



STATE OF UTAH
WATER QUALITY
STATE REVOLVING FUND



(Elwood Town – Project #167)

ANNUAL REPORT AND
FINANCIAL STATEMENTS
State Fiscal Year 2012

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Executive Summary

The State of Utah's Water Quality Revolving Fund (the SRF) was established pursuant to Title VI of the Federal Clean Water Act of 1987. The SRF provides low interest rate loans to finance the construction of publicly owned water quality preservation and protection facilities.

The Utah Department of Environmental Quality (DEQ) administers the SRF through the Division of Water Quality. The Utah Water Quality Board (the Board) is comprised of eleven members who are appointed by the Governor. The Board develops administrative rules for program implementation and authorizes loans under the SRF. Primary SRF activities of the Division of Water Quality include: administering loans for water quality, assisting communities to properly treat and dispose of wastewater, and managing fund transactions.

The Division of Water Quality serves as staff for the Board and manages the day-to-day operations of the SRF. The Division of Water Quality receives assistance and support from the Department of Environmental Quality - Office of Support Services, the Department of Administrative Services - Division of Finance, the Utah Attorney General's Office, and the State Treasurer's Office. The salaries and benefits of DEQ employees, as well as indirect costs based on direct salary costs, are charged to the SRF. Employees who charge time to the SRF are covered by the State of Utah personnel benefits plan. State indirect costs for general state expenses are also charged to the SRF through a cost allocation plan.

With approval from the Environmental Protection Agency, the State of Utah established a Hardship Grant Program during State Fiscal Year 1993. This grant program was partially funded by hardship assessment fees that were charged in lieu of interest on loans awarded through the SRF. Hardship grant assessment payments are deposited into a Federal Hardship Grant Fund, which is separate from the SRF. The Federal Hardship Grant Fund is used to award grants to communities that are otherwise financially unable to participate in the SRF loan program. The SRF financial statements included in this report account for hardship grant assessments, grant awards, and Federal Hardship Grant Fund interest earnings. For loans closed after July 1, 1999, federal hardship grant assessments are used in accordance with the EPA policies and regulations.

Utah also operates a State loan program, which provides Utah the flexibility to fund needed water quality projects without certain restrictions that accompany the SRF program. State match funds for the SRF have been generated from the State loan program.

Mission Statement

The mission of the Department of Environmental Quality is to safeguard human health and quality of life by protecting and enhancing the environment.

Goals, Objectives, and Implementation Plans

Projects which preserve and protect water quality within the State of Utah will be considered for financial assistance. Projects will not be limited to the treatment of municipal waste.

Long-Term Program Goals

1. Provide a permanent source of funding that can be used in combination with community and other funding sources in order to assist the financing of wastewater facility construction and water quality projects.
 - All projects that have been or will be funded from the SRF will receive loans, which require an annual repayment of principal. Since its inception, the fund balance has been increasing steadily. Cash flow projections indicate that the fund will continue to generate a repayment stream for the funding of future projects.
2. Evaluate and prioritize water quality needs within the state in order to distribute funds to the most environmentally needy projects.
 - All projects that have received or are planning to receive loans from the SRF are high priority projects that meet a critical need as defined by the Utah State Project Priority System.
3. Maximize the use of funds by offering state financial assistance for sufficient and affordable funding of construction projects.
 - The SRF balances the environmental and economic need for individual projects, which support EPA's Sustainability Policy. A financial feasibility review is performed before a project is authorized for a SRF loan. This review evaluates the rate of interest that an entity can afford to pay and its ability to repay a loan. Unless the entity is determined capable of repaying the loan, an authorization is not made.
 - The Hardship Grant Program was created specifically to provide funding for projects that would not be able to secure sufficient loan funds due to financial restraints.
 - The Water Quality Board assists communities addressing needs for adequate wastewater facilities and recognizes that these facilities must be sized for future growth. When helping communities provide wastewater infrastructure for existing and future users, the Board should be satisfied that proper and adequate planning has taken place so that environmental and quality of life problems associated with sprawl are not fostered by its funded projects.

Short-Term Program Goals

1. Assist prospective recipients with funding application preparations from initial facility planning through authorization of funding.
 - Each community in the IUP receives facility planning and funding application preparation assistance.
2. Assist recipients during the completion of construction for projects that have received

financial assistance from prior year funds.

- Water Quality assists each community from the beginning stages of application, planning, and design through the completion of construction.

Details of Accomplishments

Financial Status of the SRF

The State Revolving Fund receives Capitalization Grants from the EPA and 20% state match funds for obligated grants.

The fund increases with revenues from interest on loans and interest earned on investment funds. The net income from fund activities continues to increase and the fund balance is increasing steadily.

Assistance Activity

As of June 30, 2012, one hundred and eleven (111) loans have been closed, with all projects having had begun construction. A total of ninety-five (95) of those projects have completed construction (see Table 1 for details).

Provisions of the Operating Agreement/Conditions of the Grant

The State of Utah agreed to twenty-four conditions in the Operating Agreement. Twelve conditions have been met and need no further description and are as follows:

1. Agreement to Accept Payments
2. State Laws and Procedures
3. State Accounting and Auditing Procedures
4. Recipient Accounting and Auditing Procedures
5. Use of the LOC
6. Repayments
7. Annual Audit
8. Annual Report
9. Annual Review
10. Anti-lobbying
11. Drug Free Workplace
12. Rural Area Business Enterprise Development Plan

The remaining eleven conditions described in the Operating Agreement have also been met and are described below:

13. Provide State Match - State matching funds have either been added to the fund or committed to the SRF in the amount required by the Clean Water Act. State match funds are available from the Utah Wastewater Project Assistance Program.
14. Repayment Begins within One Year of Construction End – Principal and interest repayments of the Utah State Revolving Fund begin within one year of construction completion. This allotted time allows revenue accumulation for one annual loan payment.
15. Extended Term Financing – Utah ensures that the long-term revolving nature of the fund is protected. Based on Clean Water NIMS data, the three-year rolling average for 2010, 2011, and 2012 is \$27,752,629, which is above the established baseline of \$10,770,155.
16. Expeditious and Timely Expenditure - Utah has disbursed all cash draws in a timely and expeditious manner. Construction has begun on all SRF projects within a short period after loans are closed. (See Table 1 & Table 2 for details.)
17. First Use for Enforceable Requirements - Prior to receiving the Capitalization Grant, Utah had met the requirements of Section 1382(b) (5) of the Clean Water Act. This section requires that all Capitalization Grant funds be used first in order to assure maintenance of progress toward compliance with enforceable deadlines, goals, and requirements of the Clean Water Act.
18. Eligible Activities of the Fund - All projects that have received SRF loans have either expended loan proceeds for eligible costs or used “banked equivalency.”
19. Compliance with Title II Requirements - In accordance with Section 1382 (b) (6) of the Clean Water Act, the SRF is required to meet sixteen specific Title II “equivalency” requirements for wastewater treatment projects under Section 212 which have been constructed, in whole or part, before October 1, 1994, with funds “directly made available by the Capitalization Grant.” The State has met equivalency requirements up to October 1, 1994 and documented that compliance in previous annual reports. Since there was no requirement under this statute beyond the October 1, 1994 date, there has been no additional reporting for equivalency in this report.
20. MBE/WBE Requirements - The State negotiated fair share utilization goals with Region VIII for participation on activities financed by the SRF. During the state fiscal year, the SRF program has met or exceeded the minimum Disadvantaged Business Enterprise (DBE) utilization program requirements. Construction projects have either implemented fair share utilization goals for DBE participation or have demonstrated that a good faith effort was made to provide opportunity for qualified DBE involvement.
21. Other Federal Authorities - The State and all recipients of SRF funds, which were made available directly by the Capitalization Grant, have complied with applicable federal authorities. Recipients of SRF assistance agreed to this as a condition of the bond agreement between the loan recipient and the State.

22. State Environmental Review Process - During the fiscal year, the State was actively involved in assisting potential SRF projects with planning. Environmental impacts are being carefully considered with each plan. No loans are closed with a community until a Categorical Exclusion, Finding of No Significant Impact, or Environmental Impact Statement is issued.
23. Cash Draw Procedures - Table 2 of this report includes the amount of funds drawn from the federal Letter of Credit (LOC) and from the state match for loan projects and administration during the fiscal year.
24. Outlay Projections - The FY12 Intended Use Plan (IUP) projected draws for loans from the federal LOC equal to \$8,921,897. During SFY 2012 a total of \$10,053,439 was actually drawn, which is approximately 113% of the projected amount.

Additional Subsidization

The 2011 Capitalization Grant requires that not less than \$718,995 of assistance provided is in the form of additional subsidies. The maximum amount of additional subsidy assistance that can be authorized is \$2,396,649. The State of Utah met this objective by providing principal forgiveness to the following project/s.

Recipient Name	Project #	Funding Amount	Principal Forgiveness Amount	Hardship Community
Elwood Town	167	\$3,692,000	\$1,381,399	Yes
Ogden City	184b	1,000,000	1,000,000	Yes
Totals		\$4,692,000	\$2,381,399	

The 2012 Capitalization Grant requires that not less than \$412,488 of assistance provided is in the form of additional subsidies. The maximum amount of additional subsidy assistance that can be authorized is \$618,732. The State of Utah met this objective by providing principal forgiveness to the following project/s.

Recipient Name	Project #	Funding Amount	Principal Forgiveness Amount	Hardship Community
Mona City	C042	\$1,400,000	\$610,000	Yes

Green Project Reserve

The 2011 Capitalization Grant requires that at least 20% of the funds, equal to \$1,551,800, be utilized for water or energy efficiency, green infrastructure, or other environmentally innovative activities. The State of Utah met this objective by funding the following project/s:

Recipient Name	Project #	Funding Amount	Green Project Reserve Amount	Project Type
Elwood Town	167	\$3,692,000	\$ 819,810	Water Efficiency
Ogden City	184b	1,000,000	1,000,000	Green Infrastructure
Totals		\$4,692,000	\$1,819,810	

The 2012 Capitalization Grant requires that at least 10% of the funds, equal to \$742,203, be utilized for water or energy efficiency, green infrastructure, or other environmentally innovative activities. The State of Utah met this objective by funding the following project/s:

Recipient Name	Project #	Funding Amount	Green Project Reserve Amount	Project Type
Santaquin City	169	\$6,934,000	\$1,076,000	Water Efficiency

Current Status and Proposed Improvements

Since its inception, the State Revolving Fund has been steadily increasing and has grown into a permanent source of financial assistance for the construction of water quality projects throughout the State of Utah.

Each year, there are water quality projects in Utah that do not receive funding directly from the SRF. Utah encourages community self-reliance through prudent planning and cooperative efforts to utilize other sources of available financial assistance.

Many of the larger wastewater treatment facilities located in high population areas of the State have developed their own sources of financing construction without the utilization of the State Revolving Fund. Medium-sized communities heavily rely on the SRF to provide additional assistance in order to make wastewater treatment affordable to their citizens. To allow affordability, communities with small populations use the Rural Development Administration in combination with the Utah Wastewater Project Assistance Program for loans and grants to finance their wastewater projects. The Community Impact Board funding is used by communities located within impacted communities.

Management

The Utah Water Quality Board governs the State Revolving Fund, sets policy, and authorizes assistance. The Division of Water Quality, Engineering Section manages the State Revolving Fund.

TABLE 1
UTAH STATE REVOLVING FUND
ACCOMPLISHMENTS TO JUNE 30, 2012

PROJECT	Recipient Name	IDENTIFICATION		Hardship Assmt	Term	Need	Planned Loan Amount	Actual Amount	Planned Binding Commitment	Actual Commitment	Planned Construction Start	Actual Construction Start	Planned Construction Complete	Actual Construction Complete
		E	NE											
101	Smithfield City	◆	◆	L	20 yrs	IVa&b	3,630,300	3,630,300	May-88	Aug-88	Jun-88	Aug-88	Oct-89	Oct-90
102	South Davis SID - North	◆	◆	L	20 yrs	I	4,498,440	4,498,000	Jan-89	Jan-89	May-88	Sep-88	Oct-90	Oct-91
103a	Central Davis SID - Ph 4	◆	◆	L	20 yrs	I	1,250,000	1,250,000	Aug-88	Aug-88	Feb-89	Feb-89	Feb-90	Aug-91
104	Providence City	◆	◆	L	18 yrs	IVa & b	3,500,000	3,500,000	Sep-89	Sep-89	Sep-89	Nov-90	Nov-90	Jan-91
105	Solitude ID Phase I	◆	◆	L	20 yrs	IVb	3,200,000	2,993,000	Sep-89	Sep-89	Sep-89	Mar-90	Jan-93	Jan-92
103b	Central Davis SID - Ph 5&6	◆	◆	L	20 yrs	I	1,150,000	1,150,000	Aug-88	Apr-90	Aug-88	Feb-89	Feb-90	Aug-91
108	Central Davis SID - Ph 5&6	◆	◆	L	20 yrs	I	500,000	650,000	Mar-90	Apr-90	Feb-90	Jan-90	Mar-91	Jun-91
107	South Davis SID - North	◆	◆	L	20 yrs	IVb&IVa	4,300,000	4,205,000	Feb-90	Aug-90	Aug-88	Feb-89	Sep-91	Nov-92
112	South Davis SID - North	◆	◆	L	20 yrs	IVb	1,300,000	2,376,716	Mar-91	May-91	Jun-91	Jan-92	Jun-93	Mar-95
106	Hyde Park City	◆	◆	L	18 yrs	IV b	1,750,000	800,000	Dec-91	Dec-91	Sep-91	Jan-92	Jun-93	Mar-95
114	South Weber City	◆	◆	L	20 yrs	IVb&IVa	3,006,000	3,056,000	Mar-92	May-92	Jun-92	Jul-92	Sep-95	Oct-95
115	South Davis SID - South	◆	◆	L	20 yrs	I	3,441,000	4,475,000	Sep-92	Sep-92	Aug-92	Oct-92	Sep-94	Oct-95
119	Aurora City	◆	◆	L	20 yrs	IVb, IVa&I	965,000	665,000	May-93	Apr-93	Jul-93	Dec-93	Sep-94	Sep-94
125	Timpanogos SD (sludge)	◆	◆	L	10 yrs	II	1,300,000	1,300,000	Jun-93	Jun-93	Jul-93	Jun-93	Jul-94	Dec-93
123	St George City	◆	◆	L	20 yrs	I	4,000,000	4,000,000	Dec-93	Dec-93	Feb-94	Nov-94	Sep-97	Oct-98
109	Santaquin City	◆	◆	L	20 yrs	IVb, IVa&I	2,307,000	1,307,000	Dec-93	Feb-94	May-94	Nov-94	Dec-93	Dec-93
128	Orem City	◆	◆	L	20 yrs	I	3,500,000	3,500,000	Feb-94	Apr-94	Mar-94	Aug-94	Sep-95	Jun-97
126	North Davis Co. SID	◆	◆	L	20 yrs	II	4,000,000	4,000,000	Dec-93	Dec-93	Jan-94	Aug-94	Jan-96	Apr-96
122	Snyderville Basin SID	◆	◆	L	20 yrs	I	2,500,000	2,500,000	Mar-94	Jun-94	Oct-95	Aug-94	Sep-95	Jul-97
132	Magna ID	◆	◆	L	20 yrs	IVb, I	2,320,000	2,320,000	Feb-94	Jun-94	Mar-94	Jul-94	Sep-95	Jul-95
135	Timpanogos SD	◆	◆	L	20 yrs	IVb, I	2,900,000	2,900,000	Jul-94	Jul-94	Oct-95	Jul-94	Oct-95	Apr-96
117	Cedar City	◆	◆	L	20 yrs	II, I & IVb	12,010,000	12,010,000	Aug-94	Aug-94	Apr-94	Sep-94	Dec-96	Jun-97
131	Provo City	◆	◆	L	7 yrs	II	1,185,000	1,185,000	Dec-94	Apr-95	Apr-95	Apr-95	Feb-96	Oct-96
130	Jordanella SAD	◆	◆	L	10 yrs	IVb	2,137,000	2,736,000	Dec-94	May-95	May-95	Jul-97	Dec-01	Dec-01
113	Midway Sanitation District	◆	◆	L	10 yrs	IVb	0	151,000	Dec-94	May-95	May-95	Jul-97	Dec-96	Dec-96
116	Mapleton City	◆	◆	L	20 yrs	IVa & IVb	4,320,500	6,330,000	May-94	Jun-95	Mar-94	Jul-95	Dec-96	Apr-97
134	Snyderville Basin SID	◆	◆	L	15 yrs	II	1,500,000	1,500,000	Jul-95	Jul-95	Aug-95	Aug-95	Aug-97	Apr-97
124	Grantsville City	◆	◆	L	20 yrs	I	3,287,000	1,821,000	Apr-96	Sep-96	May-96	Oct-96	May-98	Mar-98
129	Moab City	◆	◆	L	10 yrs	I	1,821,000	1,821,000	Apr-96	Sep-96	May-96	Oct-96	May-98	Mar-98
144	Highland City	◆	◆	L	20 yrs	IVa & b	2,500,000	2,176,000	Apr-97	May-97	Apr-97	Apr-97	Apr-98	Apr-99
140	Central Davis Co. SD	◆	◆	L	20 yrs	IVa & b	5,100,000	5,100,000	Jul-97	Jul-97	Aug-97	Aug-97	Sep-98	Oct-99
142	Nibbley City	◆	◆	L	30 yrs	IVa & b	6,054,000	6,104,000	Jul-01	Jul-01	Aug-01	Aug-01	Sep-02	May-04
138	St. George City	◆	◆	L	20 yrs	I & II	12,000,000	12,000,000	Sep-97	Sep-97	Oct-97	Oct-97	Sep-99	Aug-02
143	Mapleton City	◆	◆	L	20 yrs	IVa&b	0	3,070,000	Dec-97	Dec-97	Jul-95	Jul-95	Dec-96	Dec-96
111	Tooele City	◆	◆	L	20 yrs	I & II	7,570,000	7,570,000	Sep-97	Dec-97	Oct-97	Jan-98	Sep-99	Apr-01
213	Washington City	◆	◆	L	20 yrs	I & II	3,356,000	3,356,000	May-99	May-99	Jun-99	Jun-99	Jun-01	Jul-03
212	Ephraim City	◆	◆	L	20 yrs	IVb&IIa	2,100,000	2,100,000	Sep-99	Sep-99	Oct-99	Oct-99	Dec-00	Jul-00
209	Minersville City	◆	◆	L	20 yrs	I	525,000	525,000	Sep-99	Sep-99	Oct-99	Oct-99	Mar-00	Mar-00
214	Escalante City	◆	◆	L	20 yrs	I	563,000	563,000	Oct-99	Oct-99	Oct-99	Oct-99	Mar-00	Mar-00
204	Richfield City	◆	◆	L	20 yrs	IIb	4,000,000	4,000,000	Nov-99	Nov-99	Jan-99	Jan-99	Dec-00	Aug-02
145	Price River MID	◆	◆	L	20 yrs	IIb	1,000,000	1,000,000	May-00	May-00	Jun-00	Jun-00	Jun-01	Mar-01
110	Green River City	◆	◆	L	20 yrs	IIb	870,000	870,000	Jun-00	Jun-00	Jul-00	Jul-00	Nov-02	Nov-02
211	Salina City	◆	◆	L	20 yrs	IIb & IVb	2,750,000	2,725,000	Mar-00	Aug-00	Apr-00	Sep-00	Feb-02	Nov-03
218	Salina City (increase)	◆	◆	L	10 yrs	IIb & IVb	4,000,000	4,190,000	May-00	Dec-00	Nov-00	Feb-01	Mar-02	Aug-03
146	Snyderville Basin (PR)	◆	◆	L	20 yrs	I	635,000	635,000	Apr-01	Apr-01	Apr-01	Apr-01	Apr-02	Oct-02
154	Sunnyside City	◆	◆	L	20 yrs	IIb	6,536,000	6,536,000	Sep-00	Sep-00	May-01	May-01	Feb-03	Nov-03
152	West Haven SD	◆	◆	L	20 yrs	I & IVb	1,585,000	1,585,000	Jul-01	Jul-01	Aug-01	Sep-01	Feb-02	Oct-04
118	Hildale City	◆	◆	L	20 yrs	I & IVb	8,479,000	7,479,000	May-01	Aug-01	May-01	Sep-01	Feb-02	Oct-04
148	Payson City	◆	◆	L	25 yrs	I	2,230,000	2,230,000	Jul-02	Jul-02	Jul-02	Jul-02	Apr-03	Jul-07
220	Bear Lake SSD	◆	◆	L	20 yrs	I & IVb	2,950,000	2,050,000	Oct-01	Dec-01	Oct-01	Feb-02	Apr-03	Jul-07
217	Beaver City	◆	◆	L	20 yrs	I & IVb	400,000	400,000	Jun-02	Jun-02	Jul-02	Aug-02	Sep-03	Jun-03
221	Oakley City	◆	◆	L	20 yrs	I	1,200,000	1,230,000	Jun-02	Aug-02	Jun-02	Jun-02	Jun-02	Dec-99
202	South Salt Lake City	◆	◆	L	20 yrs	I	1,100,000	1,100,000	Sep-03	Feb-04	Jul-04	Jul-04	Feb-04	Jun-04
160	Mapleton City	◆	◆	L	30 yrs	IIIa & IVb	6,054,000	1,360,000	Jul-01	Feb-03	Aug-01	Mar-03	May-03	Jun-04
142	Nibbley City (increase)	◆	◆	L	30 yrs	IIIa & IVb	6,054,000	275,000	Jul-01	Jan-04	Aug-01	Mar-03	May-03	May-04
142	Nibbley City (increase)	◆	◆	L	30 yrs	IIIa & IVb	4,220,000	4,220,000	Aug-03	Dec-03	Aug-03	Aug-03	Dec-05	Feb-06
209	Hyrum City	◆	◆	L	20 yrs	I	4,220,000	4,220,000	Aug-03	Dec-03	Aug-03	Aug-03	Dec-05	Feb-06

TABLE 1 (continued)

UTAH STATE REVOLVING FUND
ACCOMPLISHMENTS TO JUNE 30, 2012

PROJECT Recipient Name	E	NE	Type*	% Assmt	Hardship	Term	Need	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Fairview City	120	◆	L	0.00%		30yrs	IVa, IVb, I	1,600,000	2,400,000	Feb-04	Jan-04	Mar-04	Jan-04	Mar-04	Jan-04	Mar-04	Jan-04	Mar-04	Jan-04
Gubler	NPS002	◆	L	0.00%		12yrs	NPS	43,838	43,838	Feb-04	Feb-04	Jul-03	Jul-03	Jul-03	Jul-03	Jul-03	Jul-03	Jul-03	Jul-03
North Davis Sewer District	157	◆	L	2.74%		20yrs	I, II	20,000,000	20,000,000	Jun-03	Jun-04	Oct-03	Jul-04	Oct-03	Jul-04	Oct-05	Jul-09	Oct-05	Jul-09
North Davis Sewer District (Increase)	157	◆	L	2.32%		20yrs	I, II	20,000,000	900,000	Jun-03	Mar-05	Oct-03	Jul-04	Oct-03	Jul-04	Oct-05	Jul-09	Oct-05	Jul-09
North Davis Sewer District (Increase)	157	◆	L	2.32%		20yrs	I, II	20,000,000	750,000	Jun-03	Mar-05	Oct-03	Jul-04	Oct-03	Jul-04	Oct-05	Jul-09	Oct-05	Jul-09
Central Davis County SD	156	◆	L	1.90%		20yrs	IVa & b, I	2,700,000	2,700,000	May-03	May-03	Mar-03	Jun-03	Mar-03	Jun-03	Jun-05	Jun-03	Jun-05	Jun-03
Central Davis County SD (Increase)	156	◆	L	0.50%		20yrs	IVa & b, I	2,700,000	405,000	May-03	Apr-05	Mar-03	Jun-03	Mar-03	Jun-03	Jun-05	Nov-08	Jun-05	Nov-08
Central Valley WRF	158	◆	L	3.00%		20yrs	IIIB	36,100,000	35,000,000	Jul-04	Jul-04	Apr-05	Apr-05	Apr-05	Apr-05	Dec-04	Mar-10	Dec-04	Mar-10
Parowan City	150	◆	L	0.50%		20yrs	II	2,635,000	3,700,000	Sep-03	Jun-05	Oct-03	Jun-05	Oct-03	Jun-05	Dec-04	Mar-10	Dec-04	Mar-10
Parowan City	151	◆	L	2.75%		20yrs	IVb	3,772,000	3,772,000	Aug-05	Aug-05	Mar-02	Aug-05	Mar-02	Aug-05	Mar-06	Dec-06	Mar-06	Dec-06
Hooper City	136	◆	L	0.00%		30yrs	IVa	7,874,000	12,000,000	Apr-04	Jun-06	Mar-05	Jun-06	Mar-05	Jun-06	Apr-06	Apr-08	Apr-06	Apr-08
Gardner	NPS003	◆	L	0.00%		20yrs	NPS	83,200	83,200	May-07	May-07								
Waldron	NPS001	◆	L	0.00%		20yrs	NPS	80,000	94,640	Jul-06	Jul-06								
Jensen	NPS004	◆	L	0.00%		20yrs	NPS	41,600	41,600	Mar-07	Mar-07								
North Fork SSD	227	◆	L	3.00%		20yrs	I & II	1,640,000	3,810,000	Nov-06	Nov-06	Nov-06	Nov-06	Nov-06	Nov-06	Nov-07	Oct-08	Nov-07	Oct-08
Ward	NPS005	◆	L	0.00%		20yrs	NPS	31,200	31,200	Jun-07	Jun-07								
Ward	NPS006	◆	L	0.00%		20yrs	NPS	23,920	23,920	Jun-07	Jun-07								
Wolf Creek	837	◆	L	3.00%		20yrs	I	5,300,000	5,300,000	Jun-07	Jun-07								
Magna Water Co.	838	◆	L	0.00%		20yrs	II	5,000,000	5,000,000	Aug-07	Aug-07	Aug-07	Aug-07	Aug-07	Aug-07	Dec-07	Dec-07	Dec-07	Dec-07
Beckstead	NPS007	◆	L	0.00%		20yrs	NPS	47,320	47,320	Dec-07	Dec-07								
Anhder	NPS008	◆	L	0.00%		20yrs	NPS	20,800	20,800	Jan-08	Jan-08								
South Valley WRF	162	◆	L	2.30%		20yrs	II	20,100,000	20,100,000	Apr-08	Apr-08								
South Valley WRF	NPS162	◆	L	2.30%		20yrs	I & II	2,010,000	2,010,000	Apr-08	Apr-08								
Richmond City	241	◆	L	0.00%		20yrs	II	3,316,000	3,316,000	Apr-08	Apr-08								
Central Weber SID	242	◆	L	2.30%		20yrs	II	20,100,000	10,050,000	Apr-08	Apr-08								
Central Weber SID	NPS242	◆	L	2.30%		20yrs	II	2,010,000	1,005,000	Apr-08	Apr-08								
Waymont	NPS010	◆	L	0.00%		20yrs	NPS	114,026	114,026	Sep-08	Sep-08								
Eagle Mountain City	234	◆	L	1.00%		20yrs	II	6,665,000	6,665,000	Apr-06	Jul-08	Jun-06	Jul-08	Apr-06	Jul-08	Oct-06	Jan-10	Apr-06	Jan-10
Hooper City (Increase)	136	◆	L	0.00%		30yrs	IVa	1,000,000	1,000,000	Dec-08	Dec-08								
Perry City	244	◆	L	0.00%		20yrs	II & IVb	11,350,000	5,675,000	Dec-08	Dec-08								
Stockton Town	171	◆	L	0.00%		30yrs	I & IVa	7,400,000	7,400,000	Sep-09	Sep-09								
Riverdale City	178	◆	L	3.00%		20yrs	IIIB	1,502,000	1,502,000	Oct-09	Oct-09	Oct-09	Oct-09	Oct-09	Oct-09	Dec-10	Nov-11	Dec-10	Nov-11
Salt Lake City Corporation	173	◆	L	0.00%		20yrs	I	6,450,000	6,450,000	Nov-09	Nov-09	Nov-09	Nov-09	Nov-09	Nov-09	Dec-11	Dec-11	Dec-11	Dec-11
Kearns Improvement District	174	◆	L	0.00%		20yrs	IIIB	5,025,000	5,025,000	Dec-09	Dec-09								
Price City	177	◆	L	0.00%		20yrs	IIIB	850,000	850,000	Dec-09	Dec-09								
Roosevelt City	175	◆	L	0.00%		20yrs	I & IIIB	2,882,000	2,882,000	Dec-09	Dec-09								
Salt Lake County	183	◆	PF	0.00%		n/a	VII-K	484,200	484,200	Aug-09	Aug-09	Aug-09	Aug-09	Aug-09	Aug-09	Dec-10	Nov-10	Dec-10	Nov-10
Orem City	172	◆	L	0.00%		20yrs	I	11,889,000	11,889,000	Feb-10	Feb-10	Feb-10	Feb-10	Feb-10	Feb-10	Apr-12	Apr-12	Apr-12	Apr-12
Parowan City	176	◆	L	0.00%		20yrs	II	512,000	512,000	Feb-10	Feb-10	Feb-10	Feb-10	Feb-10	Feb-10	Apr-12	Apr-12	Apr-12	Apr-12
Utah State University Research Foundation	180	◆	PF	0.00%		n/a	II	500,000	500,000	Aug-09	Aug-09	Aug-09	Aug-09	Aug-09	Aug-09	Aug-10	Aug-10	Aug-10	Aug-10
Snyderville Basin WRD	181	◆	PF	0.00%		n/a	VII-K	300,000	300,000	Aug-09	Aug-09	Aug-09	Aug-09	Aug-09	Aug-09	Dec-10	Dec-10	Dec-10	Dec-10
Ogden City	184	◆	PF	0.00%		n/a	VII-K	1,150,000	1,150,000	Sep-09	Sep-09	Sep-09	Sep-09	Sep-09	Sep-09	Sep-10	Sep-10	Sep-10	Sep-10
Salt Lake City Corporation - Green	182	◆	PF	0.00%		n/a	VII-K	577,500	577,500	Aug-09	Aug-09	Aug-09	Aug-09	Aug-09	Aug-09	Dec-10	Nov-10	Dec-10	Nov-10
Utah Division of Wildlife Resources	179	◆	PF	0.00%		n/a	VII-K	540,788	540,788	Aug-09	Aug-09	Aug-09	Aug-09	Aug-09	Aug-09	Dec-10	Nov-10	Dec-10	Nov-10
Mona City	166	◆	L & PF	0.00%		30yrs	I	11,688,000	11,688,000	Oct-10	Oct-10	Oct-10	Oct-10	Oct-10	Oct-10	Apr-12	Apr-12	Apr-12	Apr-12
Mona City	C042	◆	PF	0.00%		n/a	I & IVa	610,000	610,000	Sep-11	Sep-11	Oct-10	Oct-10	Oct-10	Oct-10	Apr-12	Apr-12	Apr-12	Apr-12
Washington Terrace	187	◆	L	2.50%		20yrs	IIIB	835,000	835,000	Dec-10	Dec-10	Dec-10	Dec-10	Dec-10	Dec-10	Apr-12	Apr-12	Apr-12	Apr-12
Stansbury Park	186	◆	L	2.50%		20yrs	I	3,000,000	3,000,000	Dec-10	Dec-10	Dec-10	Dec-10	Dec-10	Dec-10	Apr-12	Apr-12	Apr-12	Apr-12
Ogden City	184-B	◆	PF	0.00%		n/a	VII-K	1,000,000	1,000,000	Dec-10	Dec-10	Dec-10	Dec-10	Dec-10	Dec-10	Dec-11	Dec-11	Dec-11	Dec-11
Lindon City	188	◆	L	2.50%		20yrs	IIIB	3,000,000	3,000,000	Apr-11	Apr-11	Apr-11	Apr-11	Apr-11	Apr-11	Apr-12	Apr-12	Apr-12	Apr-12
Elwood Town	168	◆	L & PF	0.00%		30yrs	I & IVa/b	2,941,399	2,941,399	Oct-11	Oct-11	Nov-11	Nov-11	Nov-11	Nov-11	Nov-12	Nov-12	Nov-12	Nov-12
Kearns Improvement District	192	◆	L	3.00%		20yrs	IIIB	6,555,000	6,555,000	Dec-11	Dec-11	Jan-12	Jan-12	Jan-12	Jan-12	Jan-14	Jan-14	Jan-14	Jan-14
Granger-Hunter Improvement District	193	◆	L	2.50%		20yrs	IIIB	6,202,000	6,202,000	Jan-12	Jan-12	Feb-12	Feb-12	Feb-12	Feb-12	Mar-13	Mar-13	Mar-13	Mar-13
Santaquin City	169	◆	L	1.00%		20yrs	II	6,934,000	6,934,000	Feb-12	Feb-12	Mar-12	Mar-12	Mar-12	Mar-12	Aug-13	Aug-13	Aug-13	Aug-13
							TOTAL LOANS		375,670,048										
							Total Admin Costs thru CS49000112		7,469,671										
							Total Binding Commitments		383,139,719										

**TABLE 2
UTAH STATE REVOLVING FUND
CASH DRAW SCHEDULE FOR STATE FISCAL YEAR 2012**

Recipient Name	Project Number	Source of Draws			Total Funding Amount	Previously Disbursed	SFY 2012	SFY 2012	SFY 2012	SFY 2012	*Balance of Funding
		ARRA ▲	Cap Grant ❖	Second Round ●			July - Sept 1st Qtr	Oct - Dec 2nd Qtr	Jan - Mar 3rd Qtr	Apr - June 4th Qtr	
Elwood Town	167		❖	●	3,692,000	0	1,560,000	431,399	1,991,399	1,700,601	
Granger-Hunter Improvement District	193			●	6,202,000	0	750,000	1,000,000	1,750,000	4,452,000	
Kearns Improvement District	174		❖		5,025,000	4,200,000	825,000		825,000	0	
Mona City	166		❖	●	11,668,000	8,605,000	3,063,000		3,063,000	0	
Mona City CD42			❖		1,400,000	0	610,000		610,000	790,000	
Orem City	172		❖		11,889,000	9,408,000	981,000		2,481,000	0	
Roosevelt City	175			●	2,882,000	2,768,000	114,000		114,000	0	
Salt Lake City - Green	182	▲			577,500	0	439,039		439,039	138,461	
Salt Lake County	183	▲			484,200	403,406	37,289		37,289	43,505	
Santaquin City	169		❖		6,934,000	0	1,700,000		1,700,000	5,234,000	
South Valley WRF	162			●	22,110,000	21,305,000	250,000		250,000	555,000	
Stockton Town	171	▲	❖		8,370,000	6,417,000	1,953,000		1,953,000	0	
Utah Div. of Wildlife Resources	179	▲			540,788	519,709	1,226		1,226	19,853	
DWD Administrative Costs							62,625	93,194	98,256	404,928	
TOTAL					81,774,488	53,626,115	4,069,891	6,559,483	3,408,256	1,582,251	6,780,819
Federal LOC							2,920,328	4,405,135	2,010,012	429,850	
ARRA							440,265	254,004	0	0	
State Match							595,297	340,345	398,244	152,402	
SRF Repayment Fund							114,000	1,560,000	1,000,000	1,000,000	

*Please Note: Balance of Funding may be paid from sources other than the SRF, including Utah Wastewater Loan Funds and Hardship Grant Funds.

CWSRF Benefits Reporting

Loan: 45 of 50	<input checked="" type="checkbox"/> Entry Complete	Tracking #: 168	Other #:
Borrower: Elwood Town	Loan Execution Date: 10/06/2011	Incremental Funding: N	Phase #: 0
Assistance Type: Loan	Loan Interest Rate: 0.00%	Original Tracking #:	
Loan Amount \$: \$2,941,399	Repayment Period: 30	Same Environmental Results: <input type="checkbox"/>	
<input type="checkbox"/> Final Amount	% Funded by CWSRF: 38%	ARRA Funding: <input type="checkbox"/>	
Total from all Projects \$: 2,941,399		Multiple nonpoint source projects with similar Environmental Results: <input type="checkbox"/>	Total NPS Projects: 0

Project: 1 of CW Needs Survey Number : # of NPS Projects: 0
Project Description: construction of a sewer collection system and lagoon

Facility Name:
Population Served (Current) :
 by the Project: 889
 by the Facility: 889

Wastewater Volume (Design Flow) :
 by the Project: 0.1100mgd Volume Eliminated/Conserved: 0.1100mgd
 by the Facility: 0.1100mgd

Needs Categories:

IV-A New Collector Sewers	\$705,936	24%
IV-B New Interceptors	\$764,764	26%
I Secondary Treatment	\$1,470,699	50%

Discharge Information:

Ocean Outfall
 Estuary/Coastal Bay
 Wetland
 Surface Water
 Groundwater
 Land Application
 Other/Reuse
 Eliminates Discharge
 No Change / No Discharge
 NEP Study
 Seasonal Discharge
 NPDES Permit Number: No NPDES Permit
 Other Permit Type: Other Permit Number:

Affected Waterbodies:

	<u>Waterbody Name</u>	<u>Waterbody ID</u>	<u>State Waterbody ID</u>	<u>Receiving Waterbody</u>
Primary Impacted :				<input type="checkbox"/>
Other Impacted :				<input type="checkbox"/>

Project Improvement/Maintenance of Water Quality:

a. Contributes to water quality Improvement
 b. Allows the system to Achieve Compliance.
 c. Affected waterbody is Not Applicable
 d. Allows the system to address..... Existing TMDL
 Projected TMDL
 Watershed Management Plan

Other Uses and Outcomes (Selected):

Infrastructure Improvement	Protection: Primary	Restoration:
Regionalization/Consolidation	Primary	
Water Reuse/Recycling/Conservation	Primary	
Groundwater Protection	Secondary	
Other Public Health/Pathogen Reduction		Primary

Comments:

CWSRF Benefits Reporting

Loan: 50 of 50	<input checked="" type="checkbox"/> Entry Complete	Tracking #: 193	Other #:
Borrower: Granger-Hunter Improvement Dist	Loan Execution Date: 01/19/2012	Incremental Funding: N	Phase #: 0
Assistance Type: Loan	Loan Interest Rate: 2.50%	Original Tracking #:	
Loan Amount \$: \$6,202,000	Repayment Period: 20	Same Environmental Results: <input type="checkbox"/>	
<input type="checkbox"/> Final Amount	% Funded by CWSRF: 100%	ARRA Funding: <input type="checkbox"/>	
Total from all Projects \$: 6,202,000		Multiple nonpoint source projects with similar Environmental Results: <input type="checkbox"/>	Total NPS Projects: 0

Project: 1 of CW Needs Survey Number : # of NPS Projects: 0

Project Description: Reconstruction of the Old Main pump station

Facility Name: Granger-Hunter Improvement District

Population Served (Current) :

by the Project: 129,480

by the Facility: 129,480

Wastewater Volume (Design Flow) :

by the Project: 21.6000mgd Volume Eliminated/Conserved: 0.0000mgd

by the Facility: 0.0000mgd

Needs Categories:

III-B Sewer System Rehabilitation \$6,202,000 100%

Discharge Information:

- Ocean Outfall
 - Estuary/Coastal Bay
 - Wetland
 - Surface Water
 - Groundwater
 - Land Application
 - Other/Reuse
 - Eliminates Discharge
 - No Change / No Discharge
 - NEP Study
 - Seasonal Discharge
- NPDES Permit Number: No NPDES Permit
- Other Permit Type: Other Permit Number:

Affected Waterbodies:	Waterbody Name	Waterbody ID	State Waterbody ID	Receiving Waterbody
Primary Impacted :				<input type="checkbox"/>
Other Impacted :				<input type="checkbox"/>

Project Improvement/Maintenance of Water Quality:

- a. Contributes to water quality Not Applicable
- b. Allows the system to Maintain Compliance.
- c. Affected waterbody is Not Applicable
- d. Allows the system to address..... Existing TMDL Projected TMDL Watershed Management Plan

Other Uses and Outcomes (Selected):

Infrastructure Improvement

Protection:
Primary

Restoration:

Comments:

CWSRF Benefits Reporting

Loan: 47 of 50	<input checked="" type="checkbox"/> Entry Complete	Tracking #: 192	Other #:
Borrower: Kearns Improvement District	Loan Execution Date: 12/13/2011	Incremental Funding: N	Phase #: 0
Assistance Type: Loan	Loan Interest Rate: 3.00%	Original Tracking #:	
Loan Amount \$: \$6,555,000	Repayment Period: 20	Same Environmental Results: <input type="checkbox"/>	
<input type="checkbox"/> Final Amount	% Funded by CWSRF: 86%	ARRA Funding: <input type="checkbox"/>	
Total from all Projects \$: 6,555,000		Multiple nonpoint source projects with similar Environmental Results: <input type="checkbox"/>	Total NPS Projects: 0

Project: 1 of CW Needs Survey Number : # of NPS Projects: 0

Project Description: Phase III: backyard sewer replacement

Facility Name: Kearns Improvement District

Population Served (Current) :

by the Project: 11,000
by the Facility: 11,000

Wastewater Volume (Design Flow) :

by the Project: 0.0000mgd Volume Eliminated/Conserved: 0.0000mgd
by the Facility: 0.0000mgd

Needs Categories:

III-B Sewer System Rehabilitation \$6,555,000 100%

Discharge Information:

- Ocean Outfall
 Estuary/Coastal Bay
 Wetland
 Surface Water
 Groundwater
 Land Application
 Other/Reuse
 Eliminates Discharge
 No Change / No Discharge
 NEP Study
 Seasonal Discharge
NPDES Permit Number: No NPDES Permit
Other Permit Type: Other Permit Number:

Affected Waterbodies:

	<u>Waterbody Name</u>	<u>Waterbody ID</u>	<u>State Waterbody ID</u>	<u>Receiving Waterbody</u>
Primary Impacted :				<input type="checkbox"/>
Other Impacted :				<input type="checkbox"/>

Project Improvement/Maintenance of Water Quality:

- a. Contributes to water quality Maintenance.
b. Allows the system to Maintain Compliance.
c. Affected waterbody is Not Applicable
d. Allows the system to address..... Existing TMDL
 Projected TMDL
 Watershed Management Plan

Other Uses and Outcomes (Selected):

Infrastructure Improvement

Protection:

Restoration:

Primary

Comments: Funding from Utah Wastewater Loan Fund is an additional \$1,060,000. Bond total is \$7,615,000.

CWSRF Benefits Reporting

Loan: 49 of 50	<input checked="" type="checkbox"/> Entry Complete	Tracking #: 169	Other #:
Borrower: Santaquin City	Loan Execution Date: 02/15/2012	Incremental Funding: N	Phase #: 0
Assistance Type: Loan	Loan Interest Rate: 1.00%	Original Tracking #:	
Loan Amount \$: \$6,934,000	Repayment Period: 20	Same Environmental Results: <input type="checkbox"/>	
<input type="checkbox"/> Final Amount	% Funded by CWSRF: 39%	ARRA Funding: <input type="checkbox"/>	
Total from all Projects \$: 6,934,000		Multiple nonpoint source projects with similar Environmental Results: <input type="checkbox"/>	Total NPS Projects: 0

Project: 1 of CW Needs Survey Number : # of NPS Projects: 0

Project Description: construction of a mechanical wastewater treatment plant and addition to the collection system

Facility Name:

Population Served (Current) :

by the Project: 8,566
by the Facility: 8,566

Wastewater Volume (Design Flow) :

by the Project: 0.6500mgd Volume Eliminated/Conserved: 0.0000mgd
by the Facility: 0.6500mgd

Needs Categories:

II Advanced Treatment \$6,934,000 100%

Discharge Information:

- Ocean Outfall
 Estuary/Coastal Bay
 Wetland
 Surface Water
 Groundwater
 Land Application
 Other/Reuse
 Eliminates Discharge
 No Change / No Discharge
 NEP Study
 Seasonal Discharge
 NPDES Permit Number: No NPDES Permit
 Other Permit Type: Other Permit Number:

Affected Waterbodies:	Waterbody Name	Waterbody ID	State Waterbody ID	Receiving Waterbody
Primary Impacted :				<input type="checkbox"/>
Other Impacted :				<input type="checkbox"/>

Project Improvement/Maintenance of Water Quality:

- a. Contributes to water quality Improvement.
 b. Allows the system to Maintain Compliance.
 c. Affected waterbody is Not Applicable
 d. Allows the system to address..... Existing TMDL
 Projected TMDL
 Watershed Management Plan

Other Uses and Outcomes (Selected):

Infrastructure Improvement **Protection:** **Restoration:**
 Water Reuse/Recycling/Conservation Primary Primary

Comments: Other funding sources include USDA, STAG, Central Utah Water Conservation District and a local contribution for a total project cost of approximately \$17,685,000.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED STATEMENT OF NET ASSETS
June 30, 2012**

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	\$ 50,220,915
Receivables:	
Amount due from EPA	1,956,495
Loan interest	775,481
Hardship assessments	584,506
Loans Receivable	<u>13,326,230</u>
Total current assets	<u>66,863,627</u>

NONCURRENT ASSETS

Loans receivable	<u>180,911,072</u>
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TOTAL ASSETS

247,774,699

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Due to State	44,739
Due to Other Funds	24,351
Accounts Payable	<u>35,066</u>

TOTAL LIABILITIES

104,156

NET ASSETS

Unrestricted	<u>247,670,543</u>
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TOTAL NET ASSETS

\$ 247,670,543

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

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
June 30, 2012**

	Total
OPERATING REVENUES	
Loan interest	\$ 1,089,780
Hardship assessments	2,042,551
Late Fees	25
EPA Program Administration Fees	404,928
Loan Origination Fees	257,878
Total Operating Revenues	3,795,162
OPERATING EXPENSES	
Hardship grants	5,366,634
Principal Forgiveness	3,470,727
EPA Program Administration	455,296
Total Operating Expenses	9,292,657
OPERATING INCOME (LOSS)	(5,497,495)
NONOPERATING REVENUES (EXPENSES)	
Investment income	311,785
EPA capitalization grants - Loans	6,582,712
EPA capitalization grants - Principal Forgiveness	3,470,727
State match	1,486,288
Total nonoperating revenues(expenses)	11,851,512
CHANGE IN NET ASSETS	6,354,017
NET ASSETS, BEGINNING OF YEAR	241,316,526
NET ASSETS, END OF YEAR	\$247,670,543

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

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED STATEMENT OF CASH FLOWS
June 30, 2012**

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from loan interest and penalties	\$ 569,108
Cash received from hardship assessments	2,337,460
Loan origination fees received	207,510
Loans disbursed	(11,833,000)
Hardship grants disbursed	(6,733,134)
Principal received on loans receivable	18,597,885
Principal forgiveness disbursed	(3,470,727)
Grant awards	389,481
Program administration	(441,715)
Origination Fees	50,368
Net cash (required) by operating activities	(326,764)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Funds received from EPA capitalization grants - Loans	5,265,219
Funds received from EPA capitalization grants - Principal Forgiveness	2,876,464
Funds received from State of Utah	1,486,288
Net cash provided by noncapital financing activities	9,627,971
CASH FLOWS FROM INVESTING ACTIVITIES	
Net investment income received	311,785
Net cash provided by investing activities	311,785
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,612,992
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	40,607,923
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 50,220,915
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (5,497,495)
Changes in assets and liabilities related to operations:	
(Increase)/Decrease in loan interest receivable	(520,696)
(Increase)/Decrease in hardship assessments receivable	294,909
(Increase)/Decrease in amount due from EPA	(15,448)
(Decrease)/Increase in amount due from State	92,166
(Decrease)/Increase accounts payable	35,066
(Decrease)/Increase in amount due to State	13,581
(Decrease)/Increase in amount due to Other Funds	(21,732)
(Increase)/Decrease loans receivable	5,292,885
Net cash (required) by operating activities	\$ (326,764)

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

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

Unaudited

NOTE 1 – DEFINITION OF REPORTING ENTITY

The Utah Department of Environmental Quality, Division of Water Quality - State Revolving Fund (SRF or Fund) program was established pursuant to federal action in order to assist public water systems by providing low interest rate loans for preservation and protection projects that meet eligibility requirements. The United States Environmental Protection Agency (EPA) allows up to four percent (4%) of the Capitalization Grant award for the administrative costs of the program. Funding from the 4% administration portion of the capitalization grant and from the collection of loan origination fees allows for both the supervision of the SRF program and for management oversight for individual projects.

The Water Quality Board (the Board) is comprised of eleven members appointed by the Governor. The Board develops policies and procedures for program implementation and authorizes loans under the SRF program. The Utah Department of Environmental Quality (DEQ) and the Board jointly manage the SRF program. The DEQ, Division of Water Quality reviews loan applications for eligibility, prioritizes eligible projects, monitors loan disbursements and repayments, and conducts project inspections. Through the Utah Code, the legislature has given the Board rule making authority that meets federal law requirements. The Board reviews each loan applicant to determine its ability to repay the loan, its readiness to proceed with the project, and its ability to complete the project.

The SRF program receives assistance and support from the Department of Environmental Quality - Office of Support Services, the Department of Administrative Services - Division of Finance, the Utah Attorney General's Office, and the State Treasurer's Office. Salaries and benefits of employees, as well as indirect costs based on direct salary costs, are accumulated in the state's general fund and charged to the SRF based on actual time spent on SRF activities. Employees who charge time to the SRF are covered by the State of Utah personnel benefits plan.

The SRF program is funded by a series of capitalization grant awards from EPA. Grant conditions require States to provide twenty percent (20%) matching funds to the federal Capitalization Grant.

The Fund follow the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

Unaudited

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Cash and Cash Equivalents

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

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

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The SRF distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses and changes in net assets. Operating revenues and expenses generally result from carrying out the purpose of the SRF of providing low interest loans to communities and providing assistance for prevention programs and administration. Operating revenues consist of loan interest repayments from borrowers. Operating expenses include allocated direct salary costs and benefits, allocated indirect costs and allowance for bad debt. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

The EPA capitalization grant and the associated State match are recorded as capital contributions, except for principal forgiveness which is reported as non-operating revenue, and the 4% administrative match which is reflected as operating revenue.

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

Hardship Assessments

The Board has the option to charge a hardship assessment in lieu of interest on reuse loans. Hardship assessments are calculated and paid in the same manner as interest. The restriction for the use of hardship assessments differs from the restriction for the use of interest. Hardship assessments can be used for purposes other than loans, including grants to disadvantaged communities. As of June 30, 2012, accumulated unspent hardship assessments total \$11,290,170.

Loan Origination Fee

The Water Quality Board may charge a Loan Origination Fee up to 1% of the principal loan amount. This fee may be used for any allocable activities under the Act and administration of the loan program. As of June 30, 2012, accumulated unspent loan origination fees total \$594,916.

Budgets

The SRF, as an enterprise fund of the State, does not require appropriation, and therefore, the SRF is not included in Utah's annual appropriation.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

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

Loans Receivable

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

Loans funded by principal forgiveness grants are advanced to local agencies and forgiven as each disbursement occurs. Loan agreements require repayment of the forgiven loan if all program requirements are not met.

Allowance for Bad Debts

The allowance for bad debts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Loans receivable are charged against the allowance for bad debts when management believes that the uncollectibility of the principal is probable. The allowance for bad debts was \$0 at June 30, 2012.

NOTE 3 – CASH AND INVESTMENTS

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

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF) investment pool. The PTIF is available for investment of funds administered by any Utah public treasurer. Participation is not required and no minimum balance or minimum/maximum transaction is required. State agencies and funds that are authorized to earn interest also invest in

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the PTIF as an internal investment pool. No separate report as an external investment pool has been issued for the PTIF. Details of the investments of the PTIF can be obtained from the State Treasurer.

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

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

Income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participants' share of the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, the investments are valued at fair value. The SRF has adjusted the PTIF funds to fair value as of June 30, 2012.

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

Pooled cash held by State Treasurer	\$ 1,245,585
Public Treasurer's Investment Fund	<u>48,975,329</u>
Total cash and cash equivalents	\$50,220,914

NOTE 4 – LOANS RECEIVABLE

Loans are made to qualifying entities for projects that meet eligibility criteria. The SRF loan awards are comprised of the following funding sources: (1) the federal EPA Capitalization Grants; (2) State match funds; (3) loan repayments; (4) interest payments; and (5) SRF interest earnings. Projects are funded through the purchase of an incremental disbursement bonds and proceeds are deposited into an escrow account based on a quarterly schedule of anticipated costs. Loan interest begins accruing when funds are deposited in the escrow account. Principal repayment must begin no later than one year after the completion of the project. Effective interest rates and hardship assessments on loans vary between 0.0 and 5.0 percent and are generally repaid over 20-30 years. The interest rates on the loans are generally lower than market rates and, in some cases, are non-interest bearing. Loans mature at various intervals and recipients make annual payments.

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NOTE 4 – LOANS RECEIVABLE (CONTINUED)

Loans mature at various intervals through June 30, 2042 and the scheduled principal repayments on loans follows:

Year Ending June 30,	Amount
2013	\$13,326,230
2014	11,088,245
2015	10,950,418
2016	9,663,989
2017	13,340,353
2018 – 2022	54,482,790
2023 – 2027	44,465,111
2028 – 2032	27,303,166
2033 – 2037	5,999,000
2038 – 2042	3,618,000
	\$194,237,302

Loans to Major Local Agencies

The Fund has made loans to the following major local agencies. The aggregate outstanding loan balances for each of these agencies exceed 5 percent of total loans receivable. The combined outstanding loan balances at June 30, 2012 of these major local agencies represent approximately 45 percent of the total loans receivable and are as follows:

Borrower	Authorized Loan Amount	Outstanding Loan Balance
Central Weber Sewer Improvement	\$ 11,055,000	\$ 10,611,729
Central Valley Water Reclamation	35,000,000	10,401,000
Hooper City	12,665,000	11,645,000
Orem City	15,389,000	12,578,757
North Davis County Sewer	25,650,000	20,036,000
South Valley Water Reclamation	22,110,000	20,672,000
Total	\$ 121,869,000	\$ 85,944,486

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NOTE 5 – DUE TO STATE OF UTAH

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

NOTE 6 – CAPITAL CONTRIBUTIONS

The following table summarized the activity of the State’s Clean Water Revolving Loan Fund by award year:

Year	Grant Award	Funds Drawn as of June 30, 2011	Funds Drawn During Year Ended June 30, 2012	Total Funds Drawn as of June 30, 2012	Available Funds as of June 30, 2012
1988 – 2005	\$135,393,094	\$135,393,094	\$ -	\$135,393,094	\$ -
2006	4,560,700	4,560,700	-	4,560,700	-
2007	5,596,300	5,596,300	-	5,596,300	-
2008	3,521,700	3,521,700	-	3,521,700	-
2009	3,521,600	3,521,600	-	3,521,600	-
2009 ARRA	20,649,900	19,956,857	693,043	20,649,900	-
2010	10,736,000	10,362,420	373,580	10,736,000	-
2011	7,759,000	-	7,475,457	7,475,457	283,543
2012	7,422,000	-	1,911,756	1,911,756	5,510,244
Totals	\$199,160,294	\$182,912,671	\$10,453,836	\$193,366,507	\$5,793,787

The following table summarizes the amount of state contributions made to meet match requirements of the EPA grant:

State match paid as of June 30, 2011	\$34,141,600
State match paid during the year ended June 30, 2012	<u>1,486,288</u>
State match paid as of June 30, 2012	\$35,627,888

NOTE 7 – RISK MANAGEMENT

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

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years. Refer to the State's Risk Management disclosure in the June 30, 2012 Comprehensive Annual Financial Reports.

NOTE 8 – CONTINGENCIES AND SUBSEQUENT EVENTS

Authorized Projects

As of June 30, 2012, the total remaining draws for SRF projects with closed loans was \$950,090. Draws will be completed during future fiscal years in order to complete wastewater projects in these communities. As of June 30, 2012, the Board had authorized an additional \$5,316,000 for wastewater projects in two communities. However, loan closing had not been completed for these projects.

NOTE 9 – NET ASSETS

Governmental Accounting Standards Board Statement No. 34 provides for three components of net assets: invested in capital assets, net of related debt, restricted and unrestricted. As of June 30, 2012, the Fund had no restricted net assets or net assets invested in capital assets, net of related debt. Unrestricted net assets consists of net assets that do not meet the definition of invested in capital assets, net of related debt or restricted. Although the Fund reports unrestricted net assets on the face of the statements of net assets, unrestricted net assets are to be used by the Fund for the payment of obligations incurred by the Fund in carrying out its statutory powers and duties and are to remain in the Fund.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
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UNAUDITED COMBINING STATEMENT OF NET ASSETS**

June 30, 2012

	SRF Fund	Loan Origination Fee Fund	Hardship Fund	Total
ASSETS				
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 40,510,918	\$ 594,916	\$ 9,115,081	\$ 50,220,915
Receivables:				
Amount due from EPA	1,956,495	-	-	1,956,495
Loan interest	775,481	-	-	775,481
Hardship assessments	-	-	584,506	584,506
Loans Receivable	11,676,230	-	1,650,000	13,326,230
Total current assets	54,919,124	594,916	11,349,587	66,863,627
NONCURRENT ASSETS				
Loans receivable	180,911,072	-	-	180,911,072
TOTAL ASSETS	235,830,196	594,916	11,349,587	247,774,699
LIABILITIES AND NET ASSETS				
LIABILITIES				
CURRENT LIABILITIES				
Due to State	44,739	-	-	44,739
Due to Other Funds	-	-	24,351	24,351
Accounts Payable	-	-	35,066	35,066
TOTAL LIABILITIES	44,739	-	59,417	104,156
NET ASSETS				
Unrestricted	235,785,457	594,916	11,290,170	247,670,543
TOTAL NET ASSETS	\$ 235,785,457	\$ 594,916	\$ 11,290,170	\$ 247,670,543

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

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
June 30, 2012**

	SRF Loan Fund	Loan Origination Fee Fund	Hardship Fund	Total
OPERATING REVENUES				
Loan interest	\$ 1,089,780	\$ -	\$ -	\$ 1,089,780
Hardship assessments	-	-	2,042,551	2,042,551
Late Fees	25	-	-	25
EPA Program Administration Fees	404,928	-	-	404,928
Loan Origination Fees	50,368	207,510	-	257,878
Total Operating Revenues	<u>1,545,101</u>	<u>207,510</u>	<u>2,042,551</u>	<u>3,795,162</u>
OPERATING EXPENSES				
Hardship grants	-	-	5,366,634	5,366,634
Principal Forgiveness	3,470,727	-	-	3,470,727
EPA Program Administration	455,296	-	-	455,296
Total Operating Expenses	<u>3,926,023</u>	<u>-</u>	<u>5,366,634</u>	<u>9,292,657</u>
OPERATING INCOME (LOSS)	<u>(2,380,922)</u>	<u>207,510</u>	<u>(3,324,083)</u>	<u>(5,497,495)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	308,602	-	3,183	311,785
EPA capitalization grants - Loans	6,582,712	-	-	6,582,712
EPA capitalization grants - Principal Forgiveness	3,470,727	-	-	3,470,727
State match	1,486,288	-	-	1,486,288
Total nonoperating revenues(expenses)	<u>11,848,329</u>	<u>-</u>	<u>3,183</u>	<u>11,851,512</u>
CHANGE IN NET ASSETS	<u>9,467,407</u>	<u>207,510</u>	<u>(3,320,900)</u>	<u>6,354,017</u>
NET ASSETS, BEGINNING OF YEAR	<u>226,318,050</u>	<u>387,406</u>	<u>14,611,070</u>	<u>241,316,526</u>
NET ASSETS, END OF YEAR	<u>\$235,785,457</u>	<u>\$594,916</u>	<u>\$11,290,170</u>	<u>\$247,670,543</u>

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

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED COMBINING STATEMENT OF CASH FLOWS
June 30, 2012**

	SRF Loan Fund	Loan Origination Fee Fund	Hardship Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from loan interest and penalties	\$ 569,108	\$ -	\$ -	\$ 569,108
Cash received from hardship assessments	-	-	2,337,460	2,337,460
Loan origination fees received	-	207,510	-	207,510
Loans disbursed	(11,833,000)	-	-	(11,833,000)
Hardship grants disbursed	-	-	(6,733,134)	(6,733,134)
Principal received on loans receivable	18,597,885	-	-	18,597,885
Principal forgiveness disbursed	(3,470,727)	-	-	(3,470,727)
Grant awards	389,481	-	-	389,481
Program administration	(441,715)	-	-	(441,715)
Origination Fees	50,368	-	-	50,368
Net cash (required) by operating activities	<u>3,861,400</u>	<u>207,510</u>	<u>(4,395,674)</u>	<u>(326,764)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Funds received from EPA capitalization grants - Loans	5,265,219	-	-	5,265,219
Funds received from EPA capitalization grants - Principal Forgiveness	2,876,464	-	-	2,876,464
Funds received from State of Utah	1,486,288	-	-	1,486,288
Net cash provided by noncapital financing activities	<u>9,627,971</u>	<u>-</u>	<u>-</u>	<u>9,627,971</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net investment income received	308,602	-	3,183	311,785
Net cash provided by investing activities	<u>308,602</u>	<u>-</u>	<u>3,183</u>	<u>311,785</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,797,973	207,510	(4,392,491)	9,612,992
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 40,510,918</u>	<u>\$ 594,916</u>	<u>\$ 9,115,081</u>	<u>\$ 50,220,915</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (2,380,922)	\$ 207,510	\$ (3,324,083)	\$ (5,497,495)
Changes in assets and liabilities related to operations:				
(Increase)/Decrease in loan interest receivable	(520,696)	-	-	(520,696)
(Increase)/Decrease in hardship assessments receivable	-	-	294,909	294,909
(Increase)/Decrease in amount due from EPA	(15,448)	-	-	(15,448)
(Decrease)/Increase in amount due from State	-	-	92,166	92,166
(Decrease)/Increase accounts payable	-	-	35,066	35,066
(Decrease)/Increase in amount due to State	13,581	-	-	13,581
(Decrease)/Increase in amount due to Other Funds	-	-	(21,732)	(21,732)
(Increase)/Decrease loans receivable	6,764,885	-	(1,472,000)	5,292,885
Net cash (required) by operating activities	<u>\$ 3,861,400</u>	<u>\$ 207,510</u>	<u>\$ (4,395,674)</u>	<u>\$ (326,764)</u>

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