2010	\$106,475,000	\$106,475,000
Totals	20				\$363,857,000	\$349,785,729

Method of Cash Draw for SFY 2011

The Texas Water Development Board (TWDB) has designated projects in each Intended Use Plan which are required to comply with federal requirements, including the Federal Crosscutters, Disadvantaged Business Enterprise procurement, and single audit requirements. These projects at least equal, and in most cases exceed, the amount of the federal grant award plus the required match. For SFY 2011, all projects were invited as Tier III projects and followed all federal cross-cutters. TWDB has also designated a group of projects from which to draw federal funds. The sum of these projects must equal or exceed, the amount of the federal grant award plus the entire twenty percent match (less the administrative four percent) which is \$108,026,160. We have added an approximate ten percent contingency for a goal of \$118.8 million. The actual projects listed below received loan commitments of \$120,416,340. The majority of projects listed has received a loan commitment but only two are closed. Should any of the committed projects withdraw or reduce their commitment, or lengthen their schedule, then TWDB will add or substitute other projects that are ready to proceed. The following is the "Group of Projects" that will be used to draw down the FFY 2010 capitalization grant unless EPA determines all CWSRF project invoices are eligible for draw:

- City of Alton, \$9,595,000
- City of La Feria, \$8,381,340
- City of Robstown, \$2,635,000
- City of Houston, \$49,900,000
- City of Keller, \$5,835,000
- San Antonio Water System, \$19,630,000
- Cibolo Creek Municipal Authority, \$24,440,000

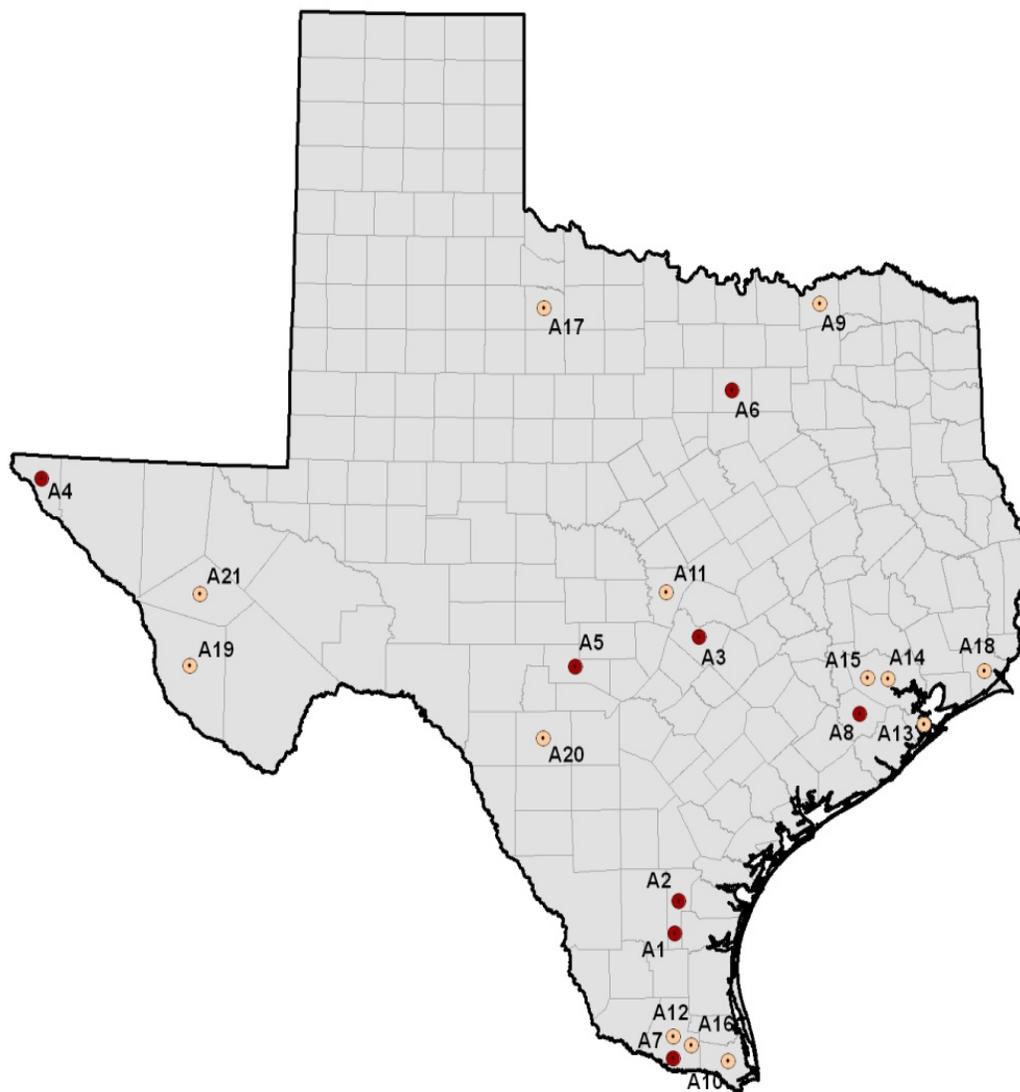
American Recovery and Reinvestment Act Project Status

The American Recovery and Reinvestment Act (ARRA) program was required to have all construction work under contract no later than February 15, 2010. As of the end of September 2011, less than 19 months later, over 73% of the 109 ARRA construction contracts had reached 95% completion or greater. Forty-seven contracts, valued at \$51.2 million, were complete and an additional 33 contracts valued at \$80.0 million were between 95% and 99% complete. Only nine construction contracts were less than 74% complete. (These statistics are for both the DWSRF and CWSRF program.)

As TWDB moves into the latter stages of the ARRA program implementation, attention is drawn to proper project closeout, compilation of lessons learned, and appropriate assistance to ensure timely project completion. The projects include waste water treatment plant renovation, expansion, and replacement, collection systems, line replacement, and a bio-solids production expansion project. These ARRA funded projects have brought a wide range of sorely needed clean water infrastructure assistance.

The TWDB website hosts dedicated ARRA webpages reflecting current status of all projects, monthly reports, expenditure amounts, and rolling job creation numbers. Despite numerous reviews by EPA Region 6, EPA Office of Inspector General, EPA Headquarters (with associated contractors), Government Accountability Office, Texas State Auditors Office, Texas Governor's Office, and our own contracted Fraud, Waste, and Abuse reviews by the firm of Grant Thornton, LLC, the TWDB has not experienced any major audit findings or program management issues. The ARRA Team is proud to have been cited during many of these reviews for various 'best practices' including our thorough, professional, and innovative oversight of the ARRA funded projects.

The following sections provide the status of each of the projects that received loans and grants from ARRA, a description of the project, and also the set-aside funds utilized to manage the ARRA initiatives. During SFY 2010, 8 zero interest loans totaling \$62,646,398 and 13 grants totaling \$109,310,086 were funded for CWSRF projects through the ARRA funds. The ARRA CWSRF grant and loan closings were all done in SFY 2010. Disbursements to the ARRA projects during SFY 2011 totaled \$103,443,694. This amount includes \$8,161,713 to an ARRA provisional entity, the City of McAllen. The map shows the location of all ARRA funded projects, with loans in red and grants in orange.



Loan Assistance Descriptions and Updates

The following information itemizes the entities and projects that received loans from the ARRA funding:

Alice <i>Wastewater Treatment Plant Trunk Lines, Sewer Main, Rehab Lines</i>			
County	Jim Wells	Project #	72538
ARRA Funding Amount	\$2,148,000 Loan	Commitment Date	12/17/2009
Status	Complete	Map Location	A1

Status as of 8/31/2011: This project has been completed, including final inspection, and accounting, as of 8/4/2011. The ARRA disbursement to support this project was \$4,257,000.00 with the remaining balance transferred to the CW Provisional Project - McAllen.

Description: The City of Alice (City) is experiencing substantial inflow and infiltration during rainfall events due to numerous lines in advanced stages of deterioration. The City will use the CWSRF ARRA loan to rehabilitate sewer lines to address this issue. The project will consist of the rehabilitation of approximately 13,939 linear feet (l.f.) of existing 6-inch through 15-inch sanitary sewer main and approximately 15,465 l.f. of existing 8-inch through 18-inch sanitary sewer trunk lines throughout the City. In addition, manholes in need of rehabilitation have been identified along the proposed sanitary sewer line routes and will be rehabilitated using cementitious reconstruction technique. New 4-foot diameter fiberglass manholes will be added to reduce manhole spacing.

Alice <i>Wastewater Treatment Plant Trunk Lines, Sewer Main, Rehab Lines</i>			
County	Jim Wells	Project #	72477
ARRA Funding Amount	\$4,495,000 Loan	Commitment Date	9/17/2009
Status	Complete	Map Location	A2

Status as of 8/31/2011: This project has been completed, including final inspection, and accounting, as of 8/4/2011. The final ARRA disbursement to support this project was \$2,054,000.00 with the remaining balance transferred to the CW Provisional Project-McAllen.

Description: The City of Alice (City) is experiencing substantial inflow and infiltration during rainfall events due to numerous lines in advanced stages of deterioration. The City is using the CWSRF ARRA loan to rehabilitate sewer lines to address this issue as described in the following two projects:

Project No. 72477- Rehabilitate approximately 33,800 linear feet of existing 18, 21, and 24-inch lines referred to as the Southside Wastewater Treatment Plant Trunk Sewer.

Project No. 72537 - Rehabilitate approximately 14,400 linear feet of existing 6 to 21-inch sewer main along Texas Boulevard.

Austin <i>Biosolids Production Expansion</i>			
County	Travis	Project #	72454
ARRA Funding Amount	\$31,815,000 Loan	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A3

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 70% complete) with an estimated completion date of 7/28/2013 for Contract 2. Contract 1 was completed on June 30, 2011. The ARRA funds disbursed to date to support this project are \$23,240,000.

Description: The City of Austin (City) received a loan in the amount of \$31,815,000 under the ARRA through the Clean CWSRF to finance: The Hornsby Bend Bio-Solids Management Facility Composting System Sustainability Improvements (Project 1) and The Hornsby Bend Bio-Solids Management Facility's Anaerobic Digester Complex Improvements and Sustainability Project (Project 2). These facilities treat and convert wastewater sludge that is produced by the City's Wastewater Treatment Plants into a reusable resource known as Dillo-Dirt™. Contract 1 consists of the construction of a 16.5 acre concrete compost pad with associated aeration facilities. Contract 2 consists of the refurbishment and upgrade of the Anaerobic Digester Complex and the upgrade of the existing Supervisory Control and Data Acquisition (SCADA) to optimize treatment processes. The EPA has approved an amount of \$28,467,300 for both the projects out of the IUP requested amount of \$31,815,000 as meeting the Green Project Reserve requirements.

El Paso <i>Basin Excavation, RV Channel, Featherlake II</i>			
County	El Paso	Project #	72610
ARRA Funding Amount	\$2,163,000 Loan	Commitment Date	11/19/2009
Status	Completed	Map Location	A4

Status as of 8/31/2011: Construction was completed on June 17, 2011. Final accounting will be completed during September 2011. It is anticipated that 100% of the ARRA funds provided for this project will have been used by this entity.

Description: The City of El Paso (City) is constructing improvements that go beyond requirements of their storm water permit to address the removal of non-point source pollutants gathered in rainfall run off. In particular, improvements at Featherlake II and Basin G involve the deepening of the basins which will create a wetland to remove pollutants. The project also includes improvements to the RV Channel to reduce velocities and erosion and allow the infiltration of run-off into the groundwater. The improvements on Featherlake II basin have been approved as green by EPA.

Ingram <i>Cypress Falls Collection System</i>			
County	Kerr	Project #	72732
ARRA Funding Amount	\$837,000 Loan	Commitment Date	9/17/2009
Status	Under Construction	Map Location	A5

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 100% complete) with an estimated completion date of 10/26/2011. The ARRA funds disbursed to support this project to date are \$764,000.00.

Description: The City of Ingram (City) is in the midst of a major effort to construct a sewage collection system and provide wastewater service to its residents. The residents of the City are currently using individual septic systems. Wastewater will be pumped to the City of Kerrville and treated at its existing wastewater treatment plant. The City's project consists of three phases. Phase I of the project provides the backbone of the City's future to provide wastewater service to the community. Phase I – Unit A will consist of lift stations funded by a grant from the United States Department of Agriculture-Rural Development. Phase I – Unit B will consist of gravity lines funded by the ARRA CWSRF loan. Approximately 8,800 linear feet of pipe and manholes will be constructed.

Lake Worth <i>Line Replacement – 2 Schools</i>			
County		Project #	72871
ARRA Funding Amount	\$290,000 Loan	Commitment Date	9/17/2009
Status	Under Construction	Map Location	A6

Status as of 8/31/2011: This project has experienced issues with their contractor being unable to complete the project due to bankruptcy and difficulties getting the expected assistance from their Surety Bonding Agent. The project is near completion (approximately 90% complete) and the entity has elected to complete the project with city staff. Estimated final completion is estimated at 2/28/2012. The ARRA funds disbursed to support this project to date are \$271,000.

Description: The City of Lake Worth (City) is experiencing sewer system failures and infiltration & inflow problems in their collection system. The City is replacing approximately 1,700 feet of the existing 6-inch clay sanitary sewer line with 6-inch and 12-inch PVC sanitary sewer pipe.

McAllen			
<i>North Wastewater Treatment Plant Expansion/Provisional Project: joint SRF funding</i>			
County	Hidalgo	Project #	72933
ARRA Funding Amount	\$20,835,287 Loan	Commitment Date	12/17/2009
Status	Under Construction	Map Location	A7

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 63% complete) with an estimated completion date of 3/14/2013. This project is the clean water provisional project funded with ARRA funds and base state revolving funds. McAllen has, and will continue to receive additional ARRA funds, replacing 2010 SRF base funds, as completed projects with unused funds closeout. The total project costs are estimated at \$44,325,000, which currently includes \$20,835,287 in ARRA funds. ARRA funds disbursed to support this project to date are \$20,503,287.00.

Description: The City of McAllen's (City) current wastewater treatment plant (WWTP) is in need of substantial renovation and upgrades. As part of their North WWTP Master Plan, the City has determined that the efficiency of the existing plant aeration system is very poor relative to currently available technology. To improve the plant's efficiency, the City has decided to replace the existing 8 million gallons per day (mgd) treatment process with one that proposes to use less energy. Also, to take advantage of the economies of scale, the City is expanding components to add an additional 7 mgd of capacity. The EPA has determined that portions of the project totaling \$9,880,499 are eligible to be included in the ARRA Green Project Reserve. Approved components consist of high efficiency blowers, sludge mixers and associated piping, electrical and support features.

Rosenberg			
<i>Sewer Line-Timber Ln-Sally Anne</i>			
County	Fort Bend	Project #	73061
ARRA Funding Amount	\$414,000 Loan	Commitment Date	9/17/2009
Status	Completed	Map Location	A8

Status as of 8/31/2011: This project has been completed, including final inspection, and accounting, as of 1/20/11. The final ARRA disbursement to support this project was \$410,000.00. Surplus ARRA funds were added to the ARRA funds for the McAllen project.

Description: The City of Rosenberg (City) is using funding from the CWSRF ARRA to rehabilitate existing sewer lines and manholes in a portion of the City identified as Timber Lane Subdivision. The system in this area is over 50 years old, deteriorated, experiencing numerous failures and significant inflow and infiltration of rain and groundwater. The project will rehabilitate approximately 7,500 linear feet of 6, 8, and 12-inch gravity sewer.

Disadvantaged Communities Grants

The following information itemizes the entities and projects that received grants from the ARRA funding:

Bonham <i>Collection Repair and Replacement</i>			
County	Fannin	Project #	72506
ARRA Funding Amount	\$2,061,480 Grant	Commitment Date	11/19/2009
Status	Construction complete	Map Location	A9

Status as of 8/31/2011: Construction was completed on 8/11/2011. However the contract close out process was not complete as of 8/31/2011. Disbursements through 8/31/2011 totaled \$1,913,275.33.

Description: The City of Bonham (City) is experiencing excessive inflow & infiltration, as well as sewer system overloads in the City's aged and deteriorated clay pipe collection system. At this time the City is using funds received from ARRA through the CWSRF – Disadvantaged Community Program to install approximately 2.4 miles of 18-inch through 24-inch gravity interceptors, 40 new concrete manholes and to rehabilitate one lift station.

Brownsville PUB <i>San Sewer Overflow Projects</i>			
County	Cameron	Project #	72495
ARRA Funding Amount	\$46,140,492 Grant	Commitment Date	10/15/2009
Status	Under Construction	Map Location	A10

Status as of 8/31/2011: This project is progressing within the established schedule (15 contracts range from approximately 52-100% complete) with an estimated completion date of 7/1/2012. The ARRA funds disbursed to support this project to date are \$29,005,898.50.

Description: The City of Brownsville (City) funding will address infiltration and inflow issues within the City's aged sanitary sewer collection system and address improvements to sanitary sewer lift stations in an effort to reduce sanitary sewer overflows. The City has received numerous citations from TCEQ for sanitary sewer overflows in the past and is using the funds to aggressively address problem areas within the system that contribute to the overflows. The project consists of thirteen separate construction contracts, spread across the older sections of the City. The construction will consist of the replacement/rehabilitation of 31 miles of 6-inch through 30-inch diameter sanitary sewer pipeline and 38 lift stations. Construction is expected to last for approximately three years. The EPA has determined that portions of the project totaling \$831,005 are eligible to be included in the ARRA Green Project Reserve.

Approved components consist of high efficiency pumps, motors, variable frequency drives and LED lighting at several of the lift station rehabilitations included in the project.

Burnet <i>Sanitary Sewer Evaluation Program</i>			
County	Burnet	Project #	72498
ARRA Funding Amount	\$330,000 Grant	Commitment Date	11/19/2009
Status	Complete	Map Location	A11

Status as of 8/31/2011: This project has been completed, including final inspection, and accounting, as of 4/21/11. The final ARRA disbursement to support this project was \$315,651.00. Surplus funds were added to the ARRA funding for McAllen project.

Description: The City of Burnet (City) has experienced sewer system overflows and the wastewater treatment plant is operating at or near capacity due to significant inflow and infiltration. The City is proposing to complete a sanitary sewer evaluation survey in order to determine appropriate rehabilitation and corrective efforts. The project's various aspects include manhole inspection, smoke testing, television inspection and engineering evaluation of the sanitary sewer system. The City is participating in the TCEQ Sanitary Sewer Overflow Initiative and this project is included in the City's Sanitary Sewer Overflow Action Plan.

Elsa <i>Water System Upgrade</i>			
County	Hidalgo	Project #	72630
ARRA Funding Amount	\$6,435,000 Grant	Commitment Date	10/15/2009
Status	Under Construction	Map Location	A12

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 90% complete) with an estimated completion date of 12/4/2012. The ARRA funds disbursed to support this project to date are \$5,343,846.85.

Description: The City of Elsa (City) wastewater collection system is experiencing significant inflow and infiltration from deteriorated pipe. The wastewater treatment plant also has deteriorated units in need of replacement. The City is removing and replacing approximately 17,000 linear feet of pipe. Eight existing lift stations will have motor, pump, and alarm improvements. The project also includes the replacement and/or rehabilitation of wastewater treatment plant (WWTP) process components. The plant capacity is not being increased during this project.

Galveston <i>33^d Street Rehabilitation</i>			
County	Galveston	Project #	72710
ARRA Funding Amount	\$1,835,000 Grant	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A13

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 99% complete) with an estimated completion date of 1/13/2012. The ARRA funds disbursed to support this project to date are \$1,715,203.66.

Description: The City of Galveston (City) is installing approximately 1300 feet of new, 24 to 36-inch diameter sanitary sewer pipe on Thirty-Third Street to replace existing old and deteriorated sewer pipes that have lost their structural integrity, and to rehabilitate approximately 4,600 feet of 15 to 24-inch diameter pipe. The new sewer line will run parallel to the existing sewer line.

Harris County MUD No. 148 <i>Wastewater Treatment Plant Replacement</i>			
County	Harris	Project #	72791
ARRA Funding Amount	\$5,609,775 Grant	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A14

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 94% complete) with an estimated completion date of 2/6/2012. The ARRA funds disbursed to support this project to date are \$4,710,301.57.

Description: Harris County Municipal Utility District No. 148 (District) is undertaking one construction project using grant funds from the ARRA through the CWSRF - Disadvantaged Community Program to build a 0.55 MGD Wastewater Treatment Plant (WWTP) and associated civil infrastructure. This WWTP will replace the District's 3 existing, but deteriorated packaged WWTPs. It will also provide adequate treatment capacity for the District's build out. The EPA has approved an amount of \$85,000 for the proposed project out of the Intended Use Plan (IUP) requested amount of \$6,125,000 as meeting the Green Project Reserve requirements.

Harris County WCID No. 36 <i>Collection System</i>			
County		Project #	72757
ARRA Funding Amount	\$3,623,000 Grant	Commitment Date	10/15/2009
Status	Under Construction	Map Location	A15

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 95% complete) with an estimated completion date of 3/14/2012. The ARRA funds disbursed to support this project to date are \$3,039,484.72.

Description: The Harris County Water Control and Improvement District No. 36 (District) was created in 1943. The original wastewater collection system was constructed of concrete sewer lines and brick manholes and has been in existence for over 60 years. In many areas the lines have been partially or completely consumed by the corrosive sewer environment. The District will replace approximately 10,000 linear

feet of wastewater lines that have deteriorated and construct various other wastewater system improvements. The improvements are a continuation of the District's ongoing efforts to replace aging and deteriorated wastewater system infrastructure thereby reducing inflow and infiltration into the collection system.

Mercedes			
<i>Wastewater Treatment Plant Expansion</i>			
County	Hidalgo	Project #	72126
ARRA Funding Amount	\$9,748,802 Grant	Commitment Date	12/17/2009
Status	Under Construction	Map Location	A16

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 89% complete) with an estimated completion date of 3/10/2012. The ARRA funds disbursed to support this project to date are \$9,748,802.00.

Description: The City of Mercedes (City) will use funds from the ARRA to repair, expand, and upgrade components of the existing wastewater treatment plant (WWTP) from the current permitted capacity of 2.3 million gallons per day (mgd) to approximately 5.0 mgd. The TCEQ requires planning for increased capacity when the average flow exceeds 75% of the permitted capacity and to initiate construction of improvements when the average flows exceed 90% of the permitted capacity. The City received a commitment for the WWTP expansion in March 2007. As the project was developed the scope was expanded and costs have increased. The ARRA funding will supplement the 2007 loan.

Munday			
<i>Wastewater Treatment Plant Renovation</i>			
County	Knox	Project #	72947
ARRA Funding Amount	\$379,078 Grant	Commitment Date	9/17/2009
Status	Under Construction	Map Location	A17

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 99% complete) with an estimated completion date of 10/2/2011. The ARRA funds disbursed to support this project to date are \$378,845.23.

Description: The City of Munday's (City) existing wastewater treatment plant is a series of ponds which are presently having difficulty meeting wastewater discharge permit limitations. The ARRA project is to install six floating brush aerators and three solar powered circulation units to improve treatment in order to meet effluent limitations.

Port Arthur <i>Sewer System Evaluation Services Phase II Projects</i>			
County	Jefferson and Orange Counties	Project #	73036
ARRA Funding Amount	\$15,080,000 Grant	Commitment Date	9/17/2009
Status	Under Construction	Map Location	A18

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 80% complete) with an estimated completion date of 7/25/2012. The ARRA funds disbursed to support this project to date are \$14,085,047.79.

Description: The City of Port Arthur (City) wastewater collection system is experiencing significant inflow and infiltration and deterioration of pipe. The City will rehabilitate approximately forty miles of pipe in the ARRA project. The project also includes the replacement and/or rehabilitation of wastewater treatment plant process components. The EPA has determined that portions of the project totaling \$3,104,733 are eligible to be included in the ARRA Green Project Reserve as documented in the City's green business case. The approved amount was split with half being categorized as Water Efficiency and half approved as Energy Efficiency. Eligible components consist of high efficiency blowers and variable frequency drives at two WWTP's and a portion of the sanitary sewer rehabilitation.

Presidio <i>New Wastewater Treatment Plant, Collection System Extension</i>			
County	Presidio	Project #	73026
ARRA Funding Amount	\$12,007,459 Grant	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A19

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 99% complete) with an estimated completion date of 3/10/2012. The ARRA funds disbursed to support this project to date are \$10,427,989.83.

Description: The City of Presidio (City) is using funds received through the ARRA to construct a new wastewater treatment (WWTP) facility and to extend the wastewater collection into two Colonia areas. The two projects are described below.

Funding received under Intended Use Plan (IUP) # 73026 is to replace their existing wastewater treatment facility that has reached 80% of its capacity. The City is constructing a new 1.25 million gallon-per-day Integrated Facultative Pond and Constructed Wetland treatment system. The final effluent will be treated with ultraviolet light prior to discharge into the Rio Grande River, east of Presidio. Funding received under IUP# 73020 is to extend first time wastewater collection system into the Millington Addition and Colonia Pueblo Nuevo area for an estimated 450 residents.

Sabinal <i>Wastewater Treatment Plant Replacement</i>			
County	Uvalde	Project #	73420
ARRA Funding Amount	\$3,560,000 Grant	Commitment Date	10/15/2009
Status	Under Construction	Map Location	A20

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 99% complete) with an estimated completion date of 1/28/2012. The ARRA funds disbursed to support this project to date are \$3,471,842.03.

Description: The City of Sabinal (City) is experiencing significant problems with its existing wastewater treatment plant (WWTP). The TCEQ has found that the WWTP is overloaded and located in the 100-year flood plain. The City is constructing a new 0.34 million gallons per day WWTP using the activated sludge process plant operated in the extended aeration mode to meet more stringent wastewater discharge permit requirements. A new lift station and associated force main is also being constructed. The City currently has two commitments from the CWSRF program: an ARRA grant in the amounts of \$3,560,000 and a loan in the amount of \$600,000. . The purpose of this funding package was to construct the same ARRA project noted above. The City has also closed on \$130,000 from a Texas Water Development Fund loan commitment of \$250,000 for the purchase of the land required for this WWTP.

Valentine <i>New Wastewater System</i>			
County	Jeff Davis	Project #	73525
ARRA Funding Amount	\$2,500,000 Grant	Commitment Date	11/19/2009
Status	Under Construction	Map Location	A21

Status as of 8/31/2011: This project is progressing within the established schedule (approximately 99% complete) with an estimated completion date of 2/8/2012. The ARRA funds disbursed to support this project to date are \$2,301,130.57.

Description: The City of Valentine (City) will use ARRA funding to install a first time wastewater collection and treatment system to serve the City's residents. The collection system and Integrated Facultative Pond (IFP) lagoon with effluent disposal by irrigation treatment system will replace the current on-site sewage facilities, cesspools, and open pits currently used for disposal of sewage. The City has been identified as a Colonia by the State of Texas.

Special Appropriations Act Program (SAAP)

The previous State & Tribal Assistance Grants Program (STAG) is now the Special Appropriations Act Program (SAAP). The SAAP is administered by EPA. TWDB receives funds based on the 3% set-aside to monitor construction and provides construction administration assistance for the Texas funded projects. To date, TWDB has assisted EPA with 25 Projects, 18 of which are complete with other Texas SAAP funded projects pending. TWDB duties include biddability & construct ability reviews, attend/participate in the pre-construction conferences, provide inspections and updated construction progress details to EPA Region 6. TWDB reviews bid documents, change orders and owner reimbursement requests and provides recommendations to EPA staff. Jeff Dunsworth, P.E. is the Texas State SAAP Coordinator, and the EPA Program Officer is Ms. Nasim Jahan.

SAAP/SRF Funded Project Information as follows:

1.) Liberty Hill CWSRF/SAAP, #72048, CWSRF/SAAP funds; (XP-96628301 \$348,900) & (XP-96602601, \$240,600)

Funds were used to construct: CID 02 -- Pressure Sewer System Phase 2 North 29; the project was completed March 2009. **ALL SAAP funds are expended.**

2.) Pharr WWTP Expansion & Sewer System Improvements #72021 CWSRF2/SAAP, CWSRF/EPA SAAP funds; (XP-97665501 \$625,500)

Funds were used to construct CID 05-Waste Water Collection System & Lift Station Phase 1D; the project was completed October 2010. **ALL SAAP funds are expended.**

3.) Bryan - Thompsons Creek WWTP, #72528, CWSRF/SAAP funds;

(XP-00F30201 \$485,000) Project description: Construct a new 2.0 MGD wastewater treatment plant on Thompsons Creek near the Brazos River to serve the southwestern part of the City. When constructed the Turkey Creek WWTP, an aging 0.75 MGD package plant, will be retired. The plant is being designed to remove ammonia, and reduce nitrates and phosphorus through the use of a bio-selector prior to the aeration basin. Effluent will be disinfected with a UV system and up to 1.0 MGD will be used for indirect reuse to irrigate the Traditions Golf Course.

The City of Bryan SAAP funds are being utilized for contract construction which includes: 5000 linear feet of 8" and 12" water line, 3600 linear feet of 30" sewer line, 10,000 linear feet of 10" reclaimed water line, 2100 linear feet of 16" sewer force main, 2800 linear feet of 36" gravity outfall line, and associated storm drainage, grading, and roadway improvements. CID 02-Offsite Utilities; CID 02 construction was initiated in July 2011, the contract has a 260 calendar day duration and final completion is required by April 2012. The owner has not submitted a SAAP reimbursement request to date.

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Clean Water Benefits Reporting Summaries

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CWSRF Benefits Reporting - Loan List Report for the Period: 9/2010 - 8/2011

Borrower	Loan Number	Initial Amount	Initial Agreement Date
Aledo	72212	\$3,345,000.00	05/24/2011
Alton	73600	\$9,595,000.00	06/23/2011
Arlington	72313	\$13,885,000.00	11/19/2010
Azle	72467	\$13,595,000.00	09/23/2010
Bryan	72528	\$15,685,000.00	06/28/2011
Burnet	72325	\$11,425,000.00	10/22/2010
Cleveland	72110	\$2,360,000.00	05/09/2011
Fort Worth	72275	\$28,000,000.00	09/23/2010
Houston	72228	\$22,795,000.00	06/02/2011
Houston	72229	\$58,245,000.00	06/02/2011
Hutto	72792	\$2,520,000.00	08/30/2011
Orange County WCID # 1	72129	\$13,610,000.00	08/18/2011
San Antonio	72220	\$18,095,000.00	08/18/2011
San Antonio	71845	\$17,930,000.00	12/14/2010
San Augustine	73085	\$1,050,000.00	01/11/2011
Trinity River Authority	72236	\$19,465,000.00	02/22/2011
Trinity River Authority	72318	\$127,005,000.00	12/01/2010

Total Loan Amount for the Period: (9/2010 - 8/2011) \$378,605,000.00

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Texas Summary Report for CW Benefits

	Loans		Projects			Borrowers		
	Assistance Dollars (millions)	Numbers	Assistance Dollars (millions)	Subsidy Dollars (millions)	Numbers	Facility Population (millions)	Facility Flow (MGD)	Numbers
Total Records	378.6	17	378.6		17	4.1	911	14
Complete Records	378.6	17	378.6	595.4	17	4.1	911	14
Impacting Human Health	378.6	17	378.6	595.4	17	4.1	911	14
	100%	100%	100%		100%	10,935	People Served per \$million	100%
With Impaired Waterbody			164.6	525.3	3	0.2	363	3
			43%		18%	1,215	People Served per \$million	21%
With Waterbody Meeting Standards			114.9	38.8	11			
To Improve Water Quality			313.1	570.7	10			
To Maintain Water Quality			65.6	24.8	7			
To Achieve Compliance			2.4	0.8	1			
To Maintain Compliance			376.2	594.7	16			

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Texas Program Performance Measures for CW Benefits
All Primary and Secondary Uses
All Projects

	Number of Projects	Assistance Dollars (Millions)	Measure (Projects per Million \$)
Waterbodies Protected			
Protected and Restored	11	140.7	0.078
Protected but Not Restored	13	388.7	0.033
All Protected	24	529.4	0.045
Waterbodies Restored			
Restored and Protected	7	88.9	0.079
Restored but Not Protected	0	0.0	0
All Restored	7	88.9	0.079

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Appendix C – CWSRF 2011 Annual Report
Compliance with FFY 2010 CWSRF Grant
Conditions

Compliance with FFY 2010 CWSRF Capitalization Grant Conditions

Although Texas does not currently have an operating agreement with the EPA for its CWSRF program, the TWDB has agreed to follow the administrative and programmatic conditions present in all the CWSRF Capitalization Grant Agreements. In partnership with EPA, the TWDB adheres to all grant conditions that are finalized and attached to the individual grants. This year's conditions are based upon the FFY 2010 Appropriation. Each condition will be satisfied in the most appropriate and expeditious way in a manner that is suitable to EPA and that complies with the governing statutes under Texas' jurisdiction. Each Assistance Agreement is reviewed by staff to make sure that the TWDB can comply with its terms and conditions. Any changes or corrections are given to EPA in a cover letter so that adjustments may be made and the Assistance Agreement may be amended.

A. Administrative Conditions

1. Timeliness [40 CFR Chapter 1, Subchapter B and 40 CFR Parts 31, 32, 34, and 35]

The TWDB has agreed to and is expeditiously initiating and timely completing the project work for which assistance has been awarded. The TWDB has initiated new management policies to support the financial viability of the CWSRF fund during this period of financial restraints. Having a strong bond rating and continued financial strength is essential in order to continue to serve the communities in Texas into the future.

The need to use funds efficiently has spurred the TWDB to divide projects into pieces that are ready to proceed to expedite the draw of the federal funds. The Planning, Acquisition, and Design (PAD) and Construction (C) configuration for applicants is the result of this initiative. Once a loan has closed, the borrower is required to produce outlays on a quarterly basis during PAD, and on a monthly basis during construction. Follow-up to those who do not send in timely outlays is a standard practice.

In addition, the TWDB has taken a more active approach to managing stalled projects. Those projects that have stayed in the preliminary stages, have prolonged planning, have continued delay in design, or have stopped invoicing for construction, are being directly contacted by our engineering staff and asked for documentation that the project will be able to move forward.

2. Recipient Standards [40 CFR Part 31]

TWDB follows OMB Circulars A-87, A-102, A-110, and A-133. The TWDB's standards governing procurement comply with 40 CFR Part 31.36, Part 33 and OMB Circular A-102 and it will maintain a financial management system that meets the requirements of 40 CFR §31.20.

3. EPA-ACH Payment System

Cash draw-downs have been made only as actually needed for disbursements. When a drawdown occurs, the TWDB will show the Assistance Agreement Number(s) under "Financial Data" on the EPA-ACH Payment Request Form.

CWSRF projects are funded from various sources at the time of loan closings. Federal funds are drawn when projects designated for federal draws submit outlay reports showing evidence of eligible costs incurred.

4. Salary Limitations [40 CFR 31.36(j)(I)]

In accordance with 40 CFR 31.36(j) and the update to Administrative Condition No. 4 contained in the EPA Capitalization Grant Assistance Amendment dated September 22, 2010, the TWDB has limited the EPA's participation in the salary paid to individual consultants retained by recipients or recipients' contractors to the maximum hourly rate for a Level IV of the Executive Schedule, which as of January 10, 2010 was \$596.00 per day and \$74.50 per hour. This limit applies to consultation services of designated individuals with specialized skills who are paid at a daily or hourly rate.

5. Drug-Free Workplace. [40 CFR §§36.200 – 36.230]

The TWDB maintains a drug-free workplace and agrees to continue making an ongoing, good faith effort to maintain a drug-free workplace in accordance with the requirements of 40 CFR §§36.200 – 36.230.

6. Hotel and Motel Fire Safety Act of 1990 [40 CFR §30.18]

The TWDB has agreed to ensure that all space used for conferences, meetings, conventions and training seminars funded in whole or in part with federal funds complies with the protection and control guidelines of the Act.

7. Anti-Lobbying Prohibition [40 CFR Part 34]

The TWDB has agreed to adhere to the prohibition of using project funds to lobby the Federal Government or in litigation against the United States. The Executive Administrator agrees to ensure that no grant funds awarded pursuant to this Assistance Agreement has been used to engage in lobbying the Federal Government or in litigation against the United States unless authorized under existing law. The TWDB shall abide by OMB Circular Nos. A-21, A087 or A-122, as applicable, which prohibits such use of federal funds as well as 40 CFR Part 34.

8. Management Fees

Management fees or similar charges in excess of the direct costs and approved indirect rates are not allowable and will not be used to improve or expand the project funded under this Agreement, except to the extent authorized as a direct cost or carrying out the scope of work.

9. Audit Rules [OMB Circular A-133]

In accordance with OMB Circular A-133, the TWDB agrees to obtain a single audit from an independent auditor if it expends more than \$500,000 in total Federal funds in FFY 2011. The TWDB will submit a copy of the SF-SAC and a Single Audit Report package within nine (9) months after the end of its fiscal year or 30 days after receiving the report from the auditor. The TWDB's complete Annual Financial Report (AFR) and the State's

Comprehensive Annual Financial Report (CAFR) are submitted upon receipt.

10. National Terms and Conditions for Subawards

The TWDB agreed to (1) establish all subaward agreements in writing; (2) maintain primary responsibility for ensuring the successful completion of the EPA-approved project; (3) ensure that any subawards comply with the standards set forth in §210(a)-(d) of OMB Circular A-133 and will not be used to acquire commercial goods or services for the TWDB; (4) ensure that any subawards are awarded to eligible subrecipients and that proposed subaward costs are necessary, reasonable, and allocable; (5) ensure that any subawards to §501(c)(4) organizations do not involve lobbying; (6) monitor the performance of its recipients to ensure that they comply with all applicable statutes, regulations, and terms and condition which flow down to the subaward; (7) obtain the EPA's consent before making a subaward to a foreign or international organization, or a subaward to be performed in a foreign country; and (8) obtain approval from the EPA for any new subaward work that is not outlined in the approved work plan in accordance with 40 CFR Parts 30.25 and 31.30, as applicable.

11. Trafficking Victims Protection Act [22 USC §7104(g)]

The TWDB agreed to inform the EPA immediately of any information received from any source that alleges a violation of §106(g) of the Trafficking Victims Protection Act of 2000, as amended. No recipient of Federal funds may engage in severe forms of trafficking in persons during the period of time that the award is in effect; nor may a recipient procure a commercial sex act during the period of time that the award is in effect or use forced labor in the performance of the award.

12. Federal Financial Report Filings [40 CFR §§31.41(b) and 31.50(b)]

The TWDB agreed to submit an annual Federal Financial Report (SF-425) to the EPA no later than 90 calendar days following the end of the reporting quarter, as established in the Agreement. At the end of a project, the TWDB will also submit a final Federal Financial Report to the EPA no later than 90 calendar days after the completion of the project.

13. DBE Compliance

The TWDB has complied with and agrees to continue complying with the EPA program for Utilization of Disadvantaged Business Enterprises (DBE) in procurement under assistance agreement. And the Disadvantaged Procurement Table in Appendix B represents the Minority-owned Business Enterprises (MBE) and Women-owned Business Enterprises (WBE) activity in SFY 2010. The TWDB 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 SFY 2003, the EPA revised the Standard Form 5700-52A to report on the four procurement categories and not by grant IUP year.

3. The TWDB agreed with Long Term and Short Term goals and objectives listed in the Capitalization Grant Agreement.
4. The TWDB is the responsible State Agency for implementation.
5. The TWDB has been the state recipient since the establishment of the fund by Congress in 1987.

6. Specific Requirements

A. Payments and Schedules

The TWDB accepted grant payments in accordance with a payment schedule established by the EPA and will deposit all such payments in the CWSRF in accordance with Title VI. Payments, cash draw downs and disbursements will be as defined in 40 CFR §§35.3155 and 35.3160.

B. State Match

The TWDB, by Board Resolution in a manner similar to the EPA/ACH Payment System, has made binding commitments of bond proceeds and authorize a cash draw of these funds to provide the required state match. The capitalization grant requires the State to deposit matching funds to the CWSRF in an amount equal to at least 20% of each draw on the EPA Automated Standard Application for Payments (ASAP) system on or before the date of the cash draw. The TWDB has transferred state bond proceeds to the CWSRF in sufficient amounts that the Fund is matched with each draw. At the end of SFY 2011, the total State match which had been deposited to the Fund was \$318,905,095 [Table 1 Appendix A].

C. Binding Commitments; Amounts

The TWDB will enter into binding commitments to provide assistance in accordance with the requirements of Title VI in an amount equal to 120 percent of the amount of each such grant payment within one year after the receipt of such grant payment.

The TWDB has entered into binding commitments to provide CWSRF financial assistance in amounts greater than 120 percent of each quarterly grant payment within one year after receipt of each quarterly payment. TWDB committed a total of \$206,451,340 in binding commitments during SFY 2011. [Table 5, Appendix A.]

D. Funds Expenditure

All funds are expended in an expeditious and timely manner. The TWDB monitors all projects to ensure they move as timely and expeditiously as possible to start construction. See Table 2 in Appendix A which shows funds drawn for the CWSRF Program.

In SFY 2011, TWDB staff continued to implement an initiative involving the Contracts Office, Project Finance and Construction Assistance was implemented to ensure all

CWSRF projects were up-to-date with the required submission of Outlay Reports and invoice documentation.

E. National Municipal Policy

All funds are first used for any major and minor publicly owned treatment works previously identified as part of the National Municipal Policy (NMP) universe. This requirement was fulfilled in SFY 1993 when the last of the 15 NMP projects received a binding commitment.

F. Crosscutter Authorities

All equivalency projects (Tier III) comply with the National Environmental Policy Act (NEPA). All nonequivalence (Tier II) will comply with NEPA or the alternative State Environmental Review Process.

A NEPA-like environmental review or alternative state environmental review was conducted on all CWSRF 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 review was conducted and a state determination made for all non-equivalency projects.

In SFY 2011, all communities receiving commitments from the base program were required to be under the Cross-Cutter program as a way of more surely drawing federal funds. Eight projects that were committed from the SFY 2011 IUP were designated as Cross-Cutters in the amount of \$51,621,340. See Crosscutter Table in the Project Appendix B for a list of Cross-Cutter commitments.

G. Disbursement of Grant Proceeds; Compliance with State Law

The TWDB committed to expend each quarterly grant payment that it will receive in accordance with the laws and procedures applicable to the commitment or expenditure of revenues in the State.

H. Accounting, Audit and Fiscal Procedures

The TWDB agreed to use accounting, auditing and fiscal procedures conforming to generally accepted accounting standards. The TWDB also agreed to require all subrecipients to maintain project accounts in accordance with generally accepted accounting standards.

I. TWDB makes recipients of assistance maintain project accounts in accordance with generally accepted government accounting standards.

J. Annual Reports

The TWDB filed the Annual Report with the EPA as required within 90 days after the end of the state fiscal year in accordance with 40 CFR Part 35, Subpart K requirements.

K. Consistency with Plans

All projects receiving CWSRF funds are consistent with plans developed under §§205(j), 208, 303(e), 319 and 320 of the Federal Water Pollution Control Act, as amended.

L. Notification

The TWDB agreed to notify the regional Administrator and request concurrence on proposed amendments to any section of its rules that contain provisions required by EPA and the CWA.

7. Types of Assistance

The TWDB agreed to and is abiding by conditions A - H.

8. Intended Use Plans

The TWDB prepared an intended use plan in accordance with 40 CFR Part 35, Subpart K requirements, subjected it to a public hearing on July 21, 2011 and submitted it to EPA for approval, as required.

9. Grant Payments

The TWDB agreed to comply with the grant payment schedule established for the FY 2010 allotment.

10. Administration of the State Water Pollution Control Revolving Fund

The administration of the State Water Pollution Control Revolving Fund is as itemized in Chapter 375 of the TWDB rules.

11. Annual Report

The TWDB agreed to prepare and provide a report to the EPA within 90 days after the end of the State fiscal year describing how the TWDV met the goals and objectives identified in the Intended Use Plan. This document is an attachment to that report.

12. Fiscal Controls and Audit

The TWDB has established fiscal controls and auditing procedures in accordance with OMB Circular A-133.

13. Annual Federal Audit

The TWDB agreed to have, on an annual basis, an independently-conducted audit and review in accordance with the Single Audit Act of 1984, as indicated in OMB Circular No. A-133 and sufficient to carry out the objectives of §606 of the Clean Water Act. Audits of the use of funds deposited in the CWSRF are conducted in accordance with the auditing procedures of the General Accounting Office, including 31 U.S.C. Chapter

75. This audit will be submitted within one (1) year of the appropriate accounting period.

14. Annual Oversight Review

The SFY 2010 Annual Performance Review was conducted on March 23-25, 2011.

15. Records; Information Requests

The TWDB has agreed to respond to requests for information and records.

16. Congressional and Public Inquiries

The TWDB has agreed to respond to Congressional and public inquiries, as appropriate, in coordination with the EPA.

17. Noncompliance with the Capitalization Grant

The TWDB has agreed to take corrective action within 60 days of receiving notice from the EPA that the State has failed to comply with the Capitalization Grant agreement under section 602 of the Federal Water Pollution Control Act.

18. Report Submission Requirements

The TWDB has agreed to submit all reports, except for financial reports, necessary to ensure compliance with the conditions and requirements of the Capitalization Grant Agreement to Tyrone Hoskins, the EPA Project Officer located in Region 6.

19. Information provided when issuing Documents

When issuing statements, press releases, requests for proposal, bid solicitations, and other documents describing the CWSRF program or projects, the TWDB has agreed to clearly state (1) the percentage of the total costs of the program or project which will be financed with Federal money, (2) the dollar amount of the Federal funds for the program or project, and (3) the percentage and dollar amount of the total costs of the program or projects that will be financed by non-governmental sources.

20. Administration of CWSRF Program and the Intended Use Plan

The TWDB has agreed to administer the CWSRF program in accordance with presentations made within the Intended Use Plan and the application for federal assistance dated July 27, 2010.

21. Compliance Certification with National Historic Preservation Act

The TWDB has previously certified that it will assist the EPA in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended, and that such certification has been submitted to the EPA. Moreover, the TWDB has agreed to carry out of the requirements of 36 CFR Part 800 et se. and all applicable standards and guidelines of the Advisory Council on Historic Preservation for all SRF activities

receiving EPA assistance.

22. Receipt of “Equivalency” Funds

The TWDB has previously met this requirement whereby binding commitments in an amount equal to capitalization grants awarded for SFY 1988 through SFY 1994 were made to Title II projects.

23. Second Tier Environmental Review Process

The TWDB’s nonequivalency “second tier” environmental review process was approved by the EPA on May 14, 1991.

24. Administrative Expenses

The TWDB has agreed that funds used from the CWSRF for administrative expenses will not exceed 4% of the cumulative amount of the grant award in accordance with 40 CFR §35.3120(g)(1).

25. Administrative Fees

The TWDB has agreed that CWSRF administrative fees earned during the grant period and held in accounts outside the CWSRF shall only be used for purposes directly related to the CWSRF program. The uses of all fees will be consistent with EPA “Guidance on Fees Charged by States to Recipients of CWSRF Program Assistance” issued on October 20, 2005. Fees held in such accounts shall be audited and reported on annually. The interest earned on said fees will only be used for water quality activities or for the combined financial administration of the CWSRF.

26. Compliance with Federal Executive Orders

The TWDB has agreed to comply with Executive Order 13202 of February 17, 2001 entitled “Preservation of Open Competition and Government Neutrality towards Government Contractors’ Labor Relations on Federal and Federally-Funded Construction Projects”, as amended by Executive Order 13208 of April 6, 2001.

27. State Match Requirements

The TWDB will ensure that the cumulative amount of State Match drawn into the fund will always be at least equal to 20% of the Cumulative amounts of both State Match and federal funds drawn into the fund, as required at 40 CFR §35.3155(d)(5).

28. Performance Measures

The TWDB has agreed to complete the Environmental Benefits form for each CWSRF project loan closed during Fiscal Year 2010 and further agreed to include the information on the FY 2011 CWSRF Annual Performance Report.

29. Cash Draw Procedures

The TWDB has agreed to the cash draw proportionality ratio for the CWSRF program cash draws in accordance with 40 CFR §35.3160(d)(4) and EPA guidance.

30. TXWISE

The National Contract with EPA Headquarters and Northbridge had remained full and unavailable during 2010 for “inkind” expenditures. However, the TWDB FFY 2009 capitalization grant transferred \$150,000 to the “inkind” contract in SFY 2011 as agreed to by EPA Region 6.

31. CWSRF Benefits Reporting Database

The TWDB has agreed to report all uses of the fund no less than quarterly for purposes of assisting the EPA in maintaining the CWSRF Benefits database. This report included data with respect to compliance with green project reserve and additional subsidization requirements.

32. Data to be included in the Annual Report

The TWDB has agreed to provide information in its Annual Report on key project characteristics, milestones, and environmental/public health protection results in the following areas: 1) achievement of outputs and outcomes established in the Intended Use Plan; 2) the reasons for delay if established outputs or outcomes were not met; 3) any additional, pertinent information on environmental results; 4) compliance with the green project reserve requirement; and 5) compliance with the additional subsidization requirement.

33. Additional Subsidies

In accordance with 40 CFR §§31.40, 35.3165 and 35.3570, in the EPA Capitalization Grant Assistance Amendment, the TWDB also agreed to provide information in its Annual Report on the compliance with the additional subsidies requirements.

In the EPA Grant Assistance Amendment, the EPA specified that the TWDB use at least 14.98% and no more than 49.92% of the funds provided by the Capitalization Grant to provide additional subsidization in the form of principal forgiveness, negative interest rate loans or grants. The EPA further specified in guidance that priority for additional subsidies should be given to communities that could not otherwise afford the projects. Moreover, the subsidies were to be directed to (a) repair, replace, and upgrade infrastructure in existing communities; (b) investigations, studies and plans that, once implemented, would improve the technical, financial and managerial capacities of the recipients; and (c) preliminary planning, alternatives assessment, and eligible capital projects that reflect the full life-cycle costs of infrastructure assets, the conservation of natural resources and alternative “green” approaches.

Given, the EPA guidance and the mandate to give subsidies to projects in communities that could not otherwise afford such projects, the following communities have received subsidies from the FFY 2010 capitalization grant:

- **Alton, Texas** is a disadvantaged community with a population around 10,000 located in Hidalgo County, near the border of Mexico. This project is to provide first time service to eighteen colonias and 859 customers. The residents are currently using substandard cesspools, pit privies, and septic tanks. The TWDB committed to financing this project on March 17, 2011; the loan closed on June 23, 2011. Alton was given 100% loan forgiveness in the amount of **\$9,595,000**.
- **La Feria, Texas** is a disadvantaged community with a population of approximately 7,000 located in Cameron County, near the border of Mexico. This project involves the construction of collection facilities to provide first time service in the vicinity of La Feria. The residents have failing septic systems with nearby water wells. The water table in the area has been as high as three feet from the surface so the risk of contamination is high. The TWDB committed to financing the collection system extensions on May 4, 2011. La Feria qualifies for 100% loan forgiveness in the amount of **\$8,381,340**.
- **San Augustine, Texas**, is a disadvantaged community with a population of approximately 2,400 located in San Augustine County in East Texas near the Sabine National Forest. This project will upgrade aging lift stations and collection system lines to address inflow/infiltration. The environmental impact will be lessened by paralleling the existing collection system. The Wastewater Treatment Plant will be repaired to come into compliance. The TWDB committed to financing this project on September 23, 2010; the City has received a 0% loan which closed on January 1, 2011 in the amount of **\$1,050,000**.
- **Vinton, Texas** is a disadvantaged community with a population just under 2,000 located in El Paso County in far west Texas near the New Mexico and Mexico borders. The project is to replace dilapidated and failing on-site wastewater treatment systems with a centralized collection system. Vinton received a commitment for a 0% loan from TWDB on December 16, 2010 in the amount of **\$1,210,000**.

TWDB has invested the CWSRF in these disadvantaged communities in order to achieve the basic health and safety compliance with the Clean Water Act. The new infrastructure will establish service to promote a safer environment, providing a new and sustainable wastewater collection for the citizens living in these areas.

34. Green Project Reserve

In accordance with 40 CFR §§31.40, 35.3165 and 35.3570 and programmatic condition no. 32 in the EPA Capitalization Grant Assistance Amendment, the TWDB agreed to provide information in its Annual Report relating to compliance with the Green Project Reserve requirement. In recent years, the federal appropriations for the CWSRF imposed a requirement that not less than 20 percent of the federal funds made available for this program be used by the state to fund project components that are considered to be green as a part of a Green Project Reserve (GPR) project. Green projects still must meet the general eligibility criteria for the CWSRF program.

The GPR may fund planning, design, or construction components. The TWDB, starting with the ARRA GPR requirement, has solicited projects for the GPR since 2009. The SFY 2011 IUP reserved 20% of the capitalization grant for these projects. TWDB has developed "Green Project Information Worksheets" in order to facilitate a uniform

approach to providing business case information should it be required. Four rounds of invitations have been sent to those projects identified as GPR in the Project Information Forms submitted for the SFY 2011 IUP. Of the 22 projects on the Green fundable list, only four have been considered green when all the information was submitted for evaluation. The four projects total \$14,650,000 toward the GPR.

For the SFY 2011 CWSRF IUP, the minimum amount of funds for green projects is approximately \$18,625,200. Green project funding will be offered to entities that meet the green project guidelines identified by the EPA. TWDB is working actively with the invited entities to designate areas of GPR within the projects. The four projects and associated green budgets that have been identified so far are:

- **City of Burnet** – an amount of **\$290,000** has been allocated for GPR for a wastewater reuse project;
- **City of Bedford** – an amount of **\$630,000** has been allocated for GPR for a truck line pipeline bursting replacement;
- **San Antonio Water System** – an amount of **\$10,712,750** has been allocated for GPR to repair Dos Rios anaerobic digesters and produce and sell biogas to a third party energy supplier;
- **Cibolo Creek Municipal Authority** – an amount of **\$1,476,000** has been allocated for GPR for the expansion and repair of a WWT reclamation/reuse plant.

35. Davis-Bacon Act Wage Rate Requirements

Under the FY 2010 and FY 2011 appropriations for the CWSRF program, Congress has mandated that Davis-Bacon Act prevailing wage rate requirements apply to the construction, alteration and repair of treatment works carried out in whole or in part with CWSRF funds. The TWDB has implemented this mandate by (1) advising all CWSRF applicants of the need to comply with Davis-Bacon prevailing wage rate requirements during pre-application meetings prior to the submission of an application for financial assistance; (2) requiring in all TWDB resolutions making a binding commitment for a CWSRF loan that recipients comply with Davis-Bacon Act prevailing wage rate legislation; and (3) by ensuring that all loan closing ordinances, resolutions and/or loan (forgiveness) agreements contain a clause mandating compliance with Davis-Bacon Act requirements.

Project Engineering and Review (PERD) is a division of the Office of Construction of the TWDB responsible for the engineering and environmental assessment aspects of funding packages provided to applicants. Among other responsibilities, PERD project engineers provide guidance to project owners on the Davis-Bacon Act requirements utilizing the TWDB Davis-Bacon (DBA) Guidance for CW & DW SRF Projects, DB-0156. PERD ensures receipt of the monthly DBA Certification of Compliance form when project owners submit the monthly Outlay Report, form DB-0154.

The Inspection and Field Support Services (IFSS) is another division of the Office of Construction Assistance of the Texas Water Development Board. IFSS's primary duty is to perform periodic field inspections of construction projects funded by the TWDB

during the construction phase. Included in IFSS Field staff duties are verification that project owners follow the TWDB Davis-Bacon (DBA) Guidance for CW & DW SRF Projects, DB-0156, to comply with the DBA requirements on a quarterly inspection basis by verifying the following:

- Wage Determination and DBA poster WH-1321 are posted at each contract site
- Weekly contractor(s) certified payrolls and certification submitted to the owner are current.
- Periodic on-site interviews have been conducted and documented by the owner using the Suggested Labor Standards Interview form, SF-1445
- Owner's Monthly DBA Certificate of Compliance is submitted with the monthly Outlay Report to the TWDB using form DB-0154

If a project is required to comply with the DBA, the IFSS preconstruction conference (PCC) report documents and confirms that the owner is aware that DBA compliance is required and compliance procedures are being followed. IFSS monthly inspection reports also serve to document compliance. Non compliance issues are noted in each monthly inspection report until issues have been resolved and confirmation is then noted in the subsequent inspection report.

36. ULO Sufficient Progress

The TWDB has developed and implemented a program to address unliquidated obligations (ULO). The TWDB is taking a more active approach to managing stalled projects. Those projects that have stayed in the preliminary stages, have prolonged planning, have continued delay in design, or have stopped invoicing for construction, are being directly contacted by our engineering staff and asked for documentation that the project will be able to move forward. Every project is required to produce outlays on a quarterly basis during PAD, and on a monthly basis during construction. Follow-up to those who do not send in timely outlays is also a standard practice. This maintains contact with the entities in order to assist with any problems as they arise.

37. Reporting Requirements: FFATA Reporting Requirements

As required by the Federal Funding Accountability and Transparency Act, (FFATA), and subsequently-issued OMB guidance, the TWDB will collect information on the first tier sub-awards that have been issued for projects based on binding FY 2012 CWSRF loan commitments. This condition does not apply to the FFY 2010 capitalization grant.

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Appendix D CWSRF SFY 2011 Annual
Report

Disadvantaged Evaluation Process and
Ranking Criteria Comparison

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Appendix D. Changes made to the Rating Criteria during SFY 2011

The table below shows the current and proposed CWSRF rating criteria and point assignments.

All Criteria Used to Rate CWSRF Projects	Current Points (SFY11)	Proposed Points (SFY12)	
POTW	Enforcement Action	1.0	30.0
	Unserved Area Extended Service	1.1	11.0
	Unserved Area with Documented Nuisance	3.0	30.0
	Innovative and Alternative Non-Stormwater Project	3.0	15.0
	Innovative and Alternative Stormwater Project	N/A	15.0
	More Stringent Effluent Limits	1.5	30.0
	Regional Project	1.0	10.0
	Expansion of Capacity or Removal of Flow		
	≥ 90% and improves a capacity problem	3.0	30.0
	≥ 75% and < 90%	2.0	20.0
≥ 65% and < 75%	1.5	15.0	
Remedy of overflows per court/EPA/TCEQ order	3.0	0.0	
Expansion of existing plant permitted for no-discharge where self-reporting flow data is not required	1.5	15.0	

	Criteria Used to Rate CWSRF Projects	Current Points (SFY11)	Proposed Points (SFY12)	
POTW	Mitigation of Problem Identified in 303(d) List		Priority Area	Non-Priority Area
	5a	3.0	40.0	30.0
	5b	2.0	30.0	20.0
	5c	1.0	20.0	10.0
NPS	Documented Nuisance	3.0	30.0	
	Threat to Aquifer or Groundwater	2.0	20.0	
	Water Body Listed in Watershed Protection Plan	N/A	10.0	
	Impact to Water Body Identified in 303(d) List		Priority Area	Non-Priority Area
	5a		40.0	30.0
	5b	1.0	30.0	20.0
	5c		20.0	10.0
Estuary Mgmt. - NEW	Restore/Protect/Enhance Coastal Natural Resources	N/A	20.0	
	Improve Water Quality	N/A	20.0	
	Enhance Public Access	N/A	20.0	
	Improve Onshore Infrastructure & Environmental Mgmt.	N/A	20.0	
	Mitigate Erosion & Stabilize Shorelines	N/A	20.0	
	Educate Public	N/A	20.0	

	Criteria Used to Rate CWSRF Projects	Current Points (SFY11)	Proposed Points (SFY12)
Effective Management – NEW	Asset Management Plan Contains Inventory of Assets	N/A	1.0
	Asset Management Plan Contains Condition of Assets	N/A	1.0
	Asset Management Plan Contains Prioritized Projects	N/A	1.0
	Asset Management Plan Contains Budget	N/A	1.0
	Asset Management Plan Contains Public Education Plan	N/A	1.0
	Entity is Planning to Prepare an Asset Management Plan	N/A	1.0
	Asset Management Training Administered	N/A	1.0
	Project Addresses Goal in Water Conservation Plan	N/A	1.0
	Project Addresses Goal in Energy Efficiency Plan	N/A	1.0
	Project Consistent with a Water Plan	N/A	1.0
	Project Consistent with a Regional or Consolidation Plan	N/A	2.0
Disadvantaged Eligible		1.0	10.0

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Appendix D. Disadvantaged Community Eligibility Criteria

TWDB staff determines Disadvantaged Community eligibility. A community is a disadvantaged community if it meets the criteria for a disadvantaged community presently or becomes a disadvantaged community as a result of a proposed project.

Eligibility Criteria – An eligible disadvantaged community consists of all of the following:

1. the service area of a political subdivision or the service area of a community that is located outside the political subdivision, and
2. has an adjusted median household income that is no more than 75% of the adjusted state median household income for the most recent year for which statistics are available, and
3. if the service area is not charged for sewer services, has a household cost factor for water rates that is greater than or equal to 1.0%; or, if the service area is charged for water and sewer services, has a combined household cost factor for water and sewer rates that is greater than or equal to 2.0%.

The TWDB may alter or add to these criteria to provide financial assistance to an entity that cannot otherwise afford a CWSRF loan.

Required Information – The criteria for determining eligibility for Disadvantaged Community funding consists of the adjusted annual median household income, household costs for water and sewer, and costs for the proposed project. There are two methods to determine the adjusted annual median household income.

- a. Use the following formula:

$$\frac{(2000 \text{ Annual Median Household Income}) \times (7/09 \text{ Texas Consumer Price Index})}{(2000 \text{ Texas Consumer Price Index})}$$

OR

- b. Use data from a survey approved by the Executive Administrator of a statistically acceptable sampling of customers in the service area completed in accordance with the most current TWDB in Socioeconomic Surveys Guidelines (WRD-285). The Socioeconomic Survey Guidelines are provided to the entity by TWDB staff during the solicitation process.

Other Required Information – Other required information is calculated as follows:

$$\text{Average Annual Water Bill} = \frac{(\text{Avg. \# of persons/household}) \times (2,325 \text{ gallons/person/month})}{\text{x (Monthly water rate) x (12)}}$$

$$\text{Average Annual Sewer Bill} = \frac{(\text{Avg. \# of persons/household}) \times (1,279 \text{ gallons/person/month})}{\text{x (Monthly sewer rate) x (12)}}$$

$$\text{Household Cost Factor} = \frac{(\text{Average Annual Water Bill}) + (\text{Annual Loan Cost})}{(\text{Adjusted Median Household Income})}$$

$$\text{Combined Household Cost Factor} = \frac{(\text{Avg. Annual Water Bill}) + (\text{Avg. Annual Sewer Bill}) + (\text{Annual Loan Cost})}{(\text{Adjusted Median Household Income})}$$

If taxes, surcharges, or other fees are used to subsidize the water and/or sewer system, the average annual amount per household may be included in calculating the household cost factor or the combined household cost factor.

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CWSRF Attachment: Annual Financial Report

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Texas Water Development Board

CLEAN WATER STATE REVOLVING FUND

Annual Financial Report

For the Year Ended
August 31, 2011

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General Purpose Financial Statements:

- Exhibit I – Combined Statement of Net Assets
- Exhibit II – Combined Statement of Revenues, Expenses, and Changes in Net Assets
- Exhibit III – Combined Statement of Cash Flows

Notes to the Financial Statements

Combining Statements:

- Exhibit F-1 – Combining Statement of Net Assets
- Exhibit F-2 – Combining Statement of Revenues, Expenses, and Changes in Net Assets

Schedule 1 – Loans and Contracts

General Purpose Financial Statements (ARRA)

Combining Statements (ARRA)

General
Purpose
Financial
Statements

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Clean Water State Revolving Fund

Exhibit I - Combined Statement of Net Assets - Proprietary Funds

August 31, 2011

	Total Enterprise Funds (Exhibit F-1)
ASSETS	
Current Assets:	
Cash Equivalents	\$ 13,588,535.37
Short Term Investments	433,040,092.59
Receivables from:	
Federal	601,479.02
Interest and Dividends	17,037,649.37
Loans and Contracts	78,902,000.00
Total Current Assets	543,169,756.35
Non-Current Assets:	
Loans and Contracts	2,491,100,000.00
Total Non-Current Assets	2,491,100,000.00
Total Assets	3,034,269,756.35
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts Payable	314,369.38
Interest Payable	5,294,365.61
Interfund Payables	6,395,590.26
Due to Other Funds	1,174,448.83
Deferred Revenue	38,416,903.60
Revenue Bonds Payable	13,330,473.50
Total Current Liabilities	64,926,151.18
Non-Current Liabilities:	
Interfund Payable	102,134,337.71
Revenue Bonds Payable	938,879,860.94
Total Non-Current Liabilities	1,041,014,198.65
Total Liabilities	1,105,940,349.83
NET ASSETS	
Unrestricted	1,928,329,406.52
Total Net Assets	\$ 1,928,329,406.52

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

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Clean 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, 2011

	Total Enterprise Funds (Exhibit F-2)
OPERATING REVENUES:	
Interest and Investment Income	\$ 81,494,323.69
Net Increase (Decrease) Fair Market Value	217,676.19
Other Operating Revenue	5,170,802.81
Total Operating Revenues	86,882,802.69
OPERATING EXPENSES:	
Salaries and Wages	5,286,745.28
Payroll Related Costs	990,108.88
Professional Fees and Services	354,126.89
Travel	41,430.23
Materials and Supplies	34,781.59
Communication and Utilities	61,775.67
Repairs and Maintenance	4,949.45
Rentals and Leases	80,718.42
Printing and Reproduction	630.16
Interest	79,159,557.97
Other Operating Expenses	1,091,306.57
Total Operating Expenses	87,106,131.11
Operating Income (Loss)	(223,328.42)
NONOPERATING REVENUES (EXPENSES):	
Federal Revenue:	
Agreement #CS-48000209	9,817,390.80
Agreement #CS-48000210	12,255,433.11
Agreement #2W-96692401	96,420,644.13
Other Nonoperating Revenue (Expenses)	(69,594,693.75)
Total Nonoperating Revenue (Expenses)	48,898,774.29
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	48,675,445.87
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS:	
Transfers In	5,218.00
Total Other Revenue, Expenses, Gain/Losses and Transfers	5,218.00
Change in Net Assets	48,680,663.87
Total Net Assets - Beginning	1,879,648,742.65
Total Net Assets, August 31, 2011	\$ 1,928,329,406.52

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Clean Water State Revolving Fund

Exhibit III - Combined Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended August 31, 2011

	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to Suppliers for Goods and Services	\$ (1,379,212.62)
Payments to Employees for Salaries	(5,115,274.98)
Payments to Employees for Benefits	(917,796.44)
Payments to Employees for Other (Travel)	(40,339.35)
Payments for Other Expenses	(14,155.18)
Net Cash Provided by Operating Activities	(7,466,778.57)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Federal Grants	118,220,282.18
Proceeds of Transfers from Other Funds	1,994,787,534.25
Proceeds from Advances from Other Funds	12,374,704.00
Payments of Principal on Debt Issuance	(371,845,000.00)
Payments of Interest	(82,977,312.16)
Payments for Transfers to Other Funds	(1,994,782,316.25)
Payments for Grant Disbursements	(69,594,693.75)
Repayments of Advances from Other Funds	(6,104,844.15)
Net Cash Provided by Noncapital Financing Activities	(399,921,645.88)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	597,304,225.13
Proceeds from Interest Income	1,183,174.93
Proceeds from Investment Income	83,048,709.94
Proceeds from Principal Payments on Non-Program Loans	517,869,000.00
Payments for Non-program Loans Provided	(405,751,314.00)
Payments to Acquire Investments	(433,399,336.92)
Net Cash Provided by Investing Activities	360,254,459.08
 Net (Decrease) in Cash and Cash Equivalents	 (47,133,965.37)
 Cash and Cash Equivalents--September 1, 2010	 60,722,500.74
Cash and Cash Equivalents--August 31, 2011	\$ 13,588,535.37

Clean Water State Revolving Fund

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

For the Fiscal Year Ended August 31, 2011

	<u>Total Enterprise Funds</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (223,328.42)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Operating Income and Cash Flow Categories:	
Classification Differences	(6,717,148.22)
Changes in Assets and Liabilities:	
Increase (Decrease) in Payables	(750,503.79)
Increase (Decrease) in Due to Other Funds	224,201.86
Total Adjustments	<u>(7,243,450.15)</u>
Net Cash Provided by Operating Activities	<u>\$ (7,466,778.57)</u>
Non-Cash Transactions	
Net Increase (Decrease) in Fair Value of Investments	217,676.19

Notes
to the
Financial
Statements

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Clean Water State Revolving Fund

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

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.

The Texas Water Development Board includes within this report all components as determined by an analysis of their relationship to the Board as listed below.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) 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.

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Clean Water State Revolving Fund

Basis of Accounting

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

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

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents, with the exception of repurchase agreements which are classified as Short-Term Investments.

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.

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

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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Clean 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. The only significant other payable is the accrued interest due as of the balance sheet date on bonds payable in the proprietary funds.

Bonds Payable – Revenue Bonds

Revenue bonds are generally accounted for in the proprietary funds. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Bonds Payable are reported separately as either current – the amount due within the next year – or noncurrent in the statement of net assets.

Fund Balance / 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 preceding category. 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".

Statement of Cash Flows

Cash Flows from Investing Activities

Non-program Loans

The loans that the Board makes to entities such as cities, counties, and other political subdivisions do not meet the criteria established by GASB for inclusion as Cash Flows from Operating Activities on the Statement of Cash Flows. Only certain types of loans to individuals are includable as Cash Flows from Operating Activities. Since GASB refers

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to these loans generically as “program” loans, the loans made by the Board are referred to on the Statement of Cash Flows as “non-program” loans to distinguish them from loans made to individuals, and their cash flows are included as Cash Flows from Investing Activities.

Classification Differences

Although the primary operation of the Board’s enterprise funds is the borrowing and lending of money for water related projects, the major components of the Operating Income or Loss on the Statement of Revenues, Expenses, and Changes in Fund Net Assets are classified on the Statement of Cash Flows as either Cash Flows from Investing Activities (Interest and Investment Income) or Cash Flows from Noncapital Financing Activities (Interest Expense).

NOTE 2: Deposits, Investments & Repurchase Agreements

The agency is authorized by statute to make investments, and does so in accordance with Chapter 365 of the Texas Water Development Board rules. There were no violations of legal provisions during the period.

Investments

As of August 31, 2011, the fair value of investments is as presented below.

Governmental and Business-Type Activities	Fair Value
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co.)	\$ 300,821,777.65
Repurchase Agreements (Texas Treasury Safekeeping Trust Co)	132,218,314.94
Total	\$ 433,040,092.59

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, 2011, 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. As of August 31, 2011, the agency’s credit quality distribution of securities and repurchase agreements with credit risk exposure was as follows.

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Standard and Poor's

Fund Type	GAAP Fund	Investment Type	Amount	Rating
05	3050	U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co.)	\$300,821,777.65	AA+

NOTE 3: Summary of Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2011, the following changes occurred in liabilities:

Business-Type Activities	Balance 09-01-10	Additions	Deductions	Balance 08-31-11	Amts Due Within One Year	Amounts Due Thereafter
Notes and Loans Payable (Interfund)	\$ 102,260,068.12	\$ 12,374,704.00	\$ 6,104,844.15	\$ 108,529,927.97	\$ 6,395,590.26	\$ 102,134,337.71
Revenue Bonds Payable	1,326,110,807.94	.00	373,900,473.50	952,210,334.44	13,330,473.50	938,879,860.94
Total Business-Type Activities	\$1,428,370,876.06	\$ 12,374,704.00	\$380,005,317.65	\$1,060,740,262.41	\$19,726,063.76	\$1,041,014,198.65

Notes and Loans Payable (Interfund Payable)

Notes and Loans Payable represent advances to the Clean Water and Drinking Water State Revolving Funds for the State Match portion of these programs, as well as advances to the Rural Water Assistance Fund for loans to political subdivisions. The Debt Service requirements are as follows:

Notes Payable (Interfund Payable) Debt Service Requirements	Business-Type Activities	
	Principal	Interest
2012	\$ 6,395,590.26	\$ 5,254,214.40
2013	6,724,412.12	4,973,429.14
2014	7,048,852.89	4,667,902.00
2015	7,392,671.59	4,340,713.50
2016	7,781,818.01	3,990,041.82
2017-2021	35,413,355.19	14,274,205.34
2022-2026	26,139,679.54	6,562,731.28
2027-2031	11,633,548.37	1,356,763.63
Total Requirements	\$108,529,927.97	\$ 45,420,001.11

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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 Funds or Due To Other Funds
- Transfers In or Transfers Out

Repayment of current interfund balances will occur within one year from the date of the financial statement. Individual balances and activity at August 31, 2011, 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 0651	\$ 6,395,590.26		Match Bonds
Appd Fund 9999, D23 Fund 0651			
Appd Fund 0371, D23 Fund 0371		\$ 6,395,590.26	Match Bonds
Total Interfund Receivable/Payable	\$ 6,395,590.26	\$ 6,395,590.26	

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 0651	\$ 102,134,337.71		Match Bonds
Appd Fund 9999, D23 Fund 0651			
Appd Fund 0371, D23 Fund 0371		\$ 102,134,337.71	Match Bonds
Total Interfund Receivable/Payable	\$ 102,134,337.71	\$ 102,134,337.71	

NOTE 5: Contingent Liabilities

Rebatable Arbitrage

Rebatable arbitrage is defined by Internal Revenue Code Section 148 as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. This rebatable arbitrage must be paid to the federal government. The Board is entitled to invest its

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bond proceeds at an unrestricted yield for various temporary periods ranging from six months to three years. This unrestricted earnings period begins on the date of delivery of the bond issue. Earnings on any funds held by the Board after this period ends must be restricted to the yield of the Board's bond issue. The amount of rebate due the federal government is determined and payable during each five-year period and upon final payment of the tax-exempt bonds.

Arbitrage funds have been established within various Texas Water Development Board programs. Deposits into these funds are made according to the verification agent's final report received around January following the close of each fiscal year. For fiscal year 2010, there was no liability for the final determination of rebate requirements. For Fiscal Year 2011, a preliminary determination of rebatable arbitrage indicates no liability. Any necessary increase in deposit will be made after the final determination is received.

Outstanding Loan and Grant Commitments

At August 31, 2011, 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
Clean Water State Revolving Fund (CWSRF)	245,327,000.00	29,232,905.77	274,559,905.77

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, 2011.

NOTE 6: Bonded Indebtedness

Bonds Payable

Description of Issues

In 1987, the Board received legislative authorization to issue an unlimited amount of revenue bonds to fund certain eligible projects. Currently, the Board has seven revenue bond series outstanding. The Board has authority to sell revenue bonds for the following purposes:

- (1) To finance the construction of water and wastewater projects of political subdivisions and non-profit water supply corporations;
- (2) To provide interim financing to political subdivisions that are also receiving long-term financing from the Board;
- (3) To provide the state matching funds for federal grants under the Federal Water Pollution Control Act and the Safe Drinking Water Act.

The Board's revenue bonds do not constitute a debt of the state and neither the full faith nor credit, nor the taxing authority of the state is in any manner pledged, given, or loaned for the payment of the Board's revenue bonds. Further, the Board's revenue bonds are not secured by or payable from money in Development Fund II. As of this date, the Board has issued revenue bonds only for the purpose of providing funds for the Clean Water State Revolving Fund.

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Description of Issue	Amount Issued	Purpose of Issue	Issue Date
TWDB Revenue Bonds			
W Dev SRF Rev Bds Ser '98-A	\$150,000,000	Provide financial assistance for water quality enhancement purposes	08/01/1998
W Dev SRF Rev Bds Ser '99-B	\$150,000,000	Provide financial assistance for water quality enhancement purposes	11/15/1999
W Dev SRF Rev Bds Ser '07-A	\$309,240,000	Refund, in advance of their maturities, certain outstanding TWDB revenue bonds	05/01/2007
W Dev SRF Rev Bds Ser '08-A	\$203,050,000	Provide financial assistance for water quality enhancement	01/08/2008
W Dev SRF Rev Bds Ser '08-B	\$261,425,000	Provide financial assistance for water quality enhancement	07/15/2008
W Dev SRF Rev Bds Ser '09A-1	\$224,975,000	Provide financial assistance for water quality enhancement	08/18/2009
W Dev SRF Rev Ref Bds Ser '09A-2	\$32,765,000	Refund, in advance of their maturities, certain outstanding TWDB revenue bonds	08/18/2009

Defeased Bonds Outstanding

As of August 31, 2011, the total amount of defeased Clean Water State Revolving Fund revenue bonds is \$188,890,000.00.

NOTE 7: Loans and Contracts

The Board purchases bonds from political subdivisions (including private water supply corporations). As of August 31, 2011, the balance of these bonds owned by the Board was \$2,570,002,000. In general, the majority of these bonds pays interest semi-annually 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 0.00% to 7.50% maturing through the year 2043. It is the opinion of management that all bonds are fully collectible; therefore, no provision for uncollectible amounts is included in these financial statements.

NOTE 8: Available Federal Funds

As of August 31, 2011, the amount of Federal Funds available through the Automated Standard Application for Payments that remains undrawn for the State Revolving Fund is \$97,962,770.99.

NOTE 9: Status of Available Administrative Funding

Cost-recovery loan origination and servicing charges are imposed to cover administrative costs of operating the State Revolving Fund, but an interest rate subsidy is offered to offset the charges. Since the implementation of State Revolving Fund cost-recovery charges in October, 1995, the

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Texas Water Development Board has collected \$79,799,785.87 in service charges from SRF loan recipients; \$6,702,686.00 was collected on loans made during the fiscal year ending August 31, 2011. The administrative account had expenses totaling \$86,058.86 in Fiscal Year 2011.

NOTE 10: State Match Requirement

As of August 31, 2011, \$318,919,095 had been provided for state match. Also, as of August 31, 2011, the total amount of federal capitalization grants awarded was \$1,773,567,141. The state match required for all capitalization grants awarded as of that date was \$318,919,095 leaving no balance to match future capitalization grants.

Combining Statements

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Clean Water State Revolving Fund

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

August 31, 2011

	Clean Water Loan Program	Administration (Federal)	Administration (Fees)	Totals (Exhibit I)
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash in State Treasury	\$ -	\$ -	\$ -	\$ -
Cash Equivalents	12,628,499.05	-	960,036.32	13,588,535.37
Short Term Investments	401,520,067.31	-	31,520,025.28	433,040,092.59
Receivables from:				
Federal	-	601,479.02	-	601,479.02
Interest and Dividends	17,011,472.68	-	26,176.69	17,037,649.37
Loans and Contracts	78,902,000.00	-	-	78,902,000.00
Total Current Assets	510,062,039.04	601,479.02	32,506,238.29	543,169,756.35
Non-Current Assets:				
Loans and Contracts	2,491,100,000.00	-	-	2,491,100,000.00
Total Non-Current Assets	2,491,100,000.00	-	-	2,491,100,000.00
Total Assets	3,001,162,039.04	601,479.02	32,506,238.29	3,034,269,756.35
LIABILITIES				
Current Liabilities:				
Payables from:				
Accounts Payable	217,265.79	97,103.59	-	314,369.38
Interest Payable	5,294,365.61	-	-	5,294,365.61
Interfund Payables	6,395,590.26	-	-	6,395,590.26
Due to Other Funds	670,073.40	504,375.43	-	1,174,448.83
Deferred Revenue	-	-	38,416,903.60	38,416,903.60
Revenue Bonds Payable	13,330,473.50	-	-	13,330,473.50
Total Current Liabilities	25,907,768.56	601,479.02	38,416,903.60	64,926,151.18
Non-Current Liabilities:				
Interfund Payables	102,134,337.71	-	-	102,134,337.71
Revenue Bonds Payable	938,879,860.94	-	-	938,879,860.94
Total Non-Current Liabilities	1,041,014,198.65	-	-	1,041,014,198.65
Total Liabilities	1,066,921,967.21	601,479.02	38,416,903.60	1,105,940,349.83
NET ASSETS				
Unrestricted	1,934,240,071.83	-	(5,910,665.31)	1,928,329,406.52
Total Net Assets	\$ 1,934,240,071.83	\$ -	\$ (5,910,665.31)	\$ 1,928,329,406.52

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

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Clean 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, 2011

	Clean Water Loan Program	Administration (Federal)	Administration (Fees)	Totals (Exhibit II)
Interest and Investment Income	\$ 80,495,218.47	\$ -	\$ 999,105.22	\$ 81,494,323.69
Net Increase (Decrease) Fair Market Value	202,297.37	-	15,378.82	217,676.19
Other Operating Revenue (GR)	-	-	5,170,802.81	5,170,802.81
Total Operating Revenues	80,697,515.84	-	6,185,286.85	86,882,802.69
OPERATING EXPENSES:				
Salaries and Wages	-	5,286,745.28	-	5,286,745.28
Payroll Related Costs	-	990,108.88	-	990,108.88
Professional Fees and Services	5,314.28	287,827.79	60,984.82	354,126.89
Travel	(2,055.30)	43,485.53	-	41,430.23
Materials and Supplies	22,596.67	12,184.92	-	34,781.59
Communication and Utilities	66,574.91	(4,799.24)	-	61,775.67
Repairs and Maintenance	(5,295.77)	10,245.22	-	4,949.45
Rentals and Leases	1,313.62	79,404.80	-	80,718.42
Printing and Reproduction	630.16	-	-	630.16
Interest	79,159,557.97	-	-	79,159,557.97
Other Operating Expenses	945,682.64	120,549.89	25,074.04	1,091,306.57
Total Operating Expenses	80,194,319.18	6,825,753.07	86,058.86	87,106,131.11
Operating Income (Loss)	503,196.66	(6,825,753.07)	6,099,227.99	(223,328.42)
NONOPERATING REVENUE (EXPENSES):				
Federal Revenue (PR - Grants/Contributions)	111,667,714.97	6,825,753.07	-	118,493,468.04
Other Nonoperating Revenue (Expenses)	(69,594,693.75)	-	-	(69,594,693.75)
Total Nonoperating Revenue (Expenses)	42,073,021.22	6,825,753.07	-	48,898,774.29
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	42,576,217.88	-	6,099,227.99	48,675,445.87
Transfers In	5,218.00	-	-	5,218.00
Transfers Out	-	-	-	-
Total Other Revenue, Expenses, Gain/Losses and Transfers	5,218.00	-	-	5,218.00
Change in Net Assets	42,581,435.88	-	6,099,227.99	48,680,663.87
Total Net Assets - Beginning	1,891,658,635.95	-	(12,009,893.30)	1,879,648,742.65
Total Net Assets, August 31, 2011	\$ 1,934,240,071.83	\$ -	\$ (5,910,665.31)	\$ 1,928,329,406.52

Schedules

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Texas Water Development Board (580)
 Schedule 1 - Loans and Contracts
 For the Fiscal Year Ended August 31, 2011

Recipient	Original Amount	Outstanding Balance	Due From	Due To
Clean Water State Revolving Fund				
ALAMO, CITY OF	\$ 4,000,000.00	\$ 3,490,000.00	3/1/2009	3/1/2027
ALEDO, CITY OF	675,000.00	675,000.00	8/15/2013	8/15/2042
ALEDO, CITY OF	2,110,000.00	2,110,000.00	8/15/2013	8/15/2042
ALEDO, CITY OF	3,345,000.00	3,345,000.00	8/15/2013	8/15/2042
ALICE, CITY OF	4,257,000.00	4,257,000.00	2/1/2013	2/1/2042
ALICE, CITY OF	2,054,000.00	2,054,000.00	2/1/2013	2/1/2042
ALTO, CITY OF	425,000.00	170,000.00	7/15/1998	7/15/2017
ALVARADO, CITY OF	1,000,000.00	200,000.00	7/10/2001	7/10/2013
ALVIN, CITY OF	6,650,000.00	5,180,000.00	11/1/2004	11/1/2023
ALVORD, CITY OF	390,000.00	160,000.00	10/1/1997	10/1/2016
ALVORD, CITY OF	420,000.00	285,000.00	10/1/2005	10/1/2024
ANAHUAC, CITY OF	1,465,000.00	900,000.00	8/1/2001	8/1/2020
ANGELINA & NECHES RA	620,000.00	300,000.00	2/1/2000	2/1/2018
ANGELINA & NECHES RA	3,100,000.00	2,215,000.00	4/1/2003	4/1/2021
ANGLETON, CITY OF	645,000.00	425,000.00	8/15/2003	8/15/2022
ANTHONY, TOWN OF	4,000,000.00	4,000,000.00	8/15/2012	8/15/2039
ARANSAS PASS CITY OF	1,115,000.00	850,000.00	2/1/2006	2/1/2025
ARCOLA, CITY OF	1,380,000.00	1,315,000.00	3/1/2009	3/1/2038
ARLINGTON, CITY OF	13,885,000.00	13,195,000.00	6/1/2011	6/1/2030
AUBREY, CITY OF	1,740,000.00	1,180,000.00	8/15/2004	8/15/2023
AUSTIN, CITY OF	10,000,000.00	4,770,000.00	11/15/2000	11/15/2017
AUSTIN, CITY OF	23,240,000.00	23,240,000.00	11/15/2012	11/15/2041
AZLE, CITY OF	13,595,000.00	13,595,000.00	2/1/2013	2/1/2030
BACLIFF MUD	4,890,000.00	3,425,000.00	9/1/2004	9/1/2023
BACLIFF MUD	4,890,000.00	3,870,000.00	9/1/2006	9/1/2025
BARDWELL, CITY OF	200,000.00	129,000.00	8/1/1998	8/1/2017
BAYTOWN, CITY OF	13,370,000.00	10,765,000.00	2/1/2006	2/1/2025
BAYTOWN, CITY OF	19,700,000.00	15,980,000.00	2/1/2007	2/1/2026
BAYVIEW MUD	490,000.00	210,000.00	9/1/1998	9/1/2016
BELL CO WCID #1	34,310,000.00	29,260,000.00	7/10/2005	7/10/2024
BELL CO WCID #1	5,215,000.00	3,875,000.00	7/10/2005	7/10/2024
BELL CO WCID #2	1,055,000.00	1,025,000.00	9/1/2010	9/1/2029
BELLS, CITY OF	130,000.00	70,000.00	2/15/2000	2/15/2018
BLOSSOM, CITY OF	275,000.00	160,000.00	1/1/2000	1/1/2019
BONHAM, CITY OF	1,675,000.00	1,250,000.00	2/15/2007	2/15/2026
BRIDGEPORT, CITY OF	2,200,000.00	345,000.00	7/1/1994	7/1/2013
BRIDGEPORT, CITY OF	1,200,000.00	690,000.00	8/15/2002	8/15/2021
BRIDGEPORT, CITY OF	2,365,000.00	1,505,000.00	8/15/2004	8/15/2023
BROWNSBORO, CITY OF	700,000.00	490,000.00	8/15/2005	8/15/2024
BRYAN, CITY OF	1,270,000.00	1,040,000.00	7/1/2010	7/1/2019
BRYAN, CITY OF	15,685,000.00	15,685,000.00	7/1/2012	7/1/2030
BURNET, CITY OF	11,425,000.00	11,425,000.00	2/1/2012	2/1/2040
CAMERON, CITY OF	710,000.00	520,000.00	2/1/2005	2/1/2024
CAMERON, CITY OF	1,800,000.00	1,360,000.00	2/1/2006	2/1/2024
CAMPBELL, CITY OF	240,000.00	125,000.00	8/15/2000	8/15/2019
CELINA, CITY OF	4,480,000.00	1,835,000.00	9/1/2009	9/1/2028
CIBOLO CREEK MA	2,250,000.00	1,190,000.00	2/1/1999	2/1/2019
CIBOLO CREEK MA	1,500,000.00	880,000.00	7/10/2003	7/10/2022
CIBOLO CREEK MA	6,415,000.00	4,570,000.00	7/10/2005	7/10/2024
CIBOLO CREEK MA	2,745,000.00	2,645,000.00	7/10/2011	7/10/2031
CLEVELAND, CITY OF	2,250,000.00	950,000.00	2/1/1998	2/1/2017
CLEVELAND, CITY OF	1,960,000.00	1,290,000.00	8/1/2001	8/1/2020

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Texas Water Development Board (580)
 Schedule 1 - Loans and Contracts
 For the Fiscal Year Ended August 31, 2011

Recipient	Original Amount	Outstanding Balance	Due From	Due To
CLEVELAND, CITY OF	555,000.00	515,000.00	3/1/2010	3/1/2029
CLEVELAND, CITY OF	2,360,000.00	2,360,000.00	3/1/2012	3/1/2031
COLDSRING, CITY OF	300,000.00	45,000.00	8/1/1994	8/1/2013
COMMERCE, CITY OF	2,005,000.00	1,600,000.00	8/15/2008	8/15/2027
COMMERCE, CITY OF	3,490,000.00	3,375,000.00	2/15/2011	2/15/2040
COMMODORE COVE ID	490,000.00	180,000.00	2/15/1998	2/15/2016
CORINTHIAN POINT MUD #2	1,310,000.00	505,000.00	2/1/1998	2/1/2017
CORPUS CHRISTI, CITY OF	15,750,000.00	7,745,000.00	7/15/2000	7/15/2019
CRANFILLS GAP, CITY OF	605,000.00	395,000.00	9/1/2002	9/1/2021
DALHART, CITY OF	5,870,000.00	3,655,000.00	2/15/2003	2/15/2022
DALLAS CO WCID #6	3,865,000.00	1,895,000.00	9/1/1999	9/1/2018
DAVENPORT RANCH MUD #1	3,665,000.00	210,000.00	9/1/1998	9/1/2017
DAYTON, CITY OF	8,500,000.00	8,175,000.00	2/1/2009	2/1/2028
DE LEON, CITY OF	2,350,000.00	2,110,000.00	2/15/2010	2/15/2029
DEER PARK, CITY OF	5,000,000.00	3,000,000.00	3/1/2004	3/1/2023
DEKALB, CITY OF	565,000.00	390,000.00	12/1/2004	12/1/2019
DEL RIO, CITY OF	2,190,000.00	1,575,000.00	7/1/2005	7/1/2024
DETROIT, CITY OF	925,000.00	560,000.00	7/1/2002	7/1/2020
DRIPPING SPRINGS, CITY OF	9,430,000.00	8,565,000.00	6/1/2007	6/1/2026
EAGLE PASS, CITY OF	2,795,000.00	485,000.00	12/1/1993	12/1/2012
EAGLE PASS, CITY OF	700,000.00	65,000.00	12/1/2004	12/1/2023
EAGLE PASS, CITY OF	10,110,000.00	7,500,000.00	12/1/2005	12/1/2024
EAST CEDAR CREEK FWSD	1,500,000.00	1,145,000.00	1/1/2006	1/1/2025
EASTLAND, CITY OF	975,000.00	905,000.00	2/15/2010	2/15/2029
EDINBURG, CITY OF	4,020,000.00	3,715,000.00	3/1/2010	3/1/2029
EL PASO, CITY OF	16,265,000.00	10,465,000.00	3/1/2003	3/1/2022
EL PASO, CITY OF	7,520,000.00	4,620,000.00	3/1/2003	3/1/2022
EL PASO, CITY OF	10,000,000.00	9,970,000.00	3/1/2006	3/1/2024
EL PASO, CITY OF	10,000,000.00	8,020,000.00	3/1/2007	3/1/2026
EL PASO, CITY OF	14,000,000.00	13,990,000.00	3/1/2010	3/1/2029
EL PASO, CITY OF	22,000,000.00	21,990,000.00	3/1/2010	3/1/2029
EL PASO, CITY OF	2,163,000.00	2,163,000.00	3/1/2012	3/1/2031
EVADALE WCID #1	1,550,000.00	1,000,000.00	7/1/2003	7/1/2022
FAIRFIELD, CITY OF	4,415,000.00	2,880,000.00	9/1/2003	9/1/2022
FIRST COLONY MUD #9	4,000,000.00	95,000.00	10/1/1999	10/1/2018
FLATONIA, CITY OF	665,000.00	290,000.00	2/15/1999	2/15/2018
FORT BEND CO FWSD #1	6,935,000.00	5,800,000.00	8/15/2008	8/15/2027
FORT BEND CO FWSD #1	5,285,000.00	5,285,000.00	8/15/2012	8/15/2039
FORT WORTH, CITY OF	8,080,000.00	4,740,000.00	3/1/2002	3/1/2021
FORT WORTH, CITY OF	34,310,000.00	21,745,000.00	3/1/2003	3/1/2022
FORT WORTH, CITY OF	7,890,000.00	5,770,000.00	3/1/2006	3/1/2025
FORT WORTH, CITY OF	11,500,000.00	9,055,000.00	3/1/2007	3/1/2025
FORT WORTH, CITY OF	33,560,000.00	29,095,000.00	3/1/2009	3/1/2027
FORT WORTH, CITY OF	28,000,000.00	26,695,000.00	2/15/2011	2/15/2030
GALVESTON CO MUD #12	1,820,000.00	845,000.00	9/1/1997	9/1/2015
GALVESTON CO WCID #1	6,395,000.00	4,180,000.00	3/1/2004	3/1/2022
GALVESTON CO WCID #12	1,920,000.00	120,000.00	9/1/1999	9/1/2016
GALVESTON CO WCID #12	515,000.00	25,000.00	9/1/1999	9/1/2018
GARLAND, CITY OF	38,485,000.00	29,760,000.00	3/1/2007	3/1/2024
GREATER TEXOMA UA	350,000.00	55,000.00	4/1/1994	4/1/2013
GREATER TEXOMA UA	300,000.00	125,000.00	4/1/1998	4/1/2017
GREATER TEXOMA UA	155,000.00	70,000.00	4/1/1999	4/1/2018
GREATER TEXOMA UA	500,000.00	445,000.00	7/1/2001	7/1/2020

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Recipient	Original Amount	Outstanding Balance	Due From	Due To
GREATER TEXOMA UA	150,000.00	100,000.00	10/1/2001	10/1/2020
GREATER TEXOMA UA	150,000.00	100,000.00	4/1/2002	4/1/2021
GREATER TEXOMA UA	955,000.00	650,000.00	6/1/2003	6/1/2022
GREATER TEXOMA UA	3,440,000.00	2,405,000.00	10/1/2003	10/1/2021
GREATER TEXOMA UA	865,000.00	570,000.00	10/1/2003	10/1/2021
GREATER TEXOMA UA	1,035,000.00	950,000.00	10/1/2003	10/1/2022
GREATER TEXOMA UA	400,000.00	330,000.00	6/1/2007	6/1/2026
GREATER TEXOMA UA	3,870,000.00	3,150,000.00	6/1/2007	6/1/2026
GREATER TEXOMA UA	3,710,000.00	3,280,000.00	10/1/2008	10/1/2027
GREATER TEXOMA UA	3,430,000.00	3,070,000.00	6/1/2009	6/1/2028
GREATER TEXOMA UA	2,705,000.00	2,655,000.00	10/1/2010	10/1/2029
GREATER TEXOMA UA	1,400,000.00	1,390,000.00	6/1/2011	6/1/2029
GREATER TEXOMA UA	3,975,000.00	3,975,000.00	10/1/2011	10/1/2029
GREENVILLE, CITY OF	20,000,000.00	19,180,000.00	2/15/2011	2/15/2030
GREENWOOD UD	2,465,000.00	755,000.00	8/1/1999	8/1/2017
GROESBECK, CITY OF	2,000,000.00	1,600,000.00	2/15/2008	2/15/2027
GROVES, CITY OF	715,000.00	615,000.00	9/1/2007	9/1/2026
GROVES, CITY OF	5,000,000.00	4,460,000.00	9/1/2008	9/1/2027
HALLSVILLE, CITY OF	2,250,000.00	1,325,000.00	5/1/2000	5/1/2019
HALTOM CITY, CITY OF	3,120,000.00	1,380,000.00	2/1/2003	2/1/2022
HARDIN CO WCID #1	2,100,000.00	990,000.00	8/15/1998	8/15/2017
HARRIS CO FWSD #47	4,365,000.00	4,210,000.00	9/1/2010	9/1/2028
HARRIS CO MUD #148	2,855,000.00	2,855,000.00	4/1/2012	4/1/2031
HARRIS CO MUD #46	2,275,000.00	2,265,000.00	5/1/2010	5/1/2032
HARRIS CO MUD #50	1,500,000.00	1,335,000.00	3/1/2009	3/1/2028
HARRIS CO WCID #136	565,000.00	230,000.00	4/1/1998	4/1/2017
HARRIS CO WCID #36	5,000,000.00	3,280,000.00	9/15/2002	9/15/2021
HARRIS CO WCID #36	5,000,000.00	4,795,000.00	9/15/2010	9/15/2028
HARRIS CO WCID #84	2,075,000.00	190,000.00	8/1/1993	8/1/2012
HARRIS CO WCID #89	7,565,000.00	7,315,000.00	10/1/2010	10/1/2029
HIDALGO CO MUD #1	3,520,000.00	3,290,000.00	2/15/2010	2/15/2039
HILLCREST VILLAGE, CITY OF	300,000.00	150,000.00	3/15/2001	3/15/2019
HONEY GROVE, CITY OF	1,000,000.00	555,000.00	9/1/2000	9/1/2019
HOUSTON, CITY OF	96,705,000.00	93,680,000.00	12/1/2005	12/1/2024
HOUSTON, CITY OF	84,385,000.00	80,435,000.00	12/1/2005	12/1/2024
HOUSTON, CITY OF	69,595,000.00	67,095,000.00	5/15/2007	5/15/2026
HOUSTON, CITY OF	61,545,000.00	59,045,000.00	5/15/2007	5/15/2026
HOUSTON, CITY OF	45,050,000.00	43,850,000.00	11/15/2008	11/15/2037
HOUSTON, CITY OF	52,650,000.00	51,450,000.00	11/15/2008	11/15/2037
HOUSTON, CITY OF	61,545,000.00	60,545,000.00	11/15/2009	11/15/2038
HOUSTON, CITY OF	15,110,000.00	14,835,000.00	11/15/2010	11/15/2039
HOUSTON, CITY OF	58,245,000.00	58,245,000.00	11/15/2011	11/15/2040
HOUSTON, CITY OF	22,795,000.00	22,795,000.00	11/15/2011	11/15/2040
HUMBLE, CITY OF	4,800,000.00	2,390,000.00	3/1/2000	3/1/2019
HUNTERS GLEN MUD	1,885,000.00	1,230,000.00	4/1/2000	4/1/2015
HUTTO, CITY OF	2,520,000.00	2,520,000.00	8/1/2013	8/1/2036
INGLESIDE, CITY OF	2,915,000.00	1,660,000.00	2/1/2003	2/1/2022
INGRAM, CITY OF	764,000.00	737,000.00	2/15/2011	2/15/2040
JACINTO CITY, CITY OF	7,255,000.00	5,590,000.00	5/1/2005	5/1/2024
JARRELL, CITY OF	7,895,000.00	7,345,000.00	8/1/2007	8/1/2026
JARRELL, CITY OF	1,520,000.00	1,485,000.00	8/1/2010	8/1/2038
JASPER, CITY OF	2,495,000.00	1,110,000.00	2/15/1999	2/15/2018
JEFFERSON CO WCID #10	2,750,000.00	2,700,000.00	8/15/2011	8/15/2030

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JOHNSON CO SUD (FORMERLY JOHNSON CO FWSD NO. 1)	1,640,000.00	605,000.00	5/15/1997	5/15/2016
KAUFMAN, CITY OF	2,455,000.00	1,555,000.00	2/15/2003	2/15/2022
KAUFMAN, CITY OF	1,325,000.00	1,025,000.00	8/15/2006	8/15/2025
KENDALL CO WCID #1	2,500,000.00	1,435,000.00	1/1/2001	1/1/2020
KERMIT, CITY OF	4,595,000.00	4,025,000.00	2/15/2009	2/15/2028
KINGSVILLE, CITY OF	2,000,000.00	190,000.00	4/15/1995	4/15/2012
LA COSTE, CITY OF	665,000.00	105,000.00	2/1/1994	2/1/2013
LA FERIA, CITY OF	385,000.00	320,000.00	9/15/2006	9/15/2025
LA JOYA, CITY OF	2,155,000.00	1,811,000.00	3/1/2008	3/1/2027
LA JOYA, CITY OF	4,565,000.00	4,410,000.00	9/1/2010	9/1/2039
LA MARQUE, CITY OF	4,440,000.00	2,110,000.00	9/1/1998	9/1/2016
LA MARQUE, CITY OF	4,600,000.00	2,855,000.00	9/1/2000	9/1/2018
LAKE WORTH, CITY OF	271,000.00	257,000.00	2/1/2011	2/1/2030
LAKEWAY MUD	3,040,000.00	1,365,000.00	9/1/1998	9/1/2017
LAMPASAS, CITY OF	1,040,000.00	485,000.00	8/15/1999	8/15/2018
LIBERTY HILL CITY OF	1,345,000.00	1,200,000.00	9/1/2008	9/1/2027
LIBERTY HILL CITY OF	6,785,000.00	6,055,000.00	9/1/2008	9/1/2027
LIBERTY, CITY OF	8,100,000.00	7,095,000.00	3/1/2009	3/1/2028
LITTLEFIELD, CITY OF	2,565,000.00	1,020,000.00	2/15/1998	2/15/2017
LITTLEFIELD, CITY OF	1,910,000.00	1,615,000.00	2/15/2008	2/15/2027
LORAIN, CITY OF	665,000.00	500,000.00	9/1/2004	9/1/2023
LORENA, CITY OF	2,260,000.00	2,020,000.00	7/1/2009	7/1/2028
LORENZO, CITY OF	705,000.00	355,000.00	8/15/2000	8/15/2019
LOS FRESNOS, CITY OF	4,975,000.00	4,965,000.00	2/1/2010	2/1/2039
LOVELADY, CITY OF	330,000.00	95,000.00	5/1/1996	5/1/2015
LOWER VALLEY WD	20,600,000.00	18,240,000.00	9/15/2008	9/15/2027
LUMBERTON MUD	5,200,000.00	2,280,000.00	8/15/1999	8/15/2018
LUMBERTON MUD	8,765,000.00	7,405,000.00	8/15/2008	8/15/2027
MACEDONIA-EYLAU MUD #1	225,000.00	100,000.00	7/1/1999	7/1/2018
MANVEL, CITY OF	845,000.00	780,000.00	8/15/2007	8/15/2026
MARBLE FALLS, CITY OF	2,950,000.00	2,260,000.00	2/1/2006	2/1/2025
MARFA, CITY OF	1,265,000.00	1,115,000.00	3/15/2009	3/15/2026
MARLIN, CITY OF	2,255,000.00	2,195,000.00	7/1/2007	7/1/2026
MART, CITY OF	810,000.00	635,000.00	9/1/1999	9/1/2018
MAURICEVILLE SUD	925,000.00	585,000.00	11/15/1999	11/15/2018
MAURICEVILLE SUD	9,340,000.00	6,405,000.00	11/15/1999	11/15/2018
MCALLEN, CITY OF	30,295,000.00	27,575,000.00	2/1/2011	2/1/2040
MEADOWHILL REGIONAL MUD	1,460,000.00	865,000.00	10/1/1997	10/1/2015
MERCEDES, CITY OF	1,265,000.00	930,000.00	2/15/2008	2/15/2027
MERCEDES, CITY OF	7,530,000.00	6,950,000.00	2/15/2010	2/15/2029
MEXIA, CITY OF	5,420,000.00	3,470,000.00	8/15/2003	8/15/2022
MISSION, CITY OF	2,032,000.00	577,000.00	4/1/1996	4/1/2015
MONTGOMERY CO MUD # 15	815,000.00	675,000.00	3/1/1998	3/1/2017
MONTGOMERY CO MUD # 15	675,000.00	480,000.00	3/1/1999	3/1/2017
MONTGOMERY CO UD #3	1,290,000.00	560,000.00	4/1/1999	4/1/2015
MOUNT CALM, CITY OF	100,000.00	45,000.00	9/1/2000	9/1/2019
MOUNT VERNON, CITY OF	1,520,000.00	765,000.00	9/1/1999	9/1/2018
NACOGDOCHES, CITY OF	10,365,000.00	7,615,000.00	3/1/2006	3/1/2025
NEW CANEY MUD	1,720,000.00	685,000.00	4/1/1997	4/1/2015
NEW CANEY MUD	380,000.00	310,000.00	4/1/2005	4/1/2024
NEW CANEY MUD	3,095,000.00	3,070,000.00	4/1/2007	4/1/2026
NEWTON, CITY OF	1,855,000.00	890,000.00	3/15/2000	3/15/2019
OAK RIDGE NORTH, CITY OF	4,600,000.00	4,600,000.00	4/1/2012	4/1/2034

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ODEM, CITY OF	1,940,000.00	1,385,000.00	8/1/2004	8/1/2023
OLNEY, CITY OF	265,000.00	185,000.00	9/1/2003	9/1/2022
ORANGE CO WCID #1	2,500,000.00	2,320,000.00	2/15/2010	2/15/2029
ORANGE CO WCID #1	11,115,000.00	11,115,000.00	2/15/2012	2/15/2031
ORANGE CO WCID #1	13,610,000.00	13,610,000.00	8/15/2012	8/15/2031
ORANGE CO WCID #2	3,890,000.00	1,405,000.00	3/1/1997	3/1/2015
ORANGE GROVE, CITY OF	400,000.00	140,000.00	8/15/1997	8/15/2016
PADUCAH, CITY OF	945,000.00	905,000.00	2/15/2010	2/15/2038
PALESTINE, CITY OF	6,545,000.00	1,725,000.00	7/15/1996	7/15/2015
PALESTINE, CITY OF	3,745,000.00	3,210,000.00	7/15/2005	7/15/2022
PALESTINE, CITY OF	860,000.00	665,000.00	7/15/2007	7/15/2025
PALESTINE, CITY OF	4,665,000.00	3,865,000.00	7/15/2008	7/15/2027
PALESTINE, CITY OF	600,000.00	550,000.00	7/15/2010	7/15/2029
PANHANDLE, CITY OF	1,875,000.00	1,190,000.00	2/15/2003	2/15/2022
PARKWAY UTILITY DISTRICT	3,965,000.00	1,065,000.00	3/1/1999	3/1/2017
PASADENA, CITY OF	31,370,000.00	2,175,000.00	4/1/2000	4/1/2019
PECOS CITY, TOWN OF	6,870,000.00	6,325,000.00	3/15/2010	3/15/2034
PHARR, CITY OF	29,000,000.00	26,815,000.00	9/1/2008	9/1/2027
PINE VILLAGE PUD	810,000.00	250,000.00	9/1/1996	9/1/2014
PINE VILLAGE PUD	845,000.00	790,000.00	3/1/2001	3/1/2020
POINT CITY OF	1,370,000.00	1,130,000.00	7/1/2006	7/1/2025
POLK CO FWSD #2	1,955,000.00	1,910,000.00	7/10/2003	7/10/2022
PORT ARTHUR CITY OF	15,000,000.00	9,500,000.00	2/15/2003	2/15/2023
PROSPER, TOWN OF	800,000.00	380,000.00	7/10/1999	7/10/2018
QUINLAN, CITY OF	845,000.00	415,000.00	9/1/1998	9/1/2017
RAYMONDVILLE, CITY OF	1,365,000.00	1,325,000.00	4/1/2011	4/1/2040
REDWATER, CITY OF	470,000.00	390,000.00	6/1/2007	6/1/2026
RICHLAND HILLS, CITY OF	4,000,000.00	1,860,000.00	8/15/1999	8/15/2018
RIO GRANDE CITY, CITY OF	210,000.00	15,000.00	7/10/1993	7/10/2012
RIO GRANDE CITY, CITY OF	1,750,000.00	145,000.00	7/10/1993	7/10/2012
RIO GRANDE CITY, CITY OF	350,000.00	25,000.00	7/10/1993	7/10/2012
RIO GRANDE CITY, CITY OF	2,885,000.00	2,745,000.00	2/15/2011	2/15/2030
RIVIERA WCID	280,000.00	120,000.00	11/1/1997	11/1/2016
ROBSTOWN, CITY OF	775,000.00	130,000.00	12/1/1993	12/1/2012
ROCKDALE, CITY OF	6,300,000.00	5,380,000.00	8/15/2006	8/15/2025
ROMA, CITY OF	3,035,000.00	1,695,000.00	5/1/2001	5/1/2020
ROMA, CITY OF	1,150,000.00	827,000.00	5/1/2005	5/1/2024
ROSCOE, CITY OF	1,560,000.00	1,240,000.00	2/15/2008	2/15/2027
ROSENBERG, CITY OF	410,000.00	370,000.00	8/1/2010	8/1/2029
ROXTON CITY OF	1,000,000.00	870,000.00	7/1/2008	7/1/2027
SABINAL, CITY OF	600,000.00	600,000.00	8/15/2012	8/15/2031
SAN ANTONIO WATER SYSTEM	9,715,000.00	7,205,000.00	5/15/2002	5/15/2021
SAN ANTONIO WATER SYSTEM	15,435,000.00	11,335,000.00	5/15/2002	5/15/2021
SAN ANTONIO WATER SYSTEM	15,650,000.00	11,440,000.00	5/15/2003	5/15/2022
SAN ANTONIO WATER SYSTEM	12,090,000.00	9,025,000.00	5/15/2003	5/15/2022
SAN ANTONIO WATER SYSTEM	34,000,000.00	28,090,000.00	5/15/2004	5/15/2023
SAN ANTONIO WATER SYSTEM	26,365,000.00	23,560,000.00	5/15/2005	5/15/2024
SAN ANTONIO WATER SYSTEM	10,635,000.00	9,410,000.00	5/15/2005	5/15/2024
SAN ANTONIO WATER SYSTEM	35,375,000.00	29,840,000.00	5/15/2008	5/15/2027
SAN ANTONIO WATER SYSTEM	8,070,000.00	6,690,000.00	5/15/2008	5/15/2027
SAN ANTONIO WATER SYSTEM	30,000,000.00	27,815,000.00	5/15/2009	5/15/2038
SAN ANTONIO WATER SYSTEM	23,260,000.00	21,775,000.00	5/15/2009	5/15/2038
SAN ANTONIO WATER SYSTEM	54,300,000.00	51,610,000.00	5/15/2010	5/15/2039

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SAN ANTONIO WATER SYSTEM	17,930,000.00	17,420,000.00	5/15/2011	5/15/2040
SAN ANTONIO WATER SYSTEM	18,095,000.00	18,095,000.00	5/15/2012	5/15/2041
SAN AUGUSTINE, CITY OF	1,050,000.00	1,050,000.00	2/15/2012	2/15/2040
SAN JUAN, CITY OF	2,180,000.00	1,750,000.00	3/1/2007	3/1/2026
SAN LEON MUD	1,150,000.00	405,000.00	7/10/1997	7/10/2016
SAN PATRICIO MWD	3,050,000.00	1,605,000.00	2/1/2000	2/1/2018
SANGER, CITY OF	1,060,000.00	380,000.00	5/15/1997	5/15/2016
SEGUIN, CITY OF	1,300,000.00	645,000.00	2/1/1999	2/1/2017
SEMINOLE, CITY OF	2,960,000.00	2,870,000.00	2/15/2011	2/15/2034
SONORA, CITY OF	6,000,000.00	5,765,000.00	12/1/2010	12/1/2029
STAMFORD, CITY OF	265,000.00	175,000.00	2/15/2006	2/15/2025
SUGAR LAND, CITY OF	3,215,000.00	1,975,000.00	8/15/2003	8/15/2022
SUNBELT FWSD	5,310,000.00	3,265,000.00	12/1/2001	12/1/2020
SUNBELT FWSD	495,000.00	305,000.00	12/1/2001	12/1/2020
SUNBELT FWSD	945,000.00	735,000.00	12/1/2003	12/1/2022
SWEETWATER, CITY OF	3,995,000.00	1,855,000.00	8/15/1999	8/15/2018
SWEETWATER, CITY OF	3,990,000.00	1,855,000.00	8/15/1999	8/15/2018
TAFT, CITY OF	5,780,000.00	5,780,000.00	3/1/2013	3/1/2042
TAHOKA, CITY OF	1,780,000.00	815,000.00	2/15/2000	2/15/2018
TATTOR ROAD MD	560,000.00	245,000.00	3/1/1998	3/1/2016
TAYLOR LANDING, CITY OF	710,000.00	660,000.00	9/1/2009	9/1/2028
TEXARKANA, CITY OF	2,755,000.00	920,000.00	8/1/1997	8/1/2016
TIOGA, CITY OF	300,000.00	140,000.00	4/1/1999	4/1/2018
TOMBALL, CITY OF	7,550,000.00	3,715,000.00	2/15/2000	2/15/2019
TRAVIS CO WCID (POINT VENTURE)	1,460,000.00	665,000.00	8/15/1999	8/15/2018
TRINIDAD, CITY OF	400,000.00	355,000.00	1/1/2009	1/1/2027
TRINITY BAY CONSERVATION DISTRICT	1,300,000.00	630,000.00	8/15/1998	8/15/2017
TRINITY RIVER AUTHORITY	8,480,000.00	5,910,000.00	2/1/2003	2/1/2021
TRINITY RIVER AUTHORITY	106,475,000.00	104,970,000.00	8/1/2007	8/1/2026
TRINITY RIVER AUTHORITY	47,595,000.00	47,580,000.00	2/1/2009	2/1/2027
TRINITY RIVER AUTHORITY	24,800,000.00	24,790,000.00	2/1/2010	2/1/2028
TRINITY RIVER AUTHORITY	120,000,000.00	119,990,000.00	8/1/2010	8/1/2027
TRINITY RIVER AUTHORITY	46,190,000.00	42,005,000.00	8/1/2010	8/1/2027
TRINITY RIVER AUTHORITY	90,000,000.00	89,990,000.00	8/1/2010	8/1/2028
TRINITY RIVER AUTHORITY	86,780,000.00	86,775,000.00	8/1/2011	8/1/2030
TRINITY RIVER AUTHORITY	8,280,000.00	8,280,000.00	2/1/2012	2/1/2031
TRINITY RIVER AUTHORITY	7,760,000.00	7,760,000.00	2/1/2012	2/1/2036
TRINITY RIVER AUTHORITY	107,180,000.00	107,180,000.00	8/1/2012	8/1/2034
TRINITY RIVER AUTHORITY	23,410,000.00	23,410,000.00	8/1/2012	8/1/2036
TRINITY RIVER AUTHORITY	19,465,000.00	19,465,000.00	2/1/2013	2/1/2038
TRINITY RIVER AUTHORITY	1,775,000.00	1,775,000.00	8/1/2013	8/1/2032
TRINITY RIVER AUTHORITY	127,005,000.00	127,005,000.00	8/1/2014	8/1/2043
UPPER TRINITY REGIONAL WATER DISTRICT	3,085,000.00	1,145,000.00	8/1/1997	8/1/2016
UPPER TRINITY REGIONAL WATER DISTRICT	6,685,000.00	4,575,000.00	8/1/2004	8/1/2023
VERNON, CITY OF	2,855,000.00	1,995,000.00	3/15/2004	3/15/2023
VICTORIA CO WCID #1	1,280,000.00	580,000.00	3/1/1999	3/1/2018
WAXAHACHIE, CITY OF	3,935,000.00	1,555,000.00	8/1/1998	8/1/2017
WELLMAN, CITY OF	600,000.00	140,000.00	3/1/1995	3/1/2014
WELLS BRANCH MUD	1,400,000.00	705,000.00	8/1/2000	8/1/2019
WELLS, CITY OF	220,000.00	20,000.00	9/1/1993	9/1/2011
WEST TAWAKONI, CITY OF	250,000.00	75,000.00	1/1/1996	1/1/2015
WEST UNIVERSITY PLACE, CITY OF	3,015,000.00	100,000.00	2/1/2003	2/1/2021
WESTWOOD SHORES MUD	1,825,000.00	1,825,000.00	5/1/2014	5/1/2030

UNAUDITED

Texas Water Development Board (580)
 Schedule 1 - Loans and Contracts
 For the Fiscal Year Ended August 31, 2011

Recipient	Original Amount	Outstanding Balance	Due From	Due To
WHITE OAK BEND MUD	470,000.00	115,000.00	10/1/2004	10/1/2022
WHITE OAK, CITY OF	1,845,000.00	630,000.00	3/1/2002	3/1/2015
WHITESBORO, CITY OF	2,725,000.00	1,775,000.00	8/15/2003	8/15/2022
WILLIS, CITY OF	1,170,000.00	470,000.00	8/1/1997	8/1/2016
WILLIS, CITY OF	1,000,000.00	655,000.00	8/1/2003	8/1/2022
WILLIS, CITY OF	1,355,000.00	1,355,000.00	8/1/2012	8/1/2031
WILMER, CITY OF	250,000.00	70,000.00	4/15/1995	4/15/2014
WILSON, CITY OF	1,705,000.00	1,660,000.00	2/15/2011	2/15/2039
WINNSBORO, CITY OF	1,050,000.00	870,000.00	2/15/2007	2/15/2026
WINTERS, CITY OF	655,000.00	605,000.00	10/1/2009	10/1/2028
YOAKUM, CITY OF	5,000,000.00	4,765,000.00	8/15/2009	8/15/2028
YOAKUM, CITY OF	2,500,000.00	2,270,000.00	8/15/2010	8/15/2031
ZAPATA COUNTY	6,415,000.00	6,415,000.00	2/15/2013	2/15/2032
Total - Clean Water State Revolving Fund	\$ 2,927,391,000.00	\$ 2,570,002,000.00		

General
Purpose
Financial
Statements
(ARRA)

UNAUDITED

Clean Water State Revolving Fund

Exhibit I - Combined Statement of Net Assets - Proprietary Funds

American Recovery & Reinvestment Act (ARRA)

August 31, 2011

	Total Enterprise Funds (Exhibit F-1)
ASSETS	
Current Assets:	
Receivables from:	
Federal	\$ 87,973.65
Loans and Contracts	1,261,000.00
Total Current Assets	1,348,973.65
Non-Current Assets:	
Loans and Contracts	59,392,000.00
Total Non-Current Assets	59,392,000.00
Total Assets	60,740,973.65
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts Payable	14,966.50
Due to Other Funds	73,007.15
Total Current Liabilities	87,973.65
Total Liabilities	87,973.65
NET ASSETS	
Unrestricted	60,653,000.00
Total Net Assets	\$ 60,653,000.00

UNAUDITED

Clean Water State Revolving Fund

**Exhibit II - Combined Statement of Revenues, Expenses, and
Changes in Fund Net Assets - Proprietary Funds
American Recovery & Reinvestment Act (ARRA)**

For the Fiscal Year Ended August 31, 2011

	Total Enterprise Funds (Exhibit F-2)
	<hr/>
OPERATING EXPENSES:	
Salaries and Wages	\$ 717,806.63
Payroll Related Costs	130,288.07
Professional Fees and Services	188,358.25
Travel	18,195.49
Materials and Supplies	2,546.92
Communication and Utilities	(15,752.66)
Repairs and Maintenance	16.26
Rentals and Leases	54,377.39
Other Operating Expenses	44,446.47
Total Operating Expenses	<hr/> 1,140,282.82
Operating Income (Loss)	<hr/> (1,140,282.82) <hr/>
NONOPERATING REVENUES (EXPENSES):	
Federal Revenue	96,420,644.13
Other Nonoperating Revenue (Expenses)	(52,987,361.31)
Total Nonoperating Revenue (Expenses)	<hr/> 43,433,282.82 <hr/>
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	<hr/> 42,293,000.00 <hr/>
Change in Net Assets	<hr/> 42,293,000.00 <hr/>
Total Net Assets - Beginning	18,380,000.00
Restatements	(20,000.00)
Total Net Assets, September 1, 2010, as Restated	<hr/> 18,360,000.00 <hr/>
Total Net Assets, August 31, 2011	<hr/> \$ 60,653,000.00 <hr/>

Combining Statements (ARRA)

UNAUDITED

Clean Water State Revolving Fund

Exhibit F-1 - Combining Statement of Net Assets - Enterprise Funds
American Recovery & Reinvestment Act (ARRA)

August 31, 2011

	ARRA Clean Water Loan Program	ARRA Administration (Federal)	ARRA Totals (Exhibit I)
ASSETS			
Current Assets:			
Receivables from:			
Federal	\$ -	\$ 87,973.65	\$ 87,973.65
Loans and Contracts	1,261,000.00	-	1,261,000.00
Total Current Assets	1,261,000.00	87,973.65	1,348,973.65
Non-Current Assets:			
Loans and Contracts	59,392,000.00	-	59,392,000.00
Total Non-Current Assets	59,392,000.00	-	59,392,000.00
Total Assets	60,653,000.00	87,973.65	60,740,973.65
LIABILITIES			
Current Liabilities:			
Payables from:			
Accounts Payable	-	14,966.50	14,966.50
Due to Other Funds	-	73,007.15	73,007.15
Total Current Liabilities	-	87,973.65	87,973.65
Total Liabilities	-	87,973.65	87,973.65
NET ASSETS			
Unrestricted	60,653,000.00	-	60,653,000.00
Total Net Assets	\$ 60,653,000.00	\$ -	\$ 60,653,000.00

UNAUDITED

Clean Water State Revolving Fund

Exhibit F-2 - Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets - Enterprise Funds
American Recovery & Reinvestment Act (ARRA)

For the Fiscal Year Ended August 31, 2011

	ARRA Clean Water Loan Program	ARRA Administration (Federal)	ARRA Totals (Exhibit II)
OPERATING EXPENSES:			
Salaries and Wages	\$ -	\$ 717,806.63	\$ 717,806.63
Payroll Related Costs	-	130,288.07	130,288.07
Professional Fees and Services	-	188,358.25	188,358.25
Travel	-	18,195.49	18,195.49
Materials and Supplies	-	2,546.92	2,546.92
Communication and Utilities	-	(15,752.66)	(15,752.66)
Repairs and Maintenance	-	16.26	16.26
Rentals and Leases	-	54,377.39	54,377.39
Other Operating Expenses	-	44,446.47	44,446.47
Total Operating Expenses	-	1,140,282.82	1,140,282.82
Operating Income (Loss)	-	(1,140,282.82)	(1,140,282.82)
NONOPERATING REVENUE (EXPENSES):			
Federal Revenue (PR - Grants/Contributions)	95,280,361.31	1,140,282.82	96,420,644.13
Other Nonoperating Revenue (Expenses)	(52,987,361.31)	-	(52,987,361.31)
Total Nonoperating Revenue (Expenses)	42,293,000.00	1,140,282.82	43,433,282.82
Income/(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	42,293,000.00	-	42,293,000.00
Total Other Revenue, Expenses, Gain/Losses and Transfers	-	-	-
Change in Net Assets	42,293,000.00	-	42,293,000.00
Total Net Assets - Beginning	18,380,000.00	-	18,380,000.00
Restatements	(20,000.00)	-	(20,000.00)
Total Net Assets, September 1, 2010, as Restated	18,360,000.00	-	18,360,000.00
Total Net Assets, August 31, 2011	\$ 60,653,000.00	\$ -	\$ 60,653,000.00