

Illinois Environmental Protection Agency

PUBLIC WATER SUPPLY LOAN PROGRAM

2015 ANNUAL REPORT

July 1, 2014 – June 30, 2015

Prepared For

The United States Environmental Protection Agency, Region V

December 2015

Illinois EPA – Public Water Supply Loan Program – 2015 Annual Report

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PUBLIC WATER SUPPLY LOAN PROGRAM

2015 ANNUAL REPORT: July 1, 2014 – June 30, 2015

I. Introduction

In accordance with Title XIV of the 1996 Safe Drinking Water Act as amended (SDWA) and the Public Water Supply Loan Program (PWSLP) Operating Agreement (OA) between the Illinois Environmental Protection Agency (Illinois EPA) and the United States Environmental Protection Agency (U.S. EPA), this Annual Report addresses the activities, goals and reporting requirement of the PWSLP for the 12 month period from July 1, 2014 to June 30, 2015, which is considered the State Fiscal Year 2015.

II. Executive Summary

The U.S. EPA awarded Illinois EPA it's FY 2014 capitalization grant in the amount of \$36,911,000 on September 17, 2014 for use in the PWSLP. A total of \$45,252,939 in loan repayments were received during the reporting period, with those receipts consisting of \$40,304,350 in repayment principal and \$4,948,589 in repayment interest. The PWSLP also received \$388,206 from investment income and other miscellaneous receipts. Illinois EPA set aside \$95,000 of the FY 2014 capitalization grant for In Kind services to be provided by Northbridge for Financial Services and continued work on the Loan Grant Tracking System. This amount will be deducted from our 4% administrative set aside (\$1,476,440) and Illinois will use the remaining \$1,381,440 to fund regular administrative costs of the program.

During the reporting period, the IEPA entered into thirty-one (31) new loans (binding commitments) totaling \$142,965,591.99 and twenty-eight (28) loan amendments totaling (\$386,837.51) for a net new funding commitment of \$142,578,754.40. These loans and amendments are detailed within Attachment A.

III. Conditions of the Capitalization Grant Agreement

The Illinois EPA has agreed to administer the PWSLP in accordance with the special conditions in the capitalization grant agreement awarded by the U.S. EPA, and with the various components of the FY 2014 grant application, which include the Intended Use Plan (IUP) and the Operating Agreement. The Illinois EPA has maintained compliance with all cash draw rules, including separation of cash draws by the PWSLP from other U.S. EPA funded programs. Cash draw projections have been reviewed and revised by the Illinois EPA, based on the availability of funds and changes to the IUP. Proportionality will be maintained not only on deposits into the PWSLP but also on expenditures out of the PWSLP.

A. Goals and Objectives of the IUP

A number of short and long term goals for the PWSLP were outlined by the Illinois EPA in the FY 2015 Intended Use Plan (IUP). Provided below is a restatement of those goals, along with a brief discussion regarding the

achievement of each of the specific goals and the associated outputs and outcomes.

1. Short Term Goals

- a. To provide funding for as many eligible projects as possible, to the extent that applications are completed and funds are available;
The IEPA provided funding for thirty-one (31) projects in the reporting period; this was the number of projects for which complete applications were received.
- b. To commit all available loan resources to eligible loan applicants;
The IEPA committed a total of \$142,578,754.40 (net) in new loan resources during the reporting period.
- c. To provide financial assistance for projects necessary to achieve or maintain compliance;
The IEPA has continued its focus on projects necessary to achieve or maintain compliance and will continue to review procedures with an eye towards focusing on such projects.
- d. To continue support for projects or project components focused on “green infrastructure, water or energy efficiency improvements or other environmentally innovative activities”;
The IEPA has continued its support for projects and project components focused on “green infrastructure, water or energy efficiency improvements or other environmentally innovative activities”.
- e. To manage a program that provides applicants with a streamlined approach to financing public water supply projects;
The IEPA is continuing efforts to improve program operations through the use of best management practices in the administration of the program, many of which were recommended by a program consultant engaged to further define and implement those improvements.

2. Long Term Goals

- a. To maintain the integrity of the Water Revolving Fund by providing a stable and perpetual financing source for eligible loan applicants within the State and to commit all available loan resources to those eligible loan applicants;
The IEPA has established a revolving loan program, the PWSLP, that it believes will operate in perpetuity for the benefit of eligible loan applicants in Illinois. The Water Revolving Fund remains healthy, with a AAA Bond Rating.

Per the most recently completed financial audit, for the year ending June 30, 2014, the PWSLP had net assets of \$656,699,000.

- b. To provide financial assistance to all types of projects eligible under the Safe Drinking Water Act (SDWA) and the State enabling legislation;
As detailed in Attachment A, the IEPA has established a program which consistently provides financial assistance to all types of eligible projects under the PWSLP.

- c. To provide financial assistance to local government units and certain privately owned water utilities at interest rates significantly below those offered on the open market;
The IEPA executed a total of thirty-one (31) loans during the reporting period, with interest rates offered during this reporting period being: 1.995 percent (1.995%) for loans executed between July 1, 2014 and September 30, 2014, and 2.21 percent (2.21%) for loans executed between October 1, 2014 and June 30, 2015.

- d. To continue the development of the Water Revolving Fund as a major financial vehicle for public water supply systems achieving compliance with State and federal law;
The IEPA's efforts continue in exploring best practices that will contribute to continued growth and stability in the fund. The IEPA has engaged a program consultant to further define and implement best management practices in the PWSLP and will emphasize compliance issues in the development of project prioritization systems. The IEPA has increased outreach efforts to make more communities aware of the funding available. The IEPA is also working to streamline application materials to make the process of obtaining funding as efficient as possible.

- e. To explore the expansion of eligibility to address issues of water efficiency, energy efficiency and green infrastructure and to develop new eligibility requirements to accommodate expanded eligibilities in the base SRF program; and
The IEPA's efforts continue in exploring new ideas and practices that will contribute to continued growth in the number and types of projects considered by the PWSLP. Specifically, the IEPA has recently engaged a program consultant to further define and implement best management practices in the PWSLP.

- f. **A long term goal not previously discussed in the IUP concerns sustainability. The Illinois EPA is currently engaged in the development of long term goals and policies to encourage the incorporation of sustainability measures in the PWSLP. These goals and policies will build on the State’s efforts to encourage the use of “green infrastructure, water or energy efficiency improvements or other environmentally innovative activities” in PWSLP projects, and will seek to underline the importance of asset management, capacity development strategies and sustainability goals in local infrastructure planning.**

- g. **Another activity which was discussed in the IUP but not specifically as a long term goal was the use of set-aside funds to partner with various entities in the state to conduct outreach, training and technical assistance focused on improving the capability of community water supplies in the area of water loss accounting. The Illinois EPA set-aside approximately 0.9% of the 2014 capitalization grant, an amount totaling \$335,000, for Technical Assistance to Small Systems per Section 1452(g)(2) of the SDWA and approximately 1.59% of the capitalization grant, an amount totaling \$590,000, for Other Authorized Activities per Section 1452(k) of the SDWA. These funds will be focused on plans to partner with various entities in the state to conduct outreach, training and technical assistance focused on improving the capability of community water supplies in the area of water loss accounting. As of June 30, 2015 set-aside expenditures of \$9,750 for “Technical Assistance to Small Systems” and \$7,200 for “Other Authorized Activities” have been disbursed. The work plan detailing these activities was established in late 2014 and these efforts will continue through 2016 and into 2017. USEPA will continue to receive status updates of the work plan detailing the progress of these efforts.**

B. Additional Subsidy Requirement

The FY 2014 capitalization grant required the PWSLP to provide a minimum of \$7,382,200 but not more than \$11,073,300 in “additional subsidization in the form of principal forgiveness, negative interest loans or grants. To meet the additional subsidy requirement, the IEPA utilized a principal forgiveness program that targeted lower population and economically “disadvantaged” communicantes (based on the Median Household Income (MHI) of the service population of the loan applicant relative to the statewide average MHI).

All loan recipients from October 1, 2013 through September 30, 2014 whose service population was less than or equal to 3,300 were eligible for principal forgiveness equal to the lesser of 75% of the loan amount or \$650,000.

All loan recipients from October 1, 2013 through September 30, 2014 whose service population was greater than 3,300 and less than or equal to 10,000 were eligible for principal forgiveness equal to the lesser of 50% of the loan amount or \$650,000.

All loan recipients from October 1, 2013 through September 30, 2014 whose service population was greater than 10,000 and whose MHI was below 75% of the statewide average were eligible for principal forgiveness equal to the lesser of 50% of the loan amount or \$650,000.

The Agency decided to provide an amount of principal forgiveness as close as possible to the minimum amount required by the capitalization grant. The IEPA hereby certifies and assures that the PWSLP, through the use of a principal forgiveness program, has provided additional subsidization to loan recipients in a total amount of \$7,626,282. Attachment A provides detail on the specific amounts of principal forgiveness provided.

C. Certifications

The Illinois EPA has provided the necessary certification from the Illinois Attorney General, for each capitalization grant received, that the Illinois EPA can legally bind itself to the terms of the capitalization grant, and in accordance with the Drug-Free Workplace Act of 1988, the Illinois EPA has instituted a Drug-Free Workplace Policy. This policy encourages any Illinois EPA employee with a potential drug or alcohol problem to use the State Employee Assistance Program. Also, by accepting the most recent capitalization grant (FY 2013), the Illinois EPA has certified again that it will comply with the requirements of the Anti-Lobbying Act. The IEPA has taken affirmative steps to meet the requirements of the Federal Funding Transparency and Accountability Act of 2006 (FFATA), and is operating the PWSLP in compliance with all FFATA reporting requirements. And finally, the Illinois EPA certifies, and has previously certified that all assistance made available under the PWSLP was provided under terms and conditions requiring compliance with the Davis-Bacon Wage Act as specified in the appropriations for the Drinking Water SRF. In short, the Illinois EPA has established a program which will lead to adherence to all objectives and conditions of each capitalization grant received.

IV. Program Funding

A. Source of Funds

1. Capitalization Grant

The U.S. EPA awarded the FY 2014 capitalization grant to the Illinois EPA on September 17, 2014 in the amount of \$36,911,000.

The Illinois EPA realizes that federal draw-downs must be proportional to state match draw downs. Starting with the 2014 grant, the Illinois EPA will spend the state match in its entirety and then draw both the loan funds and the administrative funds at a rate of 100 percent. The 2014 grant provides \$95,000 of In Kind Contractual Services by Northbridge Environmental Consultants to provide continued work on the Loan Grant Tracking System. The Illinois EPA has deducted this amount of In Kind from its 4% administrative set aside and has set aside \$1,381,440 of the grant for Administrative costs.

2. State Matching Funds

The Illinois EPA matched the \$36,911,000 capitalization grant with \$7,382,200 of Loan Support Funds on July 1, 2015.

3. Repayments and Fund Equity

The IEPA will commit all loan repayment funds and fund equity resources to the PWSLP for binding commitments.

4. Leveraging

The Illinois EPA initiated no leveraging activity during the time period covered by this report. The Illinois EPA finalized its leveraging program and sold bonds on December 5, 2013. The Master Trust indenture will be used for future leveraged bond sales as proceeds are needed on a cash flow basis to fund the needs of the program or to provide state match for future grants as necessary.

B. Binding Commitments

During the reporting period, the IEPA entered into thirty-one (31) new loans (binding commitments) totaling \$142,965,591.99 and twenty-eight (28) loan amendments totaling (\$386,837.51) for a net new funding commitment of \$142,578,754.40. All loans and amendments are detailed within Attachment A.

C. Disbursements

Disbursements made to loan recipients during this reporting period totaled \$115,714,362.

Total expenditures of \$1,846,865 are reported for administrative costs during the reporting period.

The IEPA utilized a cash draw ratio of 83.33% federal and 16.67% State for the FY2013 capitalization grant. After the 2013 grant was exhausted, Illinois EPA changed to a cash draw ratio on December 1, 2014. From that point forward

Illinois will spend all State Match in its entirety and then draw the grant at a 100% ratio. Illinois EPA will continue to expend administrative costs from fund equity and use 100% of the grant to disburse to loan recipients.

D. Fiscal Status of the PWSLP

An analysis in this area requires a direct comparison of financial data including revenues, expenditures, PWSLP sources and uses, and PWSLP balance (see Attachment B, Financial Statements). The Illinois EPA has established operating procedures and management tools that will assure that the program is capable of operating in perpetuity. Most projects receiving loans from the PWSLP will require a semi-annual repayment of principal and/or interest over a maximum term of 20 years. Loans made to “private” utilities are required to make repayments on a quarterly basis over the life of the loan.

V. Program Requirements

A. Financial Reports

The Illinois EPA has submitted the Federal Cash Transaction Report (FCTR) on a quarterly basis and the Financial Status Report (FSR) on an annual basis.

B. DBE Reports

The Illinois EPA has complied with the semi-annual reporting requirements of the DBE program.

C. Single Audit Act

The Illinois EPA has complied with the requirements of the Single Audit Act and the resulting audit report contained no material findings related to the PWSLP. In 2015 a Statewide Single Audit was performed on the State of Illinois and the Illinois EPA Loan programs met the expenditure thresholds of being a major program. However, since the program had no findings in the prior two audits, EPA was excluded from the current Single Audit as a low risk recipient of funds.

D. Generally Accepted Auditing Standards and Accounting Principles

The Illinois EPA has complied with Generally Accepted Government Auditing Standards (GAGAS) and all loan recipients are required to comply with Generally Accepted Accounting Principles (GAAP).

E. Federal Requirements

The Illinois EPA has fulfilled all applicable federal requirements required by the SDWA including;

- 1) Assurances and certifications provided in the IUP have been met;

- 2) Environmental reviews have been done in accordance with federal and State law
- 3) Made binding commitments to provide assistance equal to more than the required 120 % of the amount of each grant payment within one year after receiving the grant payment
- 4) All funds have been expended in an expeditious and timely manner
- 5) Beginning January 17, 2014 implemented the “American Iron and Steel” requirement as described in the Consolidated Appropriation Act of 2014

Attachment A

PWSLP Loans and Amendments for the Reporting Period

5 Pages

Illinois EPA - Public Water Supply Loan Program - Annual Report - Attachment A

Loan Agreements 7/1/2014 through 6/30/2015

| Project Number | Party | Agreement Date | Agreement Amount | Forgiveness Amount | Description |
|----------------|-------------------------------------|----------------|------------------|--------------------|--|
| L174626 | Belknap | 8/20/2014 | \$ 200,000.00 | \$ 150,000.00 | Contract #1 - surface preparation and painting of a 50,000-gallon elevated water tank (legged) and a 100,000-gallon standpipe water tank. Contract #2 - water treatment plant rehabilitation and two emergency generators (one at the water treatment plant and the second at the booster pumping station); installation of 24 inches of filter media in two of the existing pressure filters and repair of the wastewater filter side walls; cleaning and painting of water treatment plant components; necessary piping and miscellaneous water plant repairs. |
| L175281 | Chicago | 9/30/2014 | \$ 15,000,000.00 | \$ - | Replacement of approximately 24 miles of damaged, undersized, leaking and antiquated watermain located throughout the City with new 8-inch diameter watermain. This loan covers a portion of a multi-year project, \$40M of which was approved in the original loan L174865 and \$47M approved in a subsequent loan L175199. |
| L175232 | Chicago | 1/9/2015 | \$ 47,000,000.00 | \$ - | Install water meters at residences throughout the City that are currently unmetered. Meters will be equipped with AMR (Automatic Meter Reading) capabilities. Funds will also be used to replace outdated, existing meters with AMR capable units. Loan funds will only pay for installation costs, not water meters. This is part of an ongoing project to meter the entire City. |
| L175174 | Clayton-Camp Point Water Commission | 9/30/2014 | \$ 1,078,852.10 | \$ 539,426.00 | Supply well enclosures for wells #1 and #2 at the west well field, chlorination and raw water metering improvements at the west treatment plant, chlorination and raw and finished water metering improvements at the east treatment plant, and 14 master meter vault/enclosure replacements, electrical and related improvements. |
| L172915 | Danvers | 1/9/2015 | \$ 3,200,000.00 | \$ - | Construction of a water treatment plant for removal of arsenic; a new induced draft aerator, chemical oxidation and co-precipitation, two flocculation tanks, settling tank, filtration unit, and post-chlorination. Additional work includes electrical upgrades, yard piping, two new 250 GPM booster pumps, and miscellaneous appurtenances. Necessary sewer improvements for backwash water discharge include two backwash tanks, additional manhole, approximately 100 feet of gravity sewer, a 15 foot wet well, and all piping, pumps, and appurtenances. |
| L175181 | Eldorado | 7/3/2014 | \$ 364,389.09 | \$ 182,195.00 | Route 45 Water Main Adjustments Phase II - installation of approximately 3,000 linear feet (l.f.) of 6-inch water main, 720 l.f. of 10-inch water main, 520 l.f. of 12-inch water main, and service reconstructions with all related appurtenances. |
| L175210 | Elmwood Park | 7/18/2014 | \$ 588,107.72 | \$ - | The contract covers three Parts. (Part I) is covered under wastewater loan L175209 and Part III is ineligible work to be funded by the Village). This project (Part I of the contract) includes the construction of approximately 1,855 feet of 10-inch diameter water main, approximately 25 feet of 6-inch diameter water main and related appurtenances. |

Illinois EPA - Public Water Supply Loan Program - Annual Report - Attachment A

Loan Agreements 7/1/2014 through 6/30/2015

| Project Number | Party | Agreement Date | Agreement Amount | Forgiveness Amount | Description |
|-----------------------|-------------------------|-----------------------|-------------------------|---------------------------|---|
| L175218 | Fairbury | 4/2/2015 | \$ 175,000.00 | \$ - | Rehabilitation of the elevated water storage tank, which includes the following: furnishing and installation of a new cathodic protection system; complete sand blasting surface preparation and application of a new coating system to the interior wet surface area; power tool cleaning and recoating select areas of the interior dry surface areas; high pressure water jetting, power tool cleaning, prime and overcoat select exterior surface areas; tank disinfection; storage, removal and disposal of paint, blasting and waste materials; and power washing the entire tank exterior after cleaning and painting operations are complete. |
| L174802 | Fox Lake | 9/13/2014 | \$ 2,608,507.43 | \$ - | Holiday Park Elevated Storage Tank; 500,000 gallon elevated storage tank, Approximately 2,000 linear feet (l.f.) of 12-inch water main, 16 l.f. of 8-inch water main, three gate valves and two fire hydrants to connect/loop the new tank to the distribution system. |
| L172917 | Galva | 8/20/2014 | \$ 1,726,405.66 | \$ 650,000.00 | A new well, new 150,000 gallon ground storage tank, replacement of the roof on the existing 50,000 gallon storage tank, and the construction of a new pump house for Well #4. |
| L174818 | Harrisburg | 6/15/2015 | \$ 467,934.80 | \$ - | Replacement of approximately 15,000 feet of water main with new 6-inch diameter water mains within the oldest part of the City known as the Dorrisville area to maintain compliance with drinking water standards and to continue to provide safe drinking water to the customers. |
| L175183 | Highland Park | 9/30/2014 | \$ 5,480,931.06 | \$ - | Approximately 6,413 will be replaced and maintenance will be completed on the meter pits as required. A total of 10,537 meters will be equipped with transmitters to allow for meter data to be collected. |
| L175227 | Highwood | 5/28/2015 | \$ 2,610,846.72 | \$ - | Water main replacements and lining: 3,461 linear feet of water main that ranges in size from 6-inches to 12-inches in diameter; 2,400 linear feet of 6-inch diameter cured-in-place water main lining; backfill material; removal and restoration of roadways, sidewalks, curbs, gutters and driveways; removal and restoration of storm and sanitary sewers; fire hydrants; valves; replacement of 152 water services. |
| L175211 | LaGrange Highlands S.D. | 9/30/2014 | \$ 1,924,784.00 | \$ 650,000.00 | Construction of a 500,000 gallon elevated water storage tank, disassembly of existing 300,000 gallon elevated water storage tank and all related appurtenances and restoration |
| L175026 | Lindenhurst | 6/15/2015 | \$ 6,416,678.96 | \$ - | This project consists of Phase 1 of two Phases of water distribution system improvements that will allow the Village to connect to a regional water system that is supplied by Lake Michigan water. The construction for this phase will include the following: earth excavation; contaminated soil removal; granular backfill material; removal and restoration of roadways, sidewalks, curbs, gutters and driveways; removal and restoration of storm and sanitary sewers; 15,025 linear feet of water main that ranges in size from 6-inches to 16-inches in diameter; fire hydrants; valves; copper water services. |

Illinois EPA - Public Water Supply Loan Program - Annual Report - Attachment A

Loan Agreements 7/1/2014 through 6/30/2015

| Project Number | Party | Agreement Date | Agreement Amount | Forgiveness Amount | Description |
|----------------|----------------------------|----------------|------------------|--------------------|--|
| L172838 | Lost Lake Utility District | 9/30/2014 | \$ 224,392.82 | \$ 168,295.00 | Funds will be used to complete a second well and construct an addition to the well house. The District currently only has 1 well and this project will provide much needed system redundancy. |
| L175287 | Lost Lake Utility District | 6/23/2015 | \$ 257,250.00 | \$ - | Install approximately 4,569 feet of 6-inch watermain to replace existing, undersized watermains on Hickory Lane, Maple Lane, Blackberry Circle, Mulberry Lane, and Green Ash Drive. |
| L175136 | Lyons | 9/9/2014 | \$ 1,377,351.90 | \$ - | Removal and replacement of approximately 3,112 residential and commercial water meters with fixed base automatic radio frequency read meters. |
| L175137 | Lyons | 9/9/2014 | \$ 1,452,729.13 | \$ - | Replacement of cast iron pipe with ductile iron water main on Custer Avenue, and Anna Avenue. 2,009 ft. on Custer Ave. and 1,184 ft. on Anna Ave. |
| L175138 | Macomb | 2/1/2015 | \$ 903,225.00 | \$ - | Recoating the south elevated water storage tank, the ground level water storage tank and the water treatment plant clariflone. |
| L175078 | Merrionette Park | 9/30/2014 | \$ 342,965.10 | \$ 257,224.00 | 118th Street Water Main Replacement - approximately 644 lineal feet of 8-inch water main, four new fire hydrants, five valves and abandonment of the existing water main, fire hydrants and valves. |
| L175038 | Nokomis | 6/23/2015 | \$ 1,394,779.39 | \$ - | Construction of a new 400,000 gallon elevated storage tank and related appurtenances to increase storage capacity. |
| L175080 | Oak Lawn | 9/3/2014 | \$ 27,631,015.00 | \$ - | This project is the second of several upgrade and improvement projects to the Oak Lawn Regional Water System which includes the following improvements at the Reich Complex: Construction of a new Southern Pressure Zone Pumping Station with pumps, meters, surge tank, chlorine feed system, piping, controls, and a hydroelectric turbine, standby power generator, surge protection system, repairs to the concrete and joints of reservoirs and wet wells, chlorine gas scrubber, reservoir interconnections and modifications, groundwater dewatering system, roof replacement of the Northern Pressure Zone Pumping Station, security and surveillance systems, fencing, piping, sitework and restoration. The Harker Complex will include improvements to security and surveillance systems. The project will also include system-wide improvements regarding piping and flow control at the points of delivery and a Supervisory Control and Data Acquisition (SCADA) system. |
| L175202 | Pittsfield | 9/30/2014 | \$ 402,773.86 | \$ 201,387.00 | Drill, develop, and connect Well #3. Install a well pump and approximately 785 feet of water main. |
| L173097 | Sangamon Valley P.W.D. | 8/20/2014 | \$ 6,372,432.67 | \$ 650,000.00 | Install two package iron removal plants, 20 ion exchange units, pumps, chemical feed equipment, piping, controls and necessary appurtenances. Construct a 250,000 gallon ground water tank with related appurtenances. |
| L175022 | Shorewood | 8/20/2014 | \$ 4,608,640.00 | \$ - | The project will construct a 1.5 million gallon elevated water storage tank with related appurtenances at well number 8/water treatment plant site. This work is covered by IEPA Construction Permit Number 1159-FY2013. |

Illinois EPA - Public Water Supply Loan Program - Annual Report - Attachment A

Loan Agreements 7/1/2014 through 6/30/2015

| Project Number | Party | Agreement Date | Agreement Amount | Forgiveness Amount | Description |
|----------------|---------------------------------------|----------------|------------------|--------------------|----------------|
| L175182 | Bond Madison Water Company | 4/22/2015 | \$ - | \$ 126,734.00 | Loan Amendment |
| L174806 | Port Byron | 4/16/2015 | \$ - | \$ 650,000.00 | Loan Amendment |
| L175088 | Saline Valley Conservancy District | 4/16/2015 | \$ - | \$ 105,841.00 | Loan Amendment |
| L174623 | Sauk Village | 4/16/2015 | \$ - | \$ 650,000.00 | Loan Amendment |
| L175024 | Stillman Valley | 4/16/2015 | \$ - | \$ 233,813.00 | Loan Amendment |
| L173056 | West Frankfort | 4/16/2015 | \$ - | \$ 366,004.00 | Loan Amendment |
| L171468 | Winnebago | 4/16/2015 | \$ - | \$ 650,000.00 | Loan Amendment |
| L174184 | Scott-Morgan-Greene Water Cooperative | 8/5/2014 | \$ 4,236.60 | \$ - | Loan Amendment |
| L172791 | Ashton | 8/8/2014 | \$ 23,532.38 | \$ - | Loan Amendment |
| L174593 | Roberts | 3/11/2015 | \$ 43,723.00 | \$ - | Loan Amendment |
| L173105 | Carlock | 5/14/2015 | \$ 47,868.00 | \$ - | Loan Amendment |
| L174580 | Glen Carbon | 6/23/2015 | \$ 53,169.71 | \$ - | Loan Amendment |
| L173041 | Litchfield | 8/26/2014 | \$ 111,048.00 | \$ - | Loan Amendment |
| L174954 | Savanna | 1/7/2015 | \$ 123,510.50 | \$ - | Loan Amendment |
| L171704 | Western Springs | 3/11/2015 | \$ 200,481.21 | \$ - | Loan Amendment |
| L174814 | Leyden Township | 1/28/2015 | \$ 227,364.93 | \$ - | Loan Amendment |
| L174625 | Bloomington | 8/8/2014 | \$ (373,182.95) | \$ - | Loan Amendment |
| L172783 | Fairfield | 7/30/2014 | \$ (281,251.68) | \$ - | Loan Amendment |
| L174296 | Evergreen Park | 2/23/2015 | \$ (242,543.00) | \$ - | Loan Amendment |
| L174693 | Bannockburn | 8/8/2014 | \$ (200,291.53) | \$ - | Loan Amendment |
| L174910 | Knoxville | 4/22/2015 | \$ (44,089.00) | \$ 265,809.00 | Loan Amendment |
| L173861 | Volo | 7/30/2014 | \$ (22,149.26) | \$ - | Loan Amendment |
| L174866 | Gilberts | 4/22/2015 | \$ (17,757.00) | \$ - | Loan Amendment |
| L172819 | Bethalto | 8/26/2014 | \$ (17,296.05) | \$ - | Loan Amendment |
| L172837 | Lost Lake Utility District | 4/16/2015 | \$ (12,234.00) | \$ 94,817.00 | Loan Amendment |
| L175036 | Fairbury | 4/16/2015 | \$ (6,924.15) | \$ 117,936.00 | Loan Amendment |
| L174065 | Paw Paw | 9/23/2014 | \$ (3,044.04) | \$ - | Loan Amendment |
| L175198 | Buckley | 4/22/2015 | \$ (1,009.18) | \$ 358,967.00 | Loan Amendment |

Total Amount of Loan Amendments \$ (386,837.51)

Sub-Total of Principal Forgiveness via Loan Amendments \$ 3,619,921.00

Total Principal Forgiveness via Loan Awards and Amendments \$ 7,626,282.00

Attachment B

Financial Statements

Pages 9-11, 15-16 and 19-20 from Independent Accountants' Report

Illinois Environmental Protection Agency
Schedule of Assets and Liabilities - Drinking Water - Modified Cash Basis
June 30, 2015

Assets

| | |
|---|------------------------------|
| Cash & Cash Equivalents | |
| Cash - State Treasurer - DW - Fund 270 | \$ 58,383,785.38 |
| Cash & Equivalents - Trustee - DW | 1,756,361.83 |
| Cash & Equivalents - Trustee - DW - Restricted | 18,705,742.18 |
| Receivables | |
| Loans Receivable - DW | 655,501,061.36 |
| Interest Receivable - DW | 1,369,498.03 |
| Loan Support Receivable - DW | <u>1,238,778.28</u> |
| | 736,955,227.06 |
| Deferred Outflow of Resources - Deferred Amount on Bond Refunding | <u>439,096.37</u> |
| Total Assets | <u><u>737,394,323.43</u></u> |

Liabilities, Deferred Inflow of Resources and Net Position

| | |
|--|--------------------------|
| Bonds Payable | |
| Bonds Payable - Current - DW | 7,660,279.50 |
| Bonds Payable - Non Current - DW | 34,936,188.00 |
| Unamortized Bond Premiums (Discounts) - Current - DW | 1,122,742.32 |
| Unamortized Bond Premiums (Discounts) - Non Current - DW | 2,827,783.11 |
| Interest Payable on Bonds - DW | 1,000,581.57 |
| Accounts Payable & Accrued Liabilities | |
| Due to WW - DW | <u>181,895.75</u> |
| Total Liabilities | 47,729,470.25 |
| Deferred Inflow of Resources - Deferred Amount on Bond Refunding | <u>126,049.96</u> |
| Total Liabilities and Deferred Inflow of Resources | 47,855,520.21 |
| Net Position | |
| USEPA Capitalization Grants - DW | 480,509,935.00 |
| USEPA Capitalization Grants - ARRA - DW | 39,579,569.00 |
| State Match - DW | 110,285,899.94 |
| Debt Service - DW | 18,705,742.18 |
| Unrestricted - DW | <u>40,457,657.10</u> |
| Total Net Position | <u>689,538,803.22</u> |
| Total Liabilities and Net Position | <u>\$ 737,394,323.43</u> |

See independent accountants' report.

Illinois Environmental Protection Agency
Income and Expense Schedule - Drinking Water - Modified Cash Basis
Month and Year Ended June 30, 2015

| | Current Month | Year-to-Date |
|---|-------------------|-------------------|
| Operating Revenues | | |
| Miscellaneous Revenue - DW | \$ - | \$ 99.00 |
| Total Interest Earned (LS02) - DW | 463,991.03 | 5,697,705.81 |
| Loan Support Billed (LS02) - DW | 1,076,105.25 | 5,765,754.99 |
| Total Operating Revenues | 1,540,096.28 | 11,463,559.80 |
| Operating Expenses | | |
| Administrative Expense - Payroll - DW | 125,328.62 | 1,587,487.63 |
| Administrative Expense - Miscellaneous - DW | 142,272.13 | 259,317.42 |
| Loan Support Expense - Payroll - DW | 223,094.33 | 2,754,583.61 |
| Loan Support Expense - Miscellaneous - DW | 22,547.82 | 323,638.45 |
| System Set-A-Side - DW | - | 7,200.00 |
| Tech Assistance for Small Systems - DW | - | 9,750.00 |
| Principal Forgiveness | 1,315,148.00 | 20,402,133.76 |
| Total Operating Expenses | 1,828,390.90 | 25,344,110.87 |
| Total Operating Income (Loss) | (288,294.62) | (13,880,551.07) |
| Non-Operating Revenues | | |
| Interest on Cash - State Treasury - DW | 36,261.34 | 388,095.39 |
| Interest on Trustee Funds 2013 - DW | 69.08 | 156,863.08 |
| Interest on Arbitrage Investments - DW | - | 11.96 |
| In-Kind Grant Income | 127,580.54 | 127,580.54 |
| Gain(Loss) on Investment Sales - DW | - | (130,415.08) |
| Drawdowns - Loans - DW | 652,337.67 | 39,034,404.46 |
| Drawdowns - Administrative - DW | 134,741.00 | 1,782,339.00 |
| Total Non-Operating Revenues | 950,989.63 | 41,358,879.35 |
| Non Operating Expenses | | |
| Bond Interest Expense - DW | (1,095,460.15) | 838,312.06 |
| Trustee Expense - DW | - | 6,500.00 |
| IFA Management Fee - DW | - | 150,000.00 |
| Arbitrage Expense - DW | - | 94.37 |
| LGTS Conversion Adjustment | 564,968.79 | - |
| Total Non-Operating Expenses | (530,491.36) | 994,906.43 |
| Total Non-Operating Income (Loss) | 1,481,480.99 | 40,363,972.92 |
| Net Income (Loss) | 1,193,186.37 | 26,483,421.85 |
| Net Position, Beginning of Period | 688,345,616.85 | 663,055,381.37 |
| Net Position, End of Period | \$ 689,538,803.22 | \$ 689,538,803.22 |

See independent accountants' report.

Illinois Environmental Protection Agency
Cash Flow Schedule - Drinking Water - Modified Cash Basis
Year Ended June 30, 2015

| | |
|---|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash receipts from interest on program loans | \$ 4,948,589.49 |
| Cash receipts from loan support on program loans | 4,948,585.91 |
| Cash receipts from miscellaneous sources | 99.00 |
| Cash payments for miscellaneous services | (472,325.33) |
| Cash payments to employees for services | (4,342,071.24) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>5,082,877.83</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Administrative grants (LOC Drawdowns for Admin) | 1,782,339.00 |
| Grants Received (LOC Drawdowns) | 39,034,404.46 |
| Bond Principal Payments | (8,010,212.00) |
| Interest Paid on Bonds | (2,393,427.13) |
| NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES | <u>30,413,104.33</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of Investments | (51,063,176.14) |
| Loan repayments deposited to incorrect program and corrections thereto | 181,895.75 |
| Program Loans - Disbursements | (115,714,361.70) |
| Program Loans - Principal Repaid | 40,304,349.64 |
| Proceeds from sale and maturities of investments | 65,064,783.00 |
| Cash receipts from interest on funds with the State Treasurer | 388,095.39 |
| Interest on Investments (Trustee) | 156,875.04 |
| Trustee Expense | (6,500.00) |
| IFA Management Fee | (150,000.00) |
| Arbitrage Payments for 2002/2004 bonds | (1,224,561.63) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>(62,062,600.65)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (26,566,618.49) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>105,412,507.89</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u><u>78,845,889.40</u></u> |
| RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Income(loss) from operations | (13,880,551.07) |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | |
| Principal forgiveness | 20,402,133.76 |
| (Increase) decrease in assets: | |
| (Increase) Decrease in accounts receivable: | (1,566,285.40) |
| Increase (decrease) in liabilities: | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u><u>\$ 5,082,877.83</u></u> |

See independent accountants' report.

Illinois Environmental Protection Agency
Notes to Schedules - Drinking Water
June 30, 2015

| | |
|--|----------------------|
| Total Federal LOC | \$ 588,333,400.00 |
| Less: | |
| Drawdowns - Loans | 525,440,892.00 |
| Drawdowns - Administrative | 21,487,014.94 |
| Drawdowns - SWA & Wellhead Protection | 3,850,191.00 |
| Total Remaining LOC | <u>37,555,302.06</u> |
| | |
| Total Federal LOC - ARRA Loans | 79,538,000.00 |
| Less: | |
| Drawdowns - Loans - ARRA Loans | 79,538,000.00 |
| Total Remaining LOC - ARRA Loans | <u>-</u> |
| | |
| Total State LOC | 117,666,680.00 |
| Less: | |
| Deposits | 110,285,899.94 |
| Transfers from Loan Support to State Match | - |
| Total Remaining State LOC | <u>7,380,780.06</u> |
| | |
| Balance placed in State Match Trust account | 20,308,800.00 |
| Less: | |
| Transfers to Treasury | 20,266,980.53 |
| Amount needing transferred to Treasury | - |
| Balance available for transfer to the treasury in the trustee state match account | <u>41,819.47</u> |
| | |
| 2013 Bond Sale | 50,606,679.50 |
| Plus: | |
| Premium | 6,033,020.58 |
| Total Proceeds | <u>56,639,700.08</u> |

See independent accountants' report.

Illinois Environmental Protection Agency
 Status Report - Drinking Water
 June 30, 2015

| | Fiscal Year | Total to Date |
|--|--------------------|---------------------|
| LOAN AWARDS: | | |
| Total Loans Offered | \$ 130,762,310.91 | \$ 1,214,555,876.35 |
| Less: Disbursements (Loans) | 115,714,361.70 | 1,022,033,124.10 |
| Balance of Loans Outstanding | 15,047,949.21 | 192,522,752.25 |
| DWLP STATUS: | | |
| State Match Deposits | - | 90,214,000.00 |
| Transfers of Loan Support to State Match | - | 2,213,300.00 |
| Transfers of WW Loan Support to State Match | - | 17,858,600.00 |
| Transfers of WW State Match to DW | - | - |
| Bond Sale | - | 161,639,892.07 |
| Funds transferred from WW to DW for the equity reserve - 2002 | - | - |
| Letter of Credit Drawdowns - To Replace Fund Equity (Reserve)-2002 | - | 24,898,271.00 |
| Letter of Credit Drawdowns - To Replace Fund Equity (Reserve)-2004 | - | 24,863,658.73 |
| Letter of Credit Drawdowns - Loans | 39,034,404.46 | 473,108,394.27 |
| Letter of Credit Drawdowns - Private Loans | - | 2,570,568.00 |
| Letter of Credit Drawdowns - Adm. Costs | 1,782,339.00 | 20,959,942.00 |
| Letter of Credit Drawdowns - S.W.A. Costs and Wellhead | - | 3,850,191.00 |
| Drawdowns - Stimulus Loans | - | 79,538,000.00 |
| Interest on Cash - State Treasurer (2) | 388,095.39 | 15,336,256.42 |
| Interest on Unpledged Repayments - Trustee | - | 94,878.54 |
| Interest on Trustee Funds at Debt Service Pay Dates - 2002 Bond Sale | - | 9,012,612.80 |
| Interest on Trustee Funds at Debt Service Pay Dates - 2004 Bond Sale | - | 8,941,779.06 |
| Interest on Trustee Funds at Debt Service Pay Dates - 2013 Bond Sale | 156,863.08 | 166,397.64 |
| Interest on Arbitrage Investments | 11.96 | 106.33 |
| Incorrect Transfer to State General Revenue Fund | - | - |
| In-Kind Grant Income | 127,580.54 | 527,072.94 |
| AIG Termination Fee | - | 1,093,033.20 |
| Miscellaneous Receipts | 99.00 | 4,327.56 |
| Repayments (Principal) | 40,304,349.64 | 290,933,698.26 |
| Repayments (Interest) | 4,948,589.49 | 57,968,110.32 |
| Repayments (Loan Support) | 4,948,585.91 | 44,682,249.33 |
| Sales of Investments | 65,054,783.00 | 171,334,982.55 |
| Due to WW | 181,895.75 | 181,895.75 |
| Gain on Sales of Investments (Return of Income) - 2004 | - | 673,953.33 |
| Gain on Sales of Investments (Return of Income) - 2002 | - | 351,301.12 |
| Reserve - Depledge for Series 2004 Bonds | - | 25,000,000.00 |
| Reserve - Depledge for Series 2002 Bonds | - | 25,000,000.00 |
| TOTAL CASH RECEIPTS | 156,937,597.22 | 1,553,017,472.22 |
| Less: Disbursements to Borrowers | 115,714,361.70 | 1,022,033,124.10 |
| Disbursements for Reserve - 2002 - Borrowed from WW | - | 20,000,000.00 |
| Disbursements - Reserve-2002 | - | 5,000,000.00 |
| Disbursements - Reserve-2004 | - | 25,000,000.00 |
| Disbursements - Adm. Expense | 1,846,805.05 | 21,129,219.89 |
| Disbursements - Source Water Prot. Areas | - | 2,914,931.77 |
| Disbursements - Wellhead Protection | - | 947,873.28 |
| Disbursements - Loan Support | 3,078,222.06 | 29,384,321.98 |
| Disbursements - Compliance Grants | - | 1,898,116.71 |
| System Set-A-Side | 7,200.00 | 7,200.00 |
| Tech Assistance for Small Systems | 9,750.00 | 9,750.00 |
| Transfers of Loan Support to State Match | - | 2,213,300.00 |
| Transfer of State Match from Trustee Accounts | - | 20,308,800.00 |
| Trustee Annual Fee - 2013 Bond Sale | 6,500.00 | 6,500.00 |
| Trustee Annual Fee - 2002 Bond Sale | - | 65,062.50 |
| Trustee Annual Fee - 2004 Bond Sale | - | 31,875.00 |
| IFA Management Fee | 150,000.00 | 150,000.00 |
| Arbitrage Expense - 2002/2004 Bond Sale | 1,224,561.63 | 1,674,002.12 |
| Arbitrage Calculation Cost | - | 5,800.00 |
| Mandatory Transfer Out | - | 520.80 |
| Debt Service Payments on Bonds - 2002 | - | 56,036,189.92 |
| Debt Service Payments on Bonds - 2004 | - | 45,505,833.40 |
| Debt Service Payments on Bonds - 2013 | 10,403,639.13 | 10,403,639.13 |
| Payments to Trustee for Future Bond Debt Service Maturities - 2002 | - | 14,217,573.46 |
| Payments to Trustee for Future Bond Debt Service Maturities - 2004 | - | 23,485,001.68 |
| Purchases of Investments | 51,063,176.14 | 171,474,668.27 |
| Bond Issuance Costs | - | 268,279.01 |
| TOTAL CASH DISBURSEMENTS | 183,504,216.71 | 1,474,171,583.02 |
| CASH BALANCE | \$ (26,566,618.49) | \$ 78,845,889.20 |

See independent accountants' report.

Illinois Environmental Protection Agency
 Schedule of Assets and Liabilities - Loan Support - Modified Cash Basis
 June 30, 2015

| | <u>Drinking Water</u> | <u>Waste Water</u> | <u>Combined</u> |
|---------------------------|--------------------------------|--------------------------------|--------------------------------|
| Assets | | | |
| Cash & Receivables | | | |
| Cash - Loan Support | 11,185,623.95 | 34,683,456.12 | \$ 45,869,080.07 |
| Loan Support Receivable | <u>1,238,778.28</u> | <u>4,957,708.67</u> | <u>6,196,486.95</u> |
| Total Assets | <u><u>12,424,402.23</u></u> | <u><u>39,641,164.79</u></u> | <u><u>52,065,567.02</u></u> |
| Net Position | | | |
| Loan Support Net Position | <u>12,424,402.23</u> | <u>39,641,164.79</u> | <u>52,065,567.02</u> |
| Total Net Position | <u><u>\$ 12,424,402.23</u></u> | <u><u>\$ 39,641,164.79</u></u> | <u><u>\$ 52,065,567.02</u></u> |

See independent accountants' report.

Illinois Environmental Protection Agency
Income and Expense Schedule - Loan Support - Modified Cash Basis
Period Ended June 30, 2015

| | Drinking Water | | Waste Water | | Combined | |
|--|------------------|------------------|------------------|-------------------|------------------|-------------------|
| | Fiscal Year | Total to Date | Fiscal Year | Total to Date | Fiscal Year | Total to Date |
| Operating Revenues | \$ 5,765,754.99 | \$ 45,921,027.60 | \$ 17,194,378.30 | \$ 231,728,884.34 | \$ 22,960,133.29 | \$ 277,649,911.94 |
| Loan Support Billed | 5,765,754.99 | 45,921,027.60 | 17,194,378.30 | 231,728,884.34 | 22,960,133.29 | 277,649,911.94 |
| Total Operating Revenues | | | | | | |
| Operating Expenses | 3,078,222.06 | 29,384,321.98 | 10,644,988.64 | 143,775,818.54 | 13,723,210.70 | 173,160,140.52 |
| Loan Support Expense - Payroll & Miscellaneous | - | 1,898,116.71 | 3,898,325.01 | 9,980,703.01 | 3,898,325.01 | 11,878,819.72 |
| Compliance Grants | - | 2,213,300.00 | - | 8,570,023.00 | - | 10,783,323.00 |
| Transferred Loan Support to State Match | - | - | - | 17,858,600.00 | - | 17,858,600.00 |
| Transferred WW Loan Support to DW State Match | - | - | - | 11,902,575.00 | - | 11,902,575.00 |
| Principal Forgiveness | - | - | - | - | - | - |
| Prior Year Adjustment Due to Timing | 886.68 | 886.68 | - | - | 886.68 | 886.68 |
| Total Operating Expenses | 3,079,108.74 | 33,496,625.37 | 14,543,313.65 | 192,087,719.55 | 17,622,422.39 | 225,584,344.92 |
| Total Operating Income (Loss) | 2,686,646.25 | 12,424,402.23 | 2,651,064.65 | 39,641,164.79 | 5,337,710.90 | 52,065,567.02 |
| Net Position, Beginning of Period | 9,737,755.98 | - | 36,990,100.14 | - | 46,727,856.12 | - |
| Net Position, End of Period | \$ 12,424,402.23 | \$ 12,424,402.23 | \$ 39,641,164.79 | \$ 39,641,164.79 | \$ 52,065,567.02 | \$ 52,065,567.02 |

See independent accountants' report.

