

***Drinking Water State Revolving Fund
(DWSRF)
Annual Report***

Capitalization Grants

For Period Ending June 30, 2001



State of North Carolina

September 30, 2001

I. INTRODUCTION

Amendments to the Safe Drinking Water Act (SDWA) of 1996 created the Drinking Water State Revolving Fund (DWSRF). Public Law 104-182 established a new Section 1452 in the SDWA which authorized capitalization grants to states. This law also established the qualifying conditions to be met by the states as recipients of the funds and also described the intended uses of the DWSRF.

The State of North Carolina herewith submits its Annual Report for the DWSRF program for state fy 2001 (July 1, 2000-June 30, 2001). This report shows the actual use of these funds, and describes how North Carolina has met the goals and objectives of its DWSRF program during fiscal year 2001 as identified in its Intended Use Plan (IUPs) which described the planned use of these funds for project and set-aside purposes.

II. EXECUTIVE SUMMARY

North Carolina has received capitalization grants totaling \$72,451,400. The approved IUP included DWSRF monies for projects in the amount of \$57,573,566. The DWSRF for projects included the 20 percent state match of \$14,490,280. The remaining portion of the capitalization grant, \$14,877,834 was described as non-project or set-aside uses in the IUPs. Supplemental funding for this reporting period included \$258,748 interest earned on deposits, as well as loan repayments of \$587,679 principal and \$334,022 in interest.

During state fiscal year 2001 North Carolina made 8 new binding commitments to provide assistance for the construction of water supply facilities. These obligations totaled \$12,879,440. Three other projects were completed at amounts less than their original commitments, resulting in de-obligated funds of \$267,131. Disbursements from North Carolina's DWSRF to 22 loan recipients totaled \$19,315,049. In addition, \$2,080,573 was expended during this reporting period for set-aside purposes, including DWSRF program administration, state programs, small system technical assistance, and local assistance and other state programs, detailed in Exhibit 5 and in this report.

III. GOALS AND ACCOMPLISHMENTS

A. Short-Term Goals and Accomplishments

North Carolina identified eight short-term goals in its FY99 IUP, and has worked to meet these program objectives.

1. Implement administrative rules and regulations for the DWSRF program, consistent with federal priorities.

Rules, identified as T15A NCAC 1N, were adopted as permanent rules, effective April 1, 1999. The rules, and criteria within for decision making, are consistent with the priorities established by the amended Safe Drinking Water Act of 1996 (P.L. 104-182, Section 130) and subsequent guidance documents published February 28, 1997.

2. Provide effective program management to ensure the integrity of the DWSRF.

All programs, including those for proposed projects and for the set-aside functions, have been managed with the highest levels of integrity available from the state.

3. Provide loans to eligible public water systems to address acute health risks as a priority.

The criteria, developed for awarding priority rating points to applications for low interest loans, provide a greater amount of points to projects that demonstrate acute health risks in need of remediation.

4. Provide loans to eligible public water systems to allow consolidation of non-viable water systems to form systems with adequate capacity.

Simultaneous to consolidating public water systems experiencing health hazard risks, opportunities to consolidate non-viable water systems are considered as well. This allows eligible viable water systems to supply these customers.

5. Provide funding for preventative and efficiency measures, such as source water protection and the replacement of aging infrastructure.

Applications for off stream settling basins, upgrading of water treatment plants, and upgrading transmission and distribution lines were given high to medium priority ratings when documentation was provided to show the existing health risk associated with excessive raw water turbidity or insufficient water pressure could be reduced by funding the project.

6. Prevent the formation of new non-viable systems through the capacity development program.

The permanent rules for capacity development took effect on August 1, 2000 to ensure that new systems have technical, financial and managerial capacity.

7. Increase compliance for transient water systems.

The Public Water Supply Section's field staff continues to provide updated inventory information as they become aware of the needed changes. Maximum contaminant level exceedance letters and monitoring failure notifications are routinely prepared and mailed from the central office in Raleigh.

8. Provide the required State match within the required time frame.

State match for the FY99 capitalization grant was provided by the sale of bonds as authorized by the 1998 NC Legislature.

B. Long-Term Goals and Accomplishments

North Carolina continues to work on the following eight long-term commitments that were included in its FY99 IUP.

1. Support the North Carolina goal to assure safe and healthy drinking water for state residents and visitors served by public water supplies.

The program activities, both project and non-project, place a great emphasis on assuring provision of safe and healthy drinking water by all public water systems. The state program and small systems technical assistance set-asides have enabled the state to place greater attention on the transient, non-community public water systems which, though the smallest, are the most numerous.

2. Increase the percent of the population served by safe public water systems.

Funding service area expansion projects that address areas with contaminated private wells raises the state's overall level of public health protection.

Constant monitoring of analytical results for regulated and unregulated contaminants ensures that the highest percent of the state's population are being served drinking water from safe public water systems.

3. Increase the safety of public water systems.

The award of DWSRF monies to public water system upgrade proposals allows the safety of existing public water systems to be increased. Additionally small system technical assistance, and resultant inspections identify deficiencies that must be satisfied to remain in compliance with state and federal requirements.

4. Provide assistance to public water systems in maintaining the health objectives of the SDWA.

In addition to the improvements to existing water systems made possible by project funding, a great emphasis is now being placed on prevention of entry of threatening contaminants through the implementation of a source water assessment program and its subcomponents, like wellhead protection. These activities, as well as the other set-asides, are described in more detail in the Program Details, Section IV, in this report.

5. Maintain the fiscal integrity of the DWSRF to assure continuance of loan funds for future generations.

As revolving loan principal repayments and interest payments are received, they will be deposited to an account dedicated to disbursement for new loan purposes. Interest earned on these deposits will also be credited to the account.

6. Maintain the DWSRF in perpetuity.

The rules established for the implementation of the program for low interest loans for projects included provisions for establishing a two percent administrative fee. This, coupled with the revolving loan aspect, allows replenishment of funds for future high priority public health and compliance projects, and their administration. DWSRF program does not include interest free or principal forgiveness loans.

7. Implement a capacity development strategy that will result in improved water system compliance.

The strategy for implementing North Carolina's Capacity Development Program was submitted on August 23, 2000 and approved on September 21, 2000. The report on first year implementation was submitted to EPA on August 3, 2001.

IV. PROGRAM DETAILS

A. Fund Financial Status

1. Sources of Funds

Exhibit 2 shows the sources of project funds for state fy 2001. During this period, the State received its 1999 capitalization grant of \$13,477,900. Other state fy 2001 sources included \$258,748 in interest earned on deposits, \$602,667 in state match, and \$975,606 (principal and interest) in loan repayments.

2. Projects

The State of North Carolina entered into 8 original binding commitments during fiscal year 2001 and decreased commitments to 3 projects. The commitment decrease totaled \$267,131. Including the increased commitments, the total commitment through June 30, 2001 was \$58,591,333. By the end of state fy 2001, there was \$13,472,513 in project funds remaining to be committed which includes \$13,128,357 from fy 1999.

3. Payments to Automated Clearinghouse (ACH)

Exhibit 3 shows the Schedules of Payments to the ACH. Exhibits 4A and 4B show binding commitments as compared to the payment schedule.

4. Disbursements

Exhibit 5 shows that during the fiscal year a total of \$21,395,622 was disbursed.

5. Loan Repayments

As reflected in Exhibit 6, loan principal repayments during the fiscal year on 13 projects totaled \$587,679 with interest received on loans totaling \$334,022.

6. Loan Administrative Fee

Exhibit 7 reflects activity associated with loan administrative fees. During the reporting period, fees totaling \$87,819 were paid by 3 applicants. Interest earned on these funds totaled \$55,415.

7. Financial Statements

Financial activity for the fiscal year is presented in Exhibits 11 through 15, which are the unaudited financial statements for North Carolina's DWSRF. Included are a balance sheet; statements of revenues, expenses, and changes in retained earnings; a statement of cash flow; and the related explanatory notes. The North Carolina State Auditor's Office is currently reviewing these financial statements and other appropriate aspects of the DWSRF Program and will be issuing its report at a future date. Revenues and expenditures reflected in these financial statements are reported on the accrual basis as explained in note 2 accompanying those statements. The preceding Exhibits 1 through 10 are prepared on the cash basis, in keeping with the method used to compile DWSRF data in the nation database (NIMS).

B. Assistance Activity

Exhibits 8 through 10 illustrate the project assistance activity of the fund for the period ending June 30, 2001.

Exhibit 8 shows the projects with which North Carolina's DWSRF has entered into binding commitments for low interest loans during the period.

Exhibit 9 shows a breakdown of these binding commitments by quarter.

Exhibit 10 shows the assistance amount provided to each project by needs category.

C. Conditions of the Grant

The North Carolina State Auditor's Office conducts an annual audit of the DWSRF. Audit procedures are conducted in accordance with Generally Accepted Auditing Standards and Government Auditing Standards issued by the Comptroller General of the United States. The State Auditor Report for the last fiscal year disclosed no instances of non-compliance with Terms and Conditions of the DWSRF Grant.

D. Set-Aside Program Reports

The following report on set-asides is presented in the order described in the intended use plan dated May 4, 1999. Reporting for each set-aside will consist of two parts. The first part is a "reminder" unit in italics which is a copy or summary of the statement of commitment contained in the Intended Use Plan. The second part is a "status" unit showing progress made in each of the set-aside program areas.

4A. *Definition of non-project activity.*

The 1996 SDWA added new program responsibilities for states, and provided funding through the funding set-asides from the DWSRF for non-project activities. Set-asides, therefore, are uses of DWSRF money allowed by the SDWA in furthering the objectives of the Act, but are not construction related. These projects include: Program Administration, Technical Assistance to Small Systems, Administration of the Public Water Supply Supervision Program (State Program Management), and Local Assistance and Other State Programs. Non-project activities may be carried out directly by the Division of Environmental Health, Public Water Supply Section in the Department of Environment and Natural Resources (NCPWSS) or through contracts with other agencies and organizations.

4B. *Description of process used to determine amounts of Capitalization Grants to be used for non-project activities.*

For planning for the DWSRF, the NCPWSS involved stakeholders in a detailed process for the FY 1997 grant allocation to determine if, and to what extent, the available set-asides would be used, what continuing positions would be created and funded, and to determine the priority needs in the state. Four large group meetings were held from December 1996 through May 1997. The five issues determined to have the highest priority for current action in the State are 1) technical assistance, 2) capacity development, 3) delineation and assessment of source water protection areas, 4) transient system compliance, and 5) wellhead protection. Subcommittees were formed to develop the specific first-year action plans and costs for the five different issues of concern in North Carolina. The committee reports were combined to fit the set-aside categories allowed by EPA and presented back to the full Stakeholder group. Participating stakeholders represented the following agencies and organizations: NC American Water Works Association, NC Water Works Operators Association, NC Rural Water Association, NC League of Municipalities, NC Association of Water Companies, Lead Regional Agencies, Local Health

Departments, Professional Engineers of NC, Division of Water Quality, Division of Water Resources, Division of Community Assistance, Center for Geographic Information and Analysis, NC Rural Economic Development Center, NC Utilities Commission Public Staff, NC Public Water Supply Section. Other agencies may have received notices of meetings but not sent any representatives. Comments and concerns resulted in a draft IUP, taken to public hearing. The Set-Aside Intended Use Plan received final approval from EPA in March of 1998. The set-asides are described below, reflecting the priorities of the stakeholder group.

This portion of this Intended Use Plan for Fiscal Year 1999 covering set-asides is merely a continuation of the programs and projects approved in the Fiscal Year 1997 and 1998 IUPs. This set aside plan continues funding for salaries and support for the positions that were created through the DWSRF.

Status:

Completed

4C. Description of non-project activities and percentage/amount of funds to be used for each.

4C1. Program Administration (up to 4% of Capitalization Grant).

The State will allocate \$539,116 from Federal FY99 for program administration. The DWSRF will be administered by the NCPWSS. This set-aside is used for salaries and associated expenses of personnel devoting time to program administration for the DWSRF, including 1 Environmental Engineering Supervisor II, 2 Environmental Engineer II's, 1 Office Assistant, 1 Accountant II, 1 Administrative Assistant I, and 1 Accounting Tech IV. Needed programming services are budgeted, but whether this is by a permanent position, or contracted out has yet to be determined. These positions are necessary for the administration of the program to include program management; financial management; legislation and rule making; application generation, solicitation, and review; development and maintenance of a priority list; reporting; managing services by vendors and other state agencies; data management; and records keeping. These funds will also be used to procure all equipment and training necessary for the adequate performance of staff on related duties. Technical assistance to water systems in completing the loan applications will be available through this set-aside. Once some experience is gained in the details of running this new program, the potential need for additional personnel will be evaluated. See Attachment D. Legislative changes in 1999 made private non-profit water corporations, formed for the sole purpose of providing water or water and sewer service, eligible applicants for funding. Any unused funds from this set aside from the state fiscal year in which use was initiated will be used in the following and subsequent state fiscal years in continuation of work plan activities if necessary to achieve maximum utilization.

Status:

Since receipt of the initial and subsequent grants identified as Cooperative Agreement #FS 984338, implementation activities have been undertaken towards achieving the long and short term objectives and goals. This report covers activities and accomplishments through June 30, 2001.

Application due dates for batches of project applications processed to date were September 30, 1998 and September 30, 1999, respectively, for the federal FY98 and FY99 capitalization grants. The state match for the FY98 grant was originally appropriated by the state's legislature in 1997. A bond bill, to create loan and grant funds for the purpose of improving publicly owned water and sewer systems and for creating five years of match funds for DWSRF needs, was passed by the 1998 North Carolina General Assembly and also gained statewide voter approval in the fall of 1998. These new funds became a replacement source for the appropriated match since Hurricane Floyd devastation and resultant recovery cost stressed most of the state's resources and the appropriation had to be diverted for those purposes.

During the application review process, regional PWSS staff were consulted for their assessment of the proposed project public health and compliance needs. This information was then combined with other available compliance data and supporting information from the submitted application for final priority points determinations. The proposed summary priority listing of projects was submitted on March 3, 2000 for Federal FY99 grant funding. The federal FY00 grant application for funding for additional proposed projects and continuation of set-asides was submitted on May 21, 2001.

Through June 30, 2001, the following staff positions have been created, filled and funded through the program administration set-aside:

- 1 Environmental Engineering Supervisor II
- 1 Administrative Assistant I
- 1 Accountant II
- 1 Accountant Tech IV
- 2 Environmental Engineer II
- 1 Office Assistant

An existing Environmental Supervisor III provides direct oversight for the SRF Unit. This allowed the new Environmental Engineering Supervisor II funded by this set-aside to provide oversight and management for the Protection and Enforcement Branch. Two additional Environmental Engineer II positions, supported by other federal and state funds, also assist with the implementation of the program activities. The need for the planned Application Analyst Programmer is still being reviewed as the Accountant II and Departmental Staff evaluate the options for project and set-aside data management and reporting requirements.

In the absence of an operating agreement, attachments to the capitalization grant application have met the capitalization grant submission guidelines. As of October 19, 1999, the SERP for North Carolina was approved. It contains provisions for excluding projects from environmental review by categorical exclusion when certain exemption criteria are met. A Public Hearing to receive comments relative to the FY00 set-asides was held on March 22, 2001 in Raleigh. Public notices for the IUP for the set-asides were published in at least sixteen newspapers across the state, thereby giving notice to interested parties of availability and opportunity to participate. The FY99 and FY00 IUP and their respective comprehensive Project Priority Lists were also posted at <http://www.deh.enr.state.nc.us/pws/>.

Construction contractor Equal Opportunity Employment participation has been reported quarterly to EPA by submission of the EPA form 5700.

4C2. Technical Assistance for Small Systems. (up to 2% of Capitalization Grant)

The State will allocate \$269,558 from Federal FY99 to provide technical assistance to small water systems. Any unused funds from the state fiscal year in which use was initiated will be used in the following and subsequent state fiscal years in continuation of work plan activities if necessary to achieve maximum utilization. This money is used jointly by the NCPWSS and the North Carolina Rural Water Association (NCRWA). The NCPWSS will provide continued funding support for 3 Environmental Technician IV in regional offices. The NCRWA's contract will continue the support of one circuit rider. See Attachment E. All assistance provided with these funds must be directed to public water systems serving a population of less than 10,000. A list of some of the general activities to be performed and assistance to be provided using this money is as follows:

- Investigate MCL violations and identify corrective actions.*
- Investigate and evaluate systems malfunctions or operational problems and advise of corrective actions.*
- Inspect systems for compliance with required design standards and advise of needed modifications.*
- Interpret sample results and advise of health risk.*
- Interpret and advise concerning regulatory or monitoring requirements.*
- Assist with sample siting plans.*
- Provide emergency response to water outages and other serious conditions.*
- Train operators and provide hands-on assistance when needed.*
- Investigate and advise concerning source water contamination and water source selection.*
- Assist in setting up pilot studies.*
- Assist with capacity development and source water protection activities.*

The State continued to provide technical assistance to small water systems. This funding, used jointly by the NCPWSS and the North Carolina Rural Water Association will continue workplan activities as necessary to achieve maximum utilization. The NCPWSS continued its support of 3 Environmental Technical IV positions in Regional Offices. These offices provided technical assistance to systems

during 2,242 sanitary surveys and numerous other on-site contacts during the reporting period. NCRWA's contract was continued in support of a circuit rider position that provided 476 contacts of technical assistance during the reporting period. These contacts involved dialog with water system personnel in accordance with the activities and assistance described above.

4C3. Drinking Water State Program Management Functions (up to 10% of Capitalization Grant).

This match category requires a 1:1 match by the State program. However, EPA gives credit toward this match for all match money for the PWSS grant in FY93 and for over match only for FY99. By utilizing matches already met, North Carolina can take advantage of \$1,347,790 in FY99 with no additional match requirement from the State. This money will be used to support new and continuing programs required by EPA through the state fiscal year use in which initiated as well as subsequent state fiscal years as necessary in continuation of the work plan.

4C3a. Administration of PWSS Supervision Program.

The new requirements of the Safe Drinking Water Act have identified assistance to small systems as a priority with the program. North Carolina has a greater percentage of small systems than many states and is faced with many systems that require assistance more than they require loans. The Technical Assistance set-aside is deemed inadequate to address the needs of the large number of these systems in North Carolina. In addition, for the estimated over 4300 transient water systems in North Carolina, EPA is requiring an emphasis to ensure that these systems are complying with testing and monitoring requirements. Currently, North Carolina has inadequate information on transient systems to ensure public health is being protected in these systems.

The money from this set-aside is being used to continue the work begun as a result of the FY 1997 IUP to address these two concerns. A total of \$1,140,679 will be set aside to continue support for 1 Engineer II and 1 Engineering Technician V to manage transient systems; and one each of Processing Assistant V, Data Entry Specialist, and Computer Analyst to handle the increased information flow in the central office. To provide help to these transient systems, other small systems needing general technical assistance, and assistance with new initiatives such as capacity development, 1 Engineering Technician IV, 1 Hydrogeologist I, 2 Environmental Engineer I, and 1 Water Treatment Plant Consultant were added in the field offices. See Attachment F.

Status:

An Environmental Engineer II and an Engineering Technician V manage transient system compliance oversight. A Processing Assistant and a Data Entry Specialist work in the central office. In the field offices 2 Engineering Technicians and 2 Environmental Engineers provide technical assistance to transient and other small systems, as well as assistance with the capacity development initiative. Also, the computer analyst and water plant consultant positions now have been added.

The transient system compliance unit maintained an updated inventory and oversaw regulation of these systems. Central Office activities included inventory coordination and updating, compliance and enforcement activities, and development and oversight of related computer programming. Additional duties in the regional offices included providing on-site technical assistance, providing transient non-community (TNC) inventory updates, conducting site visits and consultation as follow-ups to contamination, performing sanitary surveys, performing GWUDI determinations for new groundwater systems, issuing boil water notices, assisting with public notice of contamination, and providing training.

For the TNC systems, notices of violation, were issued for systems failing to monitor and for systems having contamination. In addition to transient system work, some technical assistance activity was performed for all other types of public water systems.

4C3b. Administration or technical assistance activities for source water protection.

This set-aside continues to fund one position in the PWSS to coordinate source water protection activities on a permanent basis. This position will coordinate work to develop a source water protection program including coordination with delineation and assessment activities (separate set-aside in FY97 IUP) and contract management.

Status:

From July 1, 2000 to June 30, 2001, much of the work performed by the Source Water Protection Program Manager was to further source water protection goals by working in support of the Source Water Assessment Program (SWAP) and coordinating with the existing state Wellhead Protection Program. Specifically, the Source Water Protection (SWP) Program Manager coordinated conceptual design work for a computer application for SWAP implementation. This is an information technology project involving coordination with the NC Department of Environment and Natural Resources (DENR), Division of Information Technology Services.

In addition, from September 2000 to June 30, 2001 this position coordinated DENR's participation in an EPA-funded Source Water Protection pilot project, awarded to the Environmental Finance Center at the University of North Carolina. DENR's participation included the selection of a pilot project site through consultation with regional staff. The selected location is Rutherford County, North Carolina. Since the selection, the SWP Program Manager has attended several meetings in Rutherford County, representing the SWAP and the SWP Program.

SWP Program activities have also included the following initiatives:

- Evaluation of Septic Systems in Water Supply Watersheds.

Continued study of revisions to North Carolina's rule 15A NCAC 18C .1211 "Ground Absorption Sewage Collection: Treatment / Disposal Systems" of the NC

Rules Governing Public Water Systems (Rule .1211). This rule is an existing source water protection rule and specifies criteria for the siting of ground absorption sewage disposal systems relative to public water supply reservoirs. The text of the rule is available at: <http://www.deh.enr.state.nc.us/pws/rules/15a18c12.htm>.

The study of this rule requires coordination among the NCPWSS, North Carolina's existing Water Supply Watershed Protection (WSWP) Program and the On-site Wastewater Program.

DENR's Division of Environmental Health (DEH) was considering repeal or amendment of this rule, to make it more consistent with new rules and program developments. The SWP Manager had previously solicited stakeholder input to determine whether repeal or amendment would be more appropriate. In addition to other input, the SWP Manager solicited written comments from agency stakeholders regarding how "drinking water protection might be diminished if Rule .1211 were repealed." A proposed revision to this rule will be drafted in the coming year.

- Recreational Use of Public Water Supply Reservoirs

The SWP Program Manager was responsible for coordinating the review of proposals for recreational use of Public Water Supply reservoirs. Two such requests were made and studied (Lake Roxboro, Lake Benson). In each case, existing rules, ordinances and historical approvals were considered in these decisions. In the case of Lake Roxboro, a presentation was made to the NC Commission for Health Services in support of the recreational use proposed.

4C3c. Development and implementation of a capacity development strategy.

EPA will withhold 20 percent of the Capitalization Grant from States that do not conform to the Capacity Development requirements by certain deadlines. In order to meet the federal requirements and preserve the full allotment of funds for North Carolina, a capacity development strategy is being developed and will need to be implemented. Deadlines were met for new systems, but the existing system strategy will need to be completed and approved by EPA by September 2000. After EPA approval, the program will need to be implemented. Activities are being coordinated by one Environmental Engineer II in the NCPWSS at a total salary and fringe benefit cost of \$55,503.

Status:

North Carolina followed unique protocol and procedures to accomplish the goals of its Capacity Development Program. Only one position was added specifically for capacity development, but through an effort involving stakeholders, interested parties, sister agencies and NCPWSS staff, a comprehensive strategy was developed and implemented. This strategy is specifically intended to assist existing public water systems in improving their technical, managerial and financial capacity to meet state and federal requirements. Activities in the last year were described in the Capacity Development status report submitted to EPA on August 3, 2001.

From the beginning in implementing capacity development, it was noted that the NCPWSS Capacity Development Engineer was a facilitator and the entire NCPWSS staff, both central and field office personnel, provided the energy and resources to make capacity development a success. Adoption of new and revised rules, effective October 1999; integration of capacity development requirements with our plan review tracking system; involving and allowing other state agencies to use their jurisdiction in overall program management; working with trade organizations; using accepted, traditional water industry policies, practices and procedures; and training NCPWSS staff and water systems engineers, managers and operators helps ensure success in establishing and implementing a capacity development program in North Carolina. Capacity development program training included four day-long seminars that were co-sponsored by the NCPWSS, the North Carolina Rural Water Association and the North Carolina Section of the American Water Works Association. Over 400 people attended these one-day seminars held in Asheville, Greensboro, Raleigh and Wilmington in April 2000.

The new rules require an expanded engineering report, water system management plan, and engineer and applicant certifications for an expanding or growing water system. The August 2000 Capacity Development Strategy describes procedures, policies or practices that must be in place before a new community or non-transient non-community water system can begin operation or an existing system can be expanded or altered, including:

- Engineer's Report
- Water System Management Plan
 - Organizational Structure
 - Ownership
 - Management Qualifications and Training
 - Cross-connection Policy
 - Customer Service & Information
 - Budget Development and Rate Structure
 - Monitoring and Reporting Requirements
 - Safety Procedures
 - Financial Plans
- Operation and Maintenance Plan
- Emergency Management Plan
- Engineer's and Owner's Certifications

The above-listed items are tools to enable a system to remain viable while doing business. Additional resources to assist and help systems further enhance their capacity include:

- Wellhead Protection Program
- Source Water Assessment Program

- Area Wide Optimization Program
- Conservation Policy for High Filter Rated Facilities
- Technical Assistance from NCPWSS and/or NCRWA
- Field Notice of Violation
- On-line Data for Compliance and Plan Review Tracking

Expanding and new systems are complying with the Capacity Development requirements because of NCPWSS' hands-on assistance during the project approval process. For systems that will essentially remain unchanged without any expansion or alteration, Capacity Development is introduced during periodic inspections (sanitary survey, annually for surface water, every 5 years for other systems). As part of its enforcement and capacity development strategy, NCPWSS may allow systems to develop and submit a complete Water System Management Plan in lieu of paying an administrative penalty.

By sharing the workload among its staff, NCPWSS is successfully implementing the capacity development program. Office assistants in the Central Office log in and send the engineering reports to regional offices and generate and mail "Authorization to Construct" letters as appropriate. Plan review engineers are now reviewing both the engineering reports and water system management plans. These capacity development documents are reviewed for completeness. NCPWSS field personnel are providing on-site technical assistance to help systems meet capacity development requirements.

4C3d. Implementation of the Operator Certification Program.

EPA will withhold 20 percent of the Capitalization Grant from States that do not have an approved Operator Certification Program by the deadline. North Carolina currently has an active certification program. Training of operators for certification is conducted by a network of volunteer and member organizations. A dire need was identified through committee work for an individual to assist with operator certification by evaluating, administering, and providing record keeping for the operator training program, including coordinating and development of a training calendar. Through a contract with the North Carolina Waterworks Operators Association, this position was created and work has begun. This set-aside will continue the contract to provide these functions for another year, at an annual cost of \$94,000.

Status:

A contract with the North Carolina Waterworks Operators Association (NCWOA) was continued to fund a registrar position to support operator training statewide. This registrar position coordinated the operator training activities of the NCWOA, the North Carolina Rural Water Association, the North Carolina American Water Works Association, and the Public Water Supply Section. The registrar published

quarterly training calendars and supplied them to operators in the form of a newsletter brochure. This individual provided the administration, evaluation, and record keeping for the two NCWOA operator training schools and the two NCAWWA distribution schools. This included: school brochure preparation, mailing, coordination of mailing lists, receipt of fees and school applications, review of applications, deposits and tracking of training expenses, coordination of classroom facilities, audio-visual equipment and breaks, preparation of registration packages, coordination of registration desk, printing of training materials, tracking of attendance and record-keeping of contact hours completed. In addition the registrar kept records on the continuing education hours completed by operators attending the seminars, workshops, and conferences.

4C4. Local Assistance and other State programs (up to 15% of Capitalization Grant).

The State will allocate \$888,659 from Federal FY99 for wellhead protection from this set aside (See Attachment J). A state may fund several other categories of activities including loans, to assist development and/or implementation of local drinking water protection initiatives. Funds may not be banked from year to year. Since no provisions have been developed for how these loan categories would operate, nor rules to govern how funds could be awarded, there are no plans to set aside money for them. Therefore, there will be no set asides taken for land acquisition/conservation easements for source water protection, source water quality protection measures for community water systems, or implementation of capacity development projects for community systems. Delineation and assessment of source water protection areas is no longer available as a set aside.

This set aside will continue funding support for 2 positions in NCPWSS: one Hydrogeologist II and one Office Assistant to handle the State implementation of the Wellhead Protection Program. Assistance will also be provided by these positions in support of the Delineation and Assessment of wellhead protection areas. Activities of the existing EPA approved wellhead protection program were transferred from the Division of Water Quality, Groundwater Section to NCPWSS during summer of 1998. Functions to be carried out in this category by the field offices are incorporated within the new positions included under PWSS Program. This set-aside includes a \$185,100 contract for on-site technical assistance for local wellhead protection efforts with NCRWA that supports two technicians to assist in the preparation of wellhead protection plans. Included also is \$550,000 for contractors to identify and inventory locations of public water supply wells in order that they may be delineated and assessed, to update the system inventory and to conduct well inspections. These contract dollars will also include assistance in data conversions to allow use of Global Positioning System (GPS) data in analytical work.

4C4a. Land acquisition/conservation easements for source water protection.

4C4b. Source water quality protection measures--community water systems.

4C4c. Delineation and assessment of source water protection areas--public water systems. Not available as continuing set-aside for FY98.

Delineation and Assessment funds were awarded in the FY97 grant, bankable over four years. No additional funds for this purpose were included in the FY98 grant. Following is a report on the activities of the current reporting period.

Status: July 1, 2000 - June 30, 2001

As of June 30, 2001 9,698 active wells had been located and entered into the GPS database. This is an increase of 5006 wells from the last reporting period. Currently, 197 active wells need to have GPS location data collected for them or source code errors resolved in the database. This represents near completion of the GPS project since the nature of the database is dynamic with new wells coming on-line routinely.

On October 1, 1999 a joint funding agreement was initiated with the NCPWSS and the USGS. Statewide GIS data layers for unsaturated zone and watershed characteristics ratings were produced using methods developed in the pilot study.

This project was scheduled for completion by December 30, 2000. All work products were delivered as scheduled. These are critical inputs into the inherent vulnerability ratings required for the assessment of each public water supply source in the state.

To accomplish the assessments of nearly 10,500 public sources of drinking water in the state within the legislated time frame an automated system is needed. Because the assessments require the integration and analysis of spatial data in the form of GIS coverages with tabular data and the output will be in the form of maps, text and web pages, programming code to automate this process is necessary. This will be accomplished with the assistance of contract programmers in conjunction with NCPWSS staff. NCPWSS staff members have developed a conceptual model of the computer application that will perform automated SWAP assessments.

In February of 2001 proposals were submitted for "Computer Application for SWAP Automation" - Phase A. The deliverables included three planning documents, entitled "User Business Requirements," "Conceptual Design," and "Architecture Requirements" respectively. These planning documents will be used by the second phase or Phase B vendor to develop the programming code for the computer application of the automation of the SWAP assessments. As of June 30, 2001 the contractor's final versions of the documents were in the last stages of review.

Potential Contaminant Source (PCS) databases were geocoded when digital location information was unavailable (e.g. permitted underground storage tanks). Several databases are being reviewed and amended with better address information or GPS locations. These improved addresses will be geocoded for inclusion in the SWAP assessments. Currently, nearly 38,000 points and polygons representing potential sources of contamination have been geo-located and will be used for the assessments. Prior to developing the SWAP assessment reports there may be 5,000 to 10,000 additional PCSs located.

Other data inputs required for delineation and assessment are also currently under development. For example, well yield information required in the delineation methodology and aquifer ratings are being collected into a database.

4C4d. Establishment and implementation of a wellhead protection program.

The total dollars for this set-aside category is \$888,659. This will continue funding support for 2 newly filled positions in NCPWSS: one Hydrogeologist II and one Office Assistant to handle the State implementation of the Wellhead Protection Program. Assistance will also be provided by these positions in support of the Delineation and Assessment of wellhead protection areas. Functions to be carried out in this category by the field offices are incorporated within the new positions included under PWSS Program. This set-aside includes a \$185,100 contract for on-site technical assistance for local wellhead protection efforts with NCRWA that supports two technicians to assist in the preparation of wellhead protection plans. An additional \$550,000 was set aside for contractors and equipment to complete work activities as described in the program workplan, including continued work to obtain Global Positioning System (GPS) location data for public water supply wells. These contract dollars also included assistance for data conversions to allow use of GPS data in analytical work.

Status:

From July 1, 2000 through June 30, 2001 the PWSS received 17 local wellhead protection (WHP) plans submitted for review and approval. These newly submitted plans bring the total received to date to 83. Of these 83 plans, 30 had received approval prior to the current reporting period. All 53 remaining plans were under active review during the current reporting period. Active review included generating review letters requesting additional information and/or clarification regarding the information submitted with the local WHP plans as well as attending numerous meetings with the parties involved in the plan development (e.g., local government officials, consultants, NCRWA staff, etc.). During the current reporting period, 15 of the 53 plans under review received approval. This brings the total number of systems with approved WHP plans in North Carolina to 45. These 45 systems comprise 189 public water supply wells serving a population of 148,353.

As part of the WHP plan review process, NCPWSS staff reviewed draft wellhead protection area (WHPA) maps submitted by public water supply systems. This allows the public water supply system to receive tentative approval of their WHPAs prior to proceeding with development of the remaining WHP plan components (i.e., potential contamination source inventory, management plan, etc.). Also, as part of the WHP plan review process, NCPWSS staff continued the development and maintenance of an MS Access database for tracking State WHP Program information.

Additionally, the NCPWSS reviewed information submitted by the Gaston County Quality of Natural Resources Commission (QNRC) in support of a request for State approval of a County level WHP program. The program includes all of the county's

220 community public supply wells and over 30,000 users of those wells. Pursuant to their WHP Program, the Gaston County QNRC created a County Wellhead Protection Ordinance and an Official County Wellhead Protection Map, both of which have been approved by the Gaston County Board of Commissioners. Based upon review of the submitted information, the NCPWSS granted approval of the delineation procedure and the resulting county wellhead protection map.

From July 1, 2000 through June 30, 2001 NCPWSS staff continued to provide WHP Program information to interested parties upon request. The information provided included WHP plan requirements, copies of the North Carolina Wellhead Protection Guidebook, lists of public water supply systems with approved WHP plans, maps of approved WHPAs, and aquifer recharge rates necessary for the calculation of the size of WHPAs. Information requests frequently originated from environmental consultants conducting limited site assessments (LSAs) as part of a risk based analysis of sites with soil and/or ground water contamination. These LSAs require the identification of all public water supply wells and WHPAs within a 1500-foot radius of the contaminated site. NCPWSS staff continued to provide information regarding the location of approved WHPAs to the State's Division of Waste Management (DWM). The DWM is responsible for review of LSAs and oversight of remediation efforts conducted at sites with ground-water contamination resulting from leaking petroleum underground storage tanks. To improve the efficiency of providing WHP Program information, NCPWSS staff continued the development of an internet website where this information can be obtained. As of June 30, 2001 information available on this website included WHP plan requirements, a downloadable version of the North Carolina Wellhead Protection Guidebook (PDF format), a list of approved WHP plans, and maps of some of the approved WHPAs. NCPWSS staff are currently developing ArcView GIS coverages of all approved WHPAs which, when completed, will be deployed on the website.

The NCPWSS staff continued to provide information regarding the North Carolina Division of Pollution Prevention and Environmental Assistance (DPPEA) to local governments and public water supply systems developing WHP plans. This included providing these systems with educational flyers describing services offered by the DPPEA. These flyers are distributed to businesses visited by public water supply system staff while conducting potential contamination source inventories as part of WHP plan development. The DPPEA provides free technical and other non-regulatory assistance to reduce the amount of waste released into the air and water and on the land. The DPPEA serves as a central repository for waste reduction and pollution prevention information.

On January 28, 2000 the NCPWSS and the North Carolina Rural Water Association (NCRWA) entered into an agreement (Contract No. T200015) for NCRWA to continue providing assistance to public water supply systems in the development of local WHP plans. This contract provides NCRWA with funding for two full-time ground-water technicians and one administrative support position. The two ground-water technicians assist and guide communities through a step by step process to develop and implement WHP plans that are customized for their community. During

the current contract period, the NCRWA developed a model WHP plan which public water supply systems can use as a guide in the development of their WHP plans. During September and October of 2000, NCPWSS staff, in conjunction with the NCRWA, conducted five one-day seminars across the state to train community leaders on the importance of WHP and how to develop and implement a state approved WHP plan. These seminars were held in Hickory (9/19/2000), Asheville (9/20/2000), Greensboro (9/26/2000), Greenville (10/18/2000), and Atlantic Beach (10/31/2000).

From July 1, 2000 through June 30, 2001, the NCPWSS staff participated in numerous meetings and conferences with local officials interested in developing local WHPPs. NCPWSS staff also coordinated with representatives from the NCRWA to continue the process of developing and refining the WHPP approval criteria and process.

During the current reporting period, NCPWSS staff continued oversight of work conducted by outside contractors hired to provide services for the continued development and enhancement of the State's WHP Program. Work completed under the first of these contracts included revision of the current WHPA delineation methodologies to incorporate complexities not envisioned during the original development of the State's WHP Program. Close involvement with this contract resulted in NCPWSS staff co-authoring a document with the contractor entitled "Proposed Revisions to the North Carolina Wellhead Protection Program." The second contract involves the development of a user-friendly WHP guidance document specific to North Carolina. Once completed, this revised guidance document will be a major revision to the existing North Carolina Wellhead Protection Guidebook. The target audience of this document will be local elected officials, as well as town and county employees such as managers, clerks, and operators of public water supply systems. A user friendly guidance document in a form that the target audience can use will increase the amount of progress the communities can make independently. Making the planning process simpler to understand and more accessible will encourage more communities to develop WHP plans, thus providing better protection for our state's ground water.

From July 1, 2000 through June 30, 2001, the WHP Program staff continued to support the development of the SWAP Program. This support took the form of providing input at internal SWAP meetings, providing review and analysis of work products generated by the Program, providing review and analysis of hydrogeologic data relevant to the delineation and assessment component of the Program, providing recommendations regarding contractors retained for SWAP related activities, attending meetings with contractors, and reviewing and commenting on work products submitted by contractors.

As of June 30, 2001 approximately 9,500 (92%) public water supply wells had been located using GPS technology and the data entered into an Arcview database.

4C4e. Implementation of capacity development projects--Community Systems.

Status:

No set-aside for this activity.

4D. Transfer of Funds from Set-Asides into Standard Project Accounts.

The allocated funds for Program Administration, Technical Assistance, and Program Functions, can be banked or the unspent funds can accumulate at the Region. At any time, the DWSRF Administrator can transfer this accumulation of unspent funds to the funds available for project loans. Once transferred, these funds must remain as part of the funds available for Standard Project loans in the year they are transferred. Funds spent for Local Assistance and Other State Programs Funds may not be banked for use in future years. The exception is funds spent for Delineation and Assessment of source water protection areas must be obligated by March 5, 2002. Local Assistance and Other State Programs funds can be used by any of the five activities mentioned in section 4C4 above with no more than 10 percent of the Federal Capitalization Grant going to any one activity. These funds can be reallocated between the five different activities or transferred to the funds available for Standard Project loans, based upon the needs of the eligible water systems for any given year upon approval of grant amendment.

Status:

A significant portion of the \$750,000 for contractual work in the FY98 IUP set-aside for Wellhead Protection was intended for continuing County Health Department contracts to inventory and inspect transient water systems. However, that work was able to be accomplished using the funds set-aside in the FY97 IUP. As a result, \$493,721 of these contractual funds from the FY97 award and \$679,699 from the FY98 award were not needed for these purposes. As allowed in the guidelines and provided for in the Intended Use Plans, amendments to these two grants were requested and approved which reallocated these funds to Project Loans. Should any additional work in this effort be required, it is expected to be minimal in cost, and could be supported by funds from the FY99 grant award.

V. PROJECT CHANGES

The following reflects changes from the FY97 Comprehensive Project Priority List in the original IUP:

Sampson County Water and Sanitary District – Binding Commitment October 1, 2000, awaiting contract awards.

Seven Devils, Town of – Project completed. Commitment reduced to final cost of \$489,777.

Pilot Mountain, Town of - Project approaching Ready to Proceed, to be sent to Local Government Commission soon.

Chatham County-SW Misc. - Project completed. Commitment reduced to final cost of \$355,645.

Johnston, County of, SE Lowlands - Project complete.

Spencer, Town of - Ready to Proceed and sent to Local Government Commission for review, but not yet approved.

Tryon, Town of - Request for additional funds is being prepared.

Note: Projects above the funds availability cut-off level on the priority list had been given sufficient and reasonable time to achieve Ready to Proceed status. Those projects below that level that were or became Ready to Proceed were processed toward binding commitment and loan agreement.

China Grove, Town of - Project completed.

Middlesex, Town of - Project completed. Commitment reduced to final cost of \$109,106.

Durham, City of - Binding commitment July 26, 2000. Loan agreement, May 1, 2001. Project underway.

Plymouth, Town of - Bypassed, on 1997 list. Binding commitment December 7, 2000 against 1998 funds for \$1,013,009.

Havelock, City of - Bypassed on 1997 list. Binding commitment January 8, 2001 against 1998 funds for \$2,907,000.

The following reflects changes from the FY98 Comprehensive Project Priority List in the original IUP:

Statesville, City of, Phase 1B - Binding commitment October 3, 2000.

Note: Projects above the funds availability cut-off level on the priority list had been given sufficient and reasonable time to achieve Ready to Proceed status. Those projects below that level that were or became Ready to Proceed were processed toward binding commitment and loan agreement.

Carthage, Town of - Receiving High-Unit Cost Grant.

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Exhibit 1

Program Summary

Cumulative to Date

	See Exhibit	Funds Available	Current Fiscal Year	Disbursements Prior Fiscal Years	Cumulative To Date	Balance
1997 Capitalization Grant	1-A	55,336,920	17,527,303	26,107,865	43,635,168	11,701,752
1998 Capitalization Grant	1-B	15,431,280	3,668,543	313,599	3,982,142	11,449,138
1999 Capitalization Grant	1-C	<u>16,173,480</u>	<u>199,776</u>	<u>-</u>	<u>199,776</u>	<u>15,973,704</u>
Total Program Funding		<u>86,941,680</u>	<u>21,395,622</u>	<u>26,421,464</u>	<u>47,817,086</u>	<u>39,124,594</u>

Note: The extent to which funds have been expended does not reflect an absence of commitment of unspent funds. It should be noted that, in fact, all grant funds awarded have been committed as defined in the approved EPA Work Plan and Intended Use Plans.

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**Exhibit 1-A
1997 Capitalization Grant
Summary**

	<u>Funds Available</u>	<u>Current Fiscal Year</u>	<u>Disbursements Prior Fiscal Years</u>	<u>Cumulative To Date</u>	<u>Balance</u>
Set Asides					
Administration	\$ 1,844,564	\$ 421,954	\$ 756,392	\$ 1,178,346	\$ 666,218
Technical Assistance					
NC Rural Water Association	\$ 82,800	\$ 7,483	\$ 42,287	\$ 49,770	\$ 33,030
NC Public Water Supply	\$ 350,241	\$ 940	\$ 349,301	\$ 350,241	\$ -
Other Contracts	\$ 489,241	\$ 133,048	\$ 389,223	\$ 522,271	\$ (33,030)
Total Technical Assistance	<u>\$ 922,282</u>	<u>\$ 141,471</u>	<u>\$ 780,811</u>	<u>\$ 922,282</u>	<u>\$ -</u>
State Program Functions					
PWSS Program	\$ 1,011,465	\$ -	\$ 1,011,465	\$ 1,011,465	\$ -
Source Water Protection	\$ 76,234	\$ -	\$ 76,234	\$ 76,234	\$ -
Capacity Development	\$ 70,508	\$ 1,692	\$ 68,816	\$ 70,508	\$ -
Operator Certification - Waterworks Op. Assn.	\$ 90,600	\$ -	\$ 90,600	\$ 90,600	\$ -
Total State Program Functions	<u>\$ 1,248,807</u>	<u>\$ 1,692</u>	<u>\$ 1,247,115</u>	<u>\$ 1,248,807</u>	<u>\$ -</u>
Local Assistance and Other State Programs					
Delineation & Assessment					
NC Public Water Supply	\$ 700,000	\$ 132,702	\$ 385,972	\$ 518,674	\$ 181,326
NC Center for Geographic Info & Analysis	\$ 203,100	\$ 351	\$ 342	\$ 693	\$ 202,407
Other Contracts	\$ 757,015	\$ 151,263	\$ 199,385	\$ 350,648	\$ 406,367
Reserve for remaining years of work	\$ 2,951,295	\$ -	\$ -	\$ -	\$ 2,951,295
Total Delineation & Assessment	<u>\$ 4,611,410</u>	<u>\$ 284,316</u>	<u>\$ 585,699</u>	<u>\$ 870,015</u>	<u>\$ 3,741,395</u>
Wellhead Protection					
NC Public Water Supply	\$ 177,151	\$ -	\$ 177,151	\$ 177,151	\$ -
NC Rural Water Assn.	\$ 189,100	\$ -	\$ 189,100	\$ 189,100	\$ -
Other Contracts	\$ 372,933	\$ -	\$ 372,933	\$ 372,933	\$ -
Total Wellhead Protection	<u>\$ 739,184</u>	<u>\$ -</u>	<u>\$ 739,184</u>	<u>\$ 739,184</u>	<u>\$ -</u>
Total Local Assistance & Other State Programs	<u>\$ 5,350,594</u>	<u>\$ 284,316</u>	<u>\$ 1,324,883</u>	<u>\$ 1,609,199</u>	<u>\$ 3,741,395</u>
Total Set Asides	<u>\$ 9,366,247</u>	<u>\$ 849,433</u>	<u>\$ 4,109,201</u>	<u>\$ 4,958,634</u>	<u>\$ 4,407,613</u>
Projects					
Federal Share	\$ 36,747,853	\$ 13,295,563	\$ 17,537,291	\$ 30,832,854	\$ 5,914,999
State Share	<u>\$ 9,222,820</u>	<u>\$ 3,382,307</u>	<u>\$ 4,461,373</u>	<u>\$ 7,843,680</u>	<u>\$ 1,379,140</u>
Total Projects	<u>\$ 45,970,673</u>	<u>\$ 16,677,870</u>	<u>\$ 21,998,664</u>	<u>\$ 38,676,534</u>	<u>\$ 7,294,139</u>
Total 1997 Capitalization Grant	<u>\$ 55,336,920</u>	<u>\$ 17,527,303</u>	<u>\$ 26,107,865</u>	<u>\$ 43,635,168</u>	<u>\$ 11,701,752</u>
Recap:					
Total Federal Funds	\$ 46,114,100	\$ 14,144,996	\$ 21,646,492	\$ 35,791,488	\$ 10,322,612
Total State Funds	<u>\$ 9,222,820</u>	<u>\$ 3,382,307</u>	<u>\$ 4,461,373</u>	<u>\$ 7,843,680</u>	<u>\$ 1,379,140</u>
Total 1997 Capitalization Grant	<u>\$ 55,336,920</u>	<u>\$ 17,527,303</u>	<u>\$ 26,107,865</u>	<u>\$ 43,635,168</u>	<u>\$ 11,701,752</u>

Note: The extent to which funds have been expended does not reflect an absence of commitment of unspent funds. It should be noted that, in fact, all grant funds awarded have been committed as defined in the approved EPA Work Plan and Intended Use Plans.

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Exhibit 1-B

1998 Capitalization Grant

Summary

	<u>Funds Available</u>	<u>Current Fiscal Year</u>	<u>Disbursements Prior Fiscal Years</u>	<u>Cumulative To Date</u>	<u>Balance</u>
Set Asides					
Administration	\$ 514,376	\$ -	\$ -	\$ -	\$ 514,376
Technical Assistance					
NC Rural Water Association	\$ 80,300	\$ 49,493	\$ -	\$ 49,493	\$ 30,807
NC Public Water Supply	\$ 176,888	\$ 98,705	\$ -	\$ 98,705	\$ 78,183
Other Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Total Technical Assistance	<u>\$ 257,188</u>	<u>\$ 148,198</u>	<u>\$ -</u>	<u>\$ 148,198</u>	<u>\$ 108,990</u>
State Program Functions					
PWSS Program	\$ 1,050,458	\$ 595,730	\$ 66,290	\$ 662,020	\$ 388,438
Source Water Protection	\$ 77,254	\$ 58,478	\$ 18,776	\$ 77,254	\$ -
Capacity Development	\$ 73,628	\$ 4,537	\$ 69,091	\$ 73,628	\$ -
Operator Certification - Waterworks Op. Assn.	\$ 84,600	\$ 42,300	\$ 42,300	\$ 84,600	\$ -
Total State Program Functions	<u>\$ 1,285,940</u>	<u>\$ 701,045</u>	<u>\$ 196,457</u>	<u>\$ 897,502</u>	<u>\$ 388,438</u>
Local Assistance and Other State Programs					
Delineation & Assessment					
NC Public Water Supply	\$ -	\$ -	\$ -	\$ -	\$ -
NC Center for Geographic Info & Analysis	\$ -	\$ -	\$ -	\$ -	\$ -
Other Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve for remaining years of work	\$ -	\$ -	\$ -	\$ -	\$ -
Total Delineation & Assessment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Wellhead Protection					
NC Public Water Supply	\$ 153,559	\$ 8,027	\$ 107,168	\$ 115,195	\$ 38,364
NC Rural Water Assn.	\$ 185,100	\$ 140,958	\$ 9,974	\$ 150,932	\$ 34,168
Other Contracts	\$ 70,301	\$ 33,136	\$ -	\$ 33,136	\$ 37,165
Total Wellhead Protection	<u>\$ 408,960</u>	<u>\$ 182,121</u>	<u>\$ 117,142</u>	<u>\$ 299,263</u>	<u>\$ 109,697</u>
Total Local Assistance & Other State Programs	<u>\$ 408,960</u>	<u>\$ 182,121</u>	<u>\$ 117,142</u>	<u>\$ 299,263</u>	<u>\$ 109,697</u>
Total Set Asides	<u>\$ 2,466,464</u>	<u>\$ 1,031,364</u>	<u>\$ 313,599</u>	<u>\$ 1,344,963</u>	<u>\$ 1,121,501</u>
Projects					
Federal Share	\$ 10,392,936	\$ 2,085,086	\$ -	\$ 2,085,086	\$ 8,307,850
State Share	\$ 2,571,880	\$ 552,093	\$ -	\$ 552,093	\$ 2,019,787
Total Projects	<u>\$ 12,964,816</u>	<u>\$ 2,637,179</u>	<u>\$ -</u>	<u>\$ 2,637,179</u>	<u>\$ 10,327,637</u>
Total 1998 Capitalization Grant	<u>\$ 15,431,280</u>	<u>\$ 3,668,543</u>	<u>\$ 313,599</u>	<u>\$ 3,982,142</u>	<u>\$ 11,449,138</u>
Recap:					
Total Federal Funds	\$ 12,859,400	\$ 3,116,450	\$ 313,599	\$ 3,430,049	\$ 9,429,351
Total State Funds	\$ 2,571,880	\$ 552,093	\$ -	\$ 552,093	\$ 2,019,787
Total 1998 Capitalization Grant	<u>\$ 15,431,280</u>	<u>\$ 3,668,543</u>	<u>\$ 313,599</u>	<u>\$ 3,982,142</u>	<u>\$ 11,449,138</u>

Note: The extent to which funds have been expended does not reflect an absence of commitment of unspent funds. It should be noted that, in fact, all grant funds awarded have been committed as defined in the approved EPA Work Plan and Intended Use Plans.

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**Exhibit 1-C
1999 Capitalization Grant
Summary**

	Funds Available	Current Fiscal Year	Disbursements Prior Fiscal Years	Cumulative To Date	Balance
Set Asides					
Administration	\$ 539,116	\$ -	\$ -	\$ -	\$ 539,116
Technical Assistance					
NC Rural Water Association	\$ 80,300	\$ -	\$ -	\$ -	\$ 80,300
NC Public Water Supply	\$ 189,258	\$ -	\$ -	\$ -	\$ 189,258
Other Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Total Technical Assistance	<u>\$ 269,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,558</u>
State Program Functions					
PWSS Program	\$ 1,140,679	\$ 6,795	\$ -	\$ 6,795	\$ 1,133,884
Source Water Protection	\$ 57,608	\$ -	\$ -	\$ -	\$ 57,608
Capacity Development	\$ 55,503	\$ -	\$ -	\$ -	\$ 55,503
Operator Certification - Waterworks Op. Assn.	\$ 94,000	\$ 15,667	\$ -	\$ 15,667	\$ 78,333
Total State Program Functions	<u>\$ 1,347,790</u>	<u>\$ 22,462</u>	<u>\$ -</u>	<u>\$ 22,462</u>	<u>\$ 1,325,328</u>
Local Assistance and Other State Programs					
Delineation & Assessment					
NC Public Water Supply	\$ -	\$ -	\$ -	\$ -	\$ -
NC Center for Geographic Info & Analysis	\$ -	\$ -	\$ -	\$ -	\$ -
Other Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve for remaining years of work	\$ -	\$ -	\$ -	\$ -	\$ -
Total Delineation & Assessment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Wellhead Protection					
NC Public Water Supply	\$ 153,559	\$ 153,559	\$ -	\$ 153,559	\$ -
NC Rural Water Assn.	\$ 185,100	\$ -	\$ -	\$ -	\$ 185,100
Other Contracts	\$ 550,000	\$ 23,755	\$ -	\$ 23,755	\$ 526,245
Total Wellhead Protection	<u>\$ 888,659</u>	<u>\$ 177,314</u>	<u>\$ -</u>	<u>\$ 177,314</u>	<u>\$ 711,345</u>
Total Local Assistance & Other State Programs	<u>\$ 888,659</u>	<u>\$ 177,314</u>	<u>\$ -</u>	<u>\$ 177,314</u>	<u>\$ 711,345</u>
Total Set Asides	<u>\$ 3,045,123</u>	<u>\$ 199,776</u>	<u>\$ -</u>	<u>\$ 199,776</u>	<u>\$ 2,845,347</u>
Projects					
Federal Share	\$ 10,432,777	\$ -	\$ -	\$ -	\$ 10,432,777
State Share	\$ 2,695,580	\$ -	\$ -	\$ -	\$ 2,695,580
Total Projects	<u>\$ 13,128,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,128,357</u>
Total 1999 Capitalization Grant	<u>\$ 16,173,480</u>	<u>\$ 199,776</u>	<u>\$ -</u>	<u>\$ 199,776</u>	<u>\$ 15,973,704</u>
Recap:					
Total Federal Funds	\$ 13,477,900	\$ 199,776	\$ -	\$ 199,776	\$ 13,278,124
Total State Funds	\$ 2,695,580	\$ -	\$ -	\$ -	\$ 2,695,580
Total 1999 Capitalization Grant	<u>\$ 16,173,480</u>	<u>\$ 199,776</u>	<u>\$ -</u>	<u>\$ 199,776</u>	<u>\$ 15,973,704</u>

Note: The extent to which funds have been expended does not reflect an absence of commitment of unspent funds. It should be noted that, in fact, all grant funds awarded have been committed as defined in the approved EPA Work Plan and Intended Use Plans.

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Exhibit 2 - Source of Project Funds by Quarter

Source of Funds	Prior Years Totals	Fiscal Year 2001				Totals
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
ACH Payments						
1997 Grant	46,114,100	-	-	-	-	-
1998 Grant	4,538,659	8,320,741	-	-	-	-
1999 Grant	-	85,000	1,385,000	1,585,000	1,790,000	4,845,000
Total	<u>46,114,100</u>	<u>85,000</u>	<u>1,385,000</u>	<u>1,585,000</u>	<u>1,790,000</u>	<u>4,845,000</u>
Cash Deposits						
State Match	9,222,820	50,574	-	530,186	21,907	602,667
Interest on Deposits	1,316,299	-	-	-	-	-
Total	<u>10,539,119</u>	<u>50,574</u>	<u>-</u>	<u>530,186</u>	<u>21,907</u>	<u>602,667</u>
Loan Repayments						
Beginning Balance	-	-	-	-	-	53,905
Principal Repayments	40,000	-	-	-	587,679	587,679
Interest Payments	13,905	-	39,067	-	294,955	334,022
Total	<u>53,905</u>	<u>-</u>	<u>39,067</u>	<u>-</u>	<u>882,634</u>	<u>975,606</u>
Total Funds	<u>56,707,124</u>	<u>135,574</u>	<u>1,424,067</u>	<u>2,115,186</u>	<u>2,694,541</u>	<u>6,423,273</u>

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Exhibit 3 - Payment Schedule

Actual and Projected Increases in ACH Funds

			Payments	Cumulative
1997 Capitalization Grant				
Prior Years	Actual			<u>46,114,100</u>
1998 Capitalization Grant				
Prior Years	Actual			4,538,659
2001	Actual	First Quarter	8,320,741	<u>8,320,741</u>
		Total		<u>12,859,400</u>
1999 Capitalization Grant				
Prior Years	Actual			-
2001	Actual	First Quarter	85,000	85,000
		Second Quarter	1,385,000	1,470,000
		Third Quarter	1,585,000	3,055,000
		Fourth Quarter	1,790,000	4,845,000
2002	Proposed	First Quarter	8,632,900	<u>13,477,900</u>
Total Payments				<u>72,451,400</u>

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Exhibit 4A - Binding Commitments With Respect To Payment Schedule
1997 Capitalization Grant

Project Name	Project Number (DEH-)	Prior Years	Binding Commitments				Total
			Fiscal Year 2001				
			1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
Andrews, Town of	0467	200,400	-	-	-	-	-
Belfast-Patetown SD	0449	3,000,000	-	-	-	-	-
Chatham Co.-SW Misc.	0410C	427,659	-	(72,014)	-	-	(72,014)
Chirnney Rock, Village of	0421	182,230	-	-	-	-	-
China Grove, Town of	0425	2,831,784	-	-	-	-	-
Cleveland Co. SD	0427	1,496,806	-	-	-	-	-
Duplin Co. WD F	0461	490,199	-	-	-	-	-
Durham, City of	0431	-	2,700,000	-	-	-	2,700,000
Eastern Wayne SD	0452	3,000,000	-	-	-	-	-
Edenton, Town of	0407	627,195	-	-	-	-	-
First Craven SD	0408	500,943	-	-	-	-	-
Franklin, County of	0417	1,500,000	-	-	-	-	-
Granite Falls, Town of	0402	295,000	-	-	-	-	-
Greenville, City of	0429	3,000,000	-	-	-	-	-
Henderson, City of	0436	3,000,000	-	-	-	-	-
Johnston, County of	0448	715,000	-	-	-	-	-
Johnston, County of	0446	537,000	-	-	-	-	-
Johnston, County of	0445	539,200	-	-	-	-	-
Middlesex, Town of	0401	294,000	-	(184,894)	-	-	(184,894)
Morehead City, Town of	0453	1,700,000	-	-	-	-	-
Newport, Town of	0454	2,250,000	-	-	-	-	-
Pembroke, Town of	0419	289,485	-	-	-	-	-
Randolph Co./Archdale	0469	860,440	-	-	-	-	-
Salisbury, City of	0406	3,000,000	-	-	-	-	-
Sampson County W&S Dist	0741	-	-	1,067,937	-	-	1,067,937
Sanford, City of	0433	1,950,000	-	-	-	-	-
Seven Devils, Town of	0456	500,000	-	(10,223)	-	-	(10,223)
Southeastern Wayne SD	0455	500,000	-	-	-	-	-
Southwestern Wayne SD	0451	330,000	-	-	-	-	-
Statesville, City of	0426	3,000,000	-	-	-	-	-
Sunset Beach, Town of	0409	881,722	-	-	-	-	-
Tryon, Town of	0400	210,000	-	-	-	-	-
Tuckaseegee W&SA	0439	900,000	-	-	-	-	-
Valdese, Town of	0438	379,000	-	-	-	-	-
West Jefferson, Town of	0430	400,000	-	-	-	-	-
Woodfin Sanitary W&SD	0424	847,471	-	-	-	-	-
Yanceyville, Town of	0420	1,800,000	-	-	-	-	-
Total Projects *	37	42,435,534	2,700,000	800,806	-	-	3,500,806
Set Asides *		4,109,201	5,257,046	-	-	-	5,257,046
(1) Binding Commitment Totals			7,957,046	800,806	-	-	8,757,852
(2) Cumulative Binding Commitments							
Cumulative Through 6/30/2001 *		46,544,735	54,501,781	55,302,587	55,302,587	55,302,587	
(3) Cumulative Required Commitments **							
Payments to ACH		36,130,758	41,454,132	46,114,100			
State Match		8,487,107	9,027,107	9,187,263			
Total		44,617,865	50,481,239	55,301,363			
(4) Binding Commitments as a Percent							
of Required Amount			104%	108%	100%		

* All Grant Funds awarded have been committed as defined in the approved EPA Workplan and Intended Use Plans.

** Payments to ACH lagged by one year

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**Exhibit 4B - Binding Commitments With Respect To Payment Schedule
1998 Capitalization Grant**

Project Name	Project Number (DEH)	Binding Commitments					Total
		Prior Years	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
Albertson Water & Sewer Dist.	0462	543,490	-	-	-	-	-
Greenville Util Comm	0429	3,000,000	-	-	-	-	-
Statesville, City of	0426B	-	-	2,656,590	-	-	2,656,590
Sampson County W & S Dist II	0741	-	-	912,063	-	-	912,063
Mt. Airy, Town of	0666	-	-	1,020,000	-	-	1,020,000
Plymouth, Town of	0702	-	-	-	-	1,013,009	1,013,009
Havelock, City of	0432	-	-	-	2,907,000	-	2,907,000
South Camden W & S Dist	0707	-	-	602,841	-	-	602,841
Total Projects *	8	3,543,490	-	5,191,494	2,907,000	1,013,009	9,111,503
Set Asides *		313,599	2,152,865	-	-	-	-
(1) Binding Commitment Totals			2,152,865	5,191,494	2,907,000	1,013,009	9,111,503
(2) Cumulative Binding Commitments Cumulative Through 6/30/2001 *		3,857,089	6,009,954	11,201,448	14,108,448	15,121,457	
(3) Cumulative Required Commitments **							
Payments to ACH		-	420,000	1,190,000	2,460,000	4,538,659	
State Match		74,003	74,003	1,038,299	2,328,397	2,530,999	
Total		74,003	494,003	2,228,299	4,788,397	7,069,658	
(4) Binding Commitments as a Percent of Required Amount		NA	1217%	503%	295%	214%	

* All Grant Funds awarded have been committed as defined in the approved EPA Workplan and Intended Use Plans.

** Payments to ACH lagged by one year

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Exhibit 5 - Total Disbursements

	Prior Years	Fiscal Year 2001				Total
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
Disbursements to Projects						
1997 Capitalization Grant	21,998,664	8,804,401	3,602,505	2,351,449	1,919,515	16,677,870
1998 Capitalization Grant	-	-	-	-	2,637,179	2,637,179
1999 Capitalization Grant	-	-	-	-	-	-
Total	21,998,664	8,804,401	3,602,505	2,351,449	4,556,694	19,315,049
<i>Federal Share</i>	<i>17,537,291</i>	<i>7,036,360</i>	<i>2,854,399</i>	<i>1,874,570</i>	<i>3,615,320</i>	
<i>Cumulative</i>	<i>17,537,291</i>	<i>24,573,651</i>	<i>27,428,050</i>	<i>29,302,620</i>	<i>32,917,940</i>	
<i>State Share</i>	<i>4,461,373</i>	<i>1,768,041</i>	<i>748,106</i>	<i>476,879</i>	<i>941,374</i>	
<i>Cumulative</i>	<i>4,461,373</i>	<i>6,229,414</i>	<i>6,977,520</i>	<i>7,454,399</i>	<i>8,395,773</i>	
Set Asides						
1997 Capitalization Grant	4,109,202	252,426	212,262	168,020	216,725	849,433
1998 Capitalization Grant	313,599	218,354	256,209	262,582	294,219	1,031,364
1999 Capitalization Grant	-	-	62,517	45,305	91,954	199,776
Total	4,422,801	470,780	530,988	475,907	602,898	2,080,573
Total Disbursements	26,421,465	9,275,181	4,133,493	2,827,356	5,159,592	21,395,622
<i>Cumulative Totals</i>	<i>26,421,465</i>	<i>35,696,646</i>	<i>39,830,139</i>	<i>42,657,495</i>	<i>47,817,087</i>	
ACH Funds Available (Beginning)	-	28,714,226	29,595,572	27,595,186	26,829,710	
ACH Deposits						
1997 Capitalization Grant	46,114,100	-	-	-	-	-
1998 Capitalization Grant	4,538,659	8,320,741	-	-	-	8,320,741
1999 Capitalization Grant	-	85,000	1,385,000	1,585,000	1,790,000	4,845,000
Total	50,652,759	8,405,741	1,385,000	1,585,000	1,790,000	13,165,741
<i>Cumulative ACH Deposits</i>	<i>50,652,759</i>	<i>59,058,500</i>	<i>60,443,500</i>	<i>62,028,500</i>	<i>63,818,500</i>	
Cash Draw from ACH	21,938,533	7,524,395	3,385,386	2,350,476	4,222,522	17,482,779
<i>Cumulative Draw from ACH</i>	<i>21,938,533</i>	<i>29,462,928</i>	<i>32,848,314</i>	<i>35,198,790</i>	<i>39,421,312</i>	
ACH Funds Available (Ending)	28,714,226	29,595,572	27,595,186	26,829,710	24,397,188	

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Exhibit 6 - Project Loan Repayment and Interest Activity

	<u>Prior Years</u>	<u>1st Quarter</u>	<u>Fiscal Year 2001</u>			<u>Total</u>
			<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	
Loan Disbursements						
1997 Capitalization Grant Projects	21,998,664	8,804,401	3,602,505	2,351,449	1,919,515	16,677,870
1998 Capitalization Grant Projects	-	-	-	-	2,637,179	2,637,179
Total Disbursements	<u>21,998,664</u>	<u>8,804,401</u>	<u>3,602,505</u>	<u>2,351,449</u>	<u>4,556,694</u>	<u>19,315,049</u>
 <i>Cumulative Disbursements</i>	 21,998,664	 30,803,065	 34,405,570	 36,757,019	 41,313,713	
 Principal Repayments						
1997 Capitalization Grant Projects	40,000	-	-	-	587,679	587,679
1998 Capitalization Grant Projects	-	-	-	-	-	-
Total Repayments	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>587,679</u>	<u>587,679</u>
 <i>Cumulative Repayments</i>	 40,000	 40,000	 40,000	 40,000	 627,679	
 Principal Outstanding	 <u>21,958,664</u>	 <u>30,763,065</u>	 <u>34,365,570</u>	 <u>36,717,019</u>	 <u>40,686,034</u>	
 Interest Received	 13,905	 -	 39,067	 -	 294,955	 334,022
 <i>Cumulative Interest Received</i>	 13,905	 13,905	 52,972	 52,972	 347,927	

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Exhibit 7 - Loan Administrative Fee

	Prior Years	1st Quarter	2nd Quarter	Fiscal Year 2001		Total
				3rd Quarter	4th Quarter	
Loan Administrative Fees						
1997 Capitalization Grant Projects	826,495 (1)	-	16,949	-	-	16,949
1998 Capitalization Grant Projects	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>10,870</u>	<u>70,870</u>
Total	826,495	60,000	16,949	-	10,870	87,819
Interest Earned on Administrative Fees	<u>40,462</u>	<u>12,766</u>	<u>14,271</u>	<u>13,960</u>	<u>14,418</u>	<u>55,415</u>
Totals	<u>866,957</u>	<u>12,766</u>	<u>14,271</u>	<u>13,960</u>	<u>14,418</u>	<u>55,415</u>
Cumulative Fees	826,495	886,495	903,444	903,444	914,314	
Cumulative Interest	<u>40,462</u>	<u>53,228</u>	<u>67,499</u>	<u>81,459</u>	<u>95,877</u>	
Cumulative total	<u>866,957</u>	<u>939,723</u>	<u>970,943</u>	<u>984,903</u>	<u>1,010,191</u>	
(1) Fees reported in Previous Annual Report	831,837					
Adjustments (refunds) of Fees collected in prior years	<u>(5,342)</u>					
Prior Years Fees as adjusted	<u>826,495</u>					

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Exhibit 8 - New Projects Identified for Receiving DWSRF Assistance

<u>Project Name</u>	<u>Project Number (DEH-)</u>	<u>Assistance Amount</u>	<u>Binding Commitment Date</u>	<u>Construction Start Date</u>	<u>Scheduled Completion Date</u>	<u>Loan Interest Rate</u>	<u>Loan Term (Years)</u>
<u>1997 Capitalization Grant</u>							
Durham, City of	0431	2,700,000	7/26/2000	9/30/1998	12/31/2001	2.87%	20
Sampson County W&S Dist	0741	1,067,937	10/16/2000	8/31/1999	4/1/2000	2.78%	20
Chatham Co SW Misc **	0410C	(72,014)	5/13/1999	6/3/1999	10/1/1999	2.60%	20
Middlesex, Town of **	0401	(184,894)	12/22/1998	10/26/1999	1/31/2000	2.60%	20
Seven Devils, Town of **	0456	(10,223)	10/28/1998	11/17/1998	6/1/1999	2.60%	6
Total 1997		<u>3,500,806</u>					
<u>1998 Capitalization Grant</u>							
Statesville, City of	0426B	2,656,590	10/3/2000	9/1/1999	9/1/2000	2.87%	20
Sampson County W&S Dist II	0741	912,063	10/16/2000	9/1/1999	5/1/2000	2.87%	20
Mt.Airy, Town of	0666	1,020,000	10/6/2000	8/17/2000	8/9/2002	2.87%	5
Plymouth, Town of	0702	1,013,009	12/7/2000	9/1/1999	9/1/2000	2.87%	20
Havelock, City of	0432	2,907,000	1/8/2001	9/1/1999	9/22/2001	2.87%	20
South Camden W&S Dist	0707	602,841	11/22/2000	-	-	-	
Total 1998		<u>9,111,503</u>					
Total Binding Commitments		<u>12,612,309</u>					

** Projects completed at less than original Binding Commitment

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Exhibit 9 - Project Binding Commitments by Quarter

<u>Project Name</u>	<u>Project Number (DEH-)</u>	<u>Fiscal Year 2001</u>				<u>Total</u>
		<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	
<u>1997 Capitalization Grant</u>						
Durham, City of	0431	2,700,000	-	-	-	2,700,000
Sampson County W&S Dist	0741	-	1,067,937	-	-	1,067,937
Chatham Co SW Misc **	0410C	-	(72,014)	-	-	(72,014)
Middlesex, Town of **	0401	-	(184,894)	-	-	(184,894)
Seven Devils, Town of **	0456	-	(10,223)	-	-	(10,223)
Total 1997		<u>2,700,000</u>	<u>800,806</u>	<u>-</u>	<u>-</u>	<u>3,500,806</u>
<u>1998 Capitalization Grant</u>						
Statesville, City of	0426B	-	2,656,590	-	-	2,656,590
Sampson County W&S Dist II	0741	-	912,063	-	-	912,063
Mt.Airy, Town of	0666	-	1,020,000	-	-	1,020,000
Plymouth, Town of	0702	-	-	-	1,013,009	1,013,009
Havelock, City of	0432	-	-	2,907,000	-	2,907,000
South Camden W&S Dist	0707	-	602,841	-	-	602,841
Total 1998		<u>-</u>	<u>5,191,494</u>	<u>2,907,000</u>	<u>1,013,009</u>	<u>9,111,503</u>
Total		<u>2,700,000</u>	<u>5,992,300</u>	<u>2,907,000</u>	<u>1,013,009</u>	<u>12,612,309</u>

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Exhibit 10 - Assistance Amount by Category

<u>Project Name</u>	<u>Project Number (DEH-)</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Category 4</u>	<u>Total</u>
<u>1997 Capitalization Grant</u>						
Durham, City of	0431	-	2,700,000	-	-	2,700,000
Sampson County W&S Dist	0741	-	-	-	1,067,937	1,067,937
Chatham Co SW Misc **	0410C	-	-	-	(72,014)	(72,014)
Middlesex, Town of **	0401	(184,894)	-	-	-	(184,894)
Seven Devils, Town of **	0456	-	-	-	(10,223)	(10,223)
Total 1997		<u>(184,894)</u>	<u>2,700,000</u>	<u>-</u>	<u>985,700</u>	<u>3,500,806</u>
<u>1998 Capitalization Grant</u>						
Statesville, City of	0426B	-	2,656,590	-	-	2,656,590
Sampson County W&S Dist II	0741	-	-	-	912,063	912,063
Mt. Airy, Town of	0666	-	-	-	1,020,000	1,020,000
Plymouth, Town of	0702	1,013,009	-	-	-	1,013,009
Havelock, City of	0432	-	2,907,000	-	-	2,907,000
South Camden W&S Dist	0707	-	-	-	602,841	602,841
Total 1998		<u>1,013,009</u>	<u>5,563,590</u>	<u>-</u>	<u>2,534,904</u>	<u>9,111,503</u>
Total		<u>828,115</u>	<u>8,263,590</u>	<u>-</u>	<u>3,520,604</u>	<u>12,612,309</u>
	Category 1	Source				
	Category 2	Treatment				
	Category 3	Storage				
	Category 4	Distribution				

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Exhibit 11

BALANCE SHEET
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ASSETS	<u>2001</u>	<u>2000</u>
Current Assets:		
Cash and cash equivalents	\$ 4,862,949	\$ 6,926,910
Receivables:		
Loan interest	\$ 970,441	\$ 327,923
Investment interest	\$ 20,110	\$ 33,747
Intergov-Fed agency Rec.	\$ 111,978	\$ 21,479
Other	\$ 103,133	\$ 84,438
Subtotal	<u>\$ 1,205,662</u>	<u>\$ 467,587</u>
Current maturities of loans receivable	<u>\$ 1,374,837</u>	<u>\$ 521,162</u>
Total receivables	<u>\$ 2,580,499</u>	<u>\$ 988,749</u>
 Total current assets	 <u>\$ 7,443,448</u>	 <u>\$ 7,915,659</u>
Noncurrent Assets:		
Fixed Assets		
Loans receivable, net of current maturities	<u>\$ 39,311,196</u>	<u>\$ 21,437,501</u>
Total Noncurrent Assets	<u>\$ 39,311,196</u>	<u>\$ 21,437,501</u>
 TOTAL ASSETS	 <u><u>\$ 46,754,644</u></u>	 <u><u>\$ 29,353,160</u></u>
 LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts payable	\$ 110,847	\$ 18,677
Accrued vacation	\$ 103,133	\$ 84,438
Other accrued expense	\$ 1,262	\$ 2,879
Total current liabilities	<u>\$ 215,242</u>	<u>\$ 105,994</u>
Fund Equity:		
Investment in general fixed assets		
Contributed capital:		
Environmental Protection Agency	\$ 39,533,290	\$ 21,960,012
State of North Carolina	\$ 9,774,913	\$ 9,222,820
Retained Earnings	<u>\$ (2,768,801)</u>	<u>\$ (1,935,666)</u>
Total fund equity	<u>\$ 46,539,402</u>	<u>\$ 29,247,166</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u><u>\$ 46,754,644</u></u>	 <u><u>\$ 29,353,160</u></u>

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

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Exhibit 12

Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Fiscal Years Ended June 30, 2001 and 2000

	2001	2000
REVENUES		
Loans to Communities	\$ 976,540	\$ 341,827
Investment	\$ 300,530	\$ 609,460
	\$ 1,277,070	\$ 951,287
Loan Closing Fees	\$ 82,477	\$ 517,174
TOTAL REVENUES	\$ 1,359,547	\$ 1,468,461
Program administration expenses:		
Personnel	\$ 1,114,945	\$ 1,018,093
Fringe benefits	\$ 223,345	\$ 224,052
Travel	\$ 38,206	\$ 82,415
Supplies	\$ 8,136	\$ 7,138
Software	\$ 2,979	\$ 10,245
Postage and Printing	\$ 3,599	\$ 4,720
Registration	\$ 3,600	\$ 8,083
Repairs	\$ 2,657	\$ 3,340
Rent	\$ 69,822	\$ 68,107
Miscellaneous	\$ 3,615	\$ 4,617
Equipment	\$ 51,301	\$ 143,267
Regional Office Expense	\$ 6,795	\$ 47,855
Contract services	\$ 592,326	\$ 599,891
Indirect cost	\$ 71,356	\$ 140,497
Total administrative expenses	\$ 2,192,682	\$ 2,362,320
Excess of Revenues Over Expenses	\$ (833,135)	\$ (893,859)
Fund Equity at Beginning of year	\$29,247,166	\$15,044,859
Increase (Decrease) in Contributed Capital	\$18,125,371	\$15,096,166
Fund Equity at End of Year	\$46,539,402	\$29,247,166

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

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Exhibit 13

**Statement of Cash Flows
For the Fiscal Years Ended June 30, 2001 and 2000**

	2001	2000
<u>Cash Flows from Operating Activities:</u>		
Revenues in excess of Expenditures	\$ (833,135)	\$ (893,859)
Adjustments to reconcile operating income to net cash flow provided by operating activities:		
Loans issued	\$ (19,315,049)	\$ (19,057,538)
Loan repayments	\$ 587,679	\$ 40,000
Changes in assets and liabilities:		
(Increase) Decrease in receivables	\$ (738,075)	\$ (323,453)
Increase (Decrease) in accounts payable and accrued expenses	\$ 109,248	\$ (91,577)
Net cash provided by operating activities	\$ (20,189,332)	\$ (20,326,427)
<u>Cash Flows from capital and related financing activities:</u>		
Funds from Environmental Protection Agency	\$ 17,573,278	\$ 17,668,046
Contributions from State of North Carolina	\$ 552,093	\$ (2,571,880)
Purchase of Fixed assets		
Net cash provided by capital and related financing activities	\$ 18,125,371	\$ 15,096,166
Increase in cash and cash equivalents	\$ (2,063,961)	\$ (5,230,261)
Cash and cash equivalents, beginning of year	\$ 6,926,910	\$ 12,157,171
Cash and cash equivalents, end of year	\$ 4,862,949	\$ 6,926,910

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

STATE OF NORTH CAROLINA
 Drinking Water State Revolving Fund
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Exhibit 14

Comparative Statement of Revenues, Expenses and
 Changes in Retained Earnings
 For the Years Ended June 30, 2001 and 2000

	<u>Closing Fees</u>	<u>DWSRF</u>	<u>Total 30-Jun-01</u>	<u>Closing Fees</u>	<u>DWSRF</u>	<u>Total 30-Jun-00</u>
REVENUES						
Interest Earned on:						
Loans to communities		\$ 976,540	\$ 976,540		\$ 341,827	\$ 341,827
Investment Income		<u>\$ 300,530</u>	<u>\$ 300,530</u>		<u>\$ 609,460</u>	<u>\$ 609,460</u>
Total Interest Income	<u>\$ -</u>	<u>\$1,277,070</u>	<u>\$ 1,277,070</u>	<u>\$ -</u>	<u>\$ 951,287</u>	<u>\$ 951,287</u>
Loan Closing Fees	<u>\$ 82,477</u>	<u>\$ -</u>	<u>\$ 82,477</u>	<u>\$ 517,174</u>	<u>\$ -</u>	<u>\$ 517,174</u>
TOTAL REVENUES	\$ 82,477	\$1,277,070	\$ 1,359,547	\$ 517,174	\$ 951,287	\$ 1,468,461
EXPENSES						
Program Administration		<u>\$2,192,682</u>	<u>\$ 2,192,682</u>	<u>\$ -</u>	<u>\$ 2,362,320</u>	<u>\$ 2,362,320</u>
Excess of Revenues Over Expenses	<u>\$ 82,477</u>	<u>\$ (915,612)</u>	<u>\$ (833,135)</u>	<u>\$ 517,174</u>	<u>\$ (1,411,033)</u>	<u>\$ (893,859)</u>

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

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Exhibit 15 – Notes to Financial Statements

Note 1 - Organization of the Fund

The Safe Drinking Water Act (SDWA) Amendments of 1996 (Pub. L. 104-182) authorized a Drinking Water State Revolving Fund (DWSRF) to assist public water systems to finance the costs of infrastructure needed to achieve or maintain compliance with SDWA requirements and to further protect public health objectives of the Act by authorizing non-project eligible costs referred to as set asides. The DWSRF provides a flexible financing source for low interest loans to finance the entire cost of qualified projects. Loans made by the DWSRF must be repaid within 20 years, and all repayments, including interest and principal, must remain in the DWSRF.

The DWSRF was capitalized by the U.S. Environmental Agency (EPA) by a series of grants (CFDA 66.468) beginning in 1997. In order to receive these grants, states are required to provide matching funds of 20 percent for the whole grant. As of June 30, 2001, North Carolina has been awarded \$72,451,400 in capitalization grants, which has necessitated a state match totaling \$14,490,280. This match was provided through state appropriations by the General Assembly of 1997 of \$9,222,820. The remaining \$5,267,460 in match funds are being provided as a part of the Clean Water and Natural Gas Critical Needs Bond Act of 1998.

The North Carolina Department of Environment and Natural Resources through the Division of Environmental Health's Public Water Supply Section administers the DWSRF. The Section's primary activities with regard to the DWSRF include the review of project plans and specifications, the award and administration of project loans, providing technical assistance to small systems, the disbursement of loan awards, and the accounting for all DWSRF activities. The State's Local Government Commission provides the financial eligibility review of loan applicants and creates all promissory documents. Non-project activities, or set asides, are uses of DWSRF money allowed by the SDWA in furthering the objectives of the Act, but are not construction related. The projects include: Program Administration, Technical Assistance to Small Systems, administration of the Public Water Supply Supervision Program, and Local Assistance and Other State Programs. After these administration funds are used, administrative program costs will be supported by a 2 percent administrative fee, which is collected from each loan project. The cost of the program includes salaries, fringe benefits, and operating expenses. Indirect costs are also charged to the program through an approved cost allocation plan.

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Exhibit 15 – Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies

A. Basis of Accounting -

The Drinking Water State Revolving Fund (DWSRF) is included in the State's general-purpose financial statements as a Fiduciary Fund Type - Nonexpendable Trust Fund using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred. The State 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) before November 30, 1989 unless the pronouncements conflict with or contradict GASB pronouncements.

B. Cash and Cash Equivalents -

All monies of the DWSRF are deposited with the Department of State Treasurer, and are considered cash. According to state law, the State Treasurer is responsible for maintaining the cash balances and investing excess cash of the Drinking Water State Revolving Fund, as discussed in Note 3. Therefore, management of the DWSRF does not have any control over the investment of excess cash, and the statement of cash flows considers all funds deposited with the Treasurer to be cash or cash equivalents, regardless of actual maturities of the underlying investments.

C. Loans Receivable –

The State operates the DWSRF as a direct loan program whereby loans made to communities are 80 percent funded by the federal capitalization grant and 20 percent by the state-matching amount. Loan funds are disbursed to the local agencies as they expend funds for the purposes of the loan and request reimbursement from the DWSRF. Interest accrues from the original date that a project's contract is scheduled to be completed. Principal payments are to be made annually on or before May 1 or November 1. Interest payments are to be made semiannually on or before May 1 and November 1. The first-principal and interest payment is due not earlier than six months after the date of completion of the project. The loans are to be repaid over a maximum of 20 years. No provision for uncollectible accounts has been made as all loans are current, and management believes that all loans will be repaid according to the loan terms.

D. Contributed Capital –

In accordance with generally accepted accounting principles, funds received from the EPA and the State for the capitalization of the Drinking Water State Revolving Fund are recorded as contributed capital.

North Carolina
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Exhibit 15 – Notes to Financial Statements

Note 3 - Cash and Cash Equivalents

Agency deposits to the accounts of the State Treasurer and deposits of the State Treasurer may be made in any bank, savings and loan association or trust company in the State approved by the State Treasurer. Depositories are required, in accordance with the rules in Chapter 20 NCAC 7 (North Carolina Administrative Code), to collateralize all balances of the State Treasurer which are not insured. Basically, these rules require that the bank maintain, as collateral in an escrow account established by the State Treasurer with a third-party bank, securities of a type enumerated in the rules, in an amount whose market value is not less than the amount of the time deposits and the average balance of demand deposits for the preceding quarter less the allowable deposit insurance on the deposits. Generally, rules require the securities to be governmental in origin (e.g., U.S. Treasury and U.S. agency obligations, or state and local government obligations) or the highest grade commercial paper and bankers' acceptances. Financial institutions generally may elect to collateralize deposits separately (dedicated method) or to include the deposits of North Carolina local government units in the same collateral pool with the State and certain component units (pooling method). Financial institutions report quarterly on bank balances and amounts deposited in escrow as collateralization of deposits. The bank balances of deposits at year-end are entirely insured or collateralized with securities held with the escrow agent.

The cash balances are invested as part of a pool of investments with the State Treasurer and are not segregated. Information on the investments is more fully explained in the State of North Carolina's Comprehensive Annual Financial Report.

	<u>Carrying Amount</u>	<u>Market Value</u>
Cash and Cash Equivalents	\$4,862,949	\$4,862,949

North Carolina
 Drinking Water State Revolving Fund
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Exhibit 15 – Notes to Financial Statements

Note 4 – Loans Receivable

The Drinking Water State Revolving Fund makes loans to qualified local units of government and water corporations for projects that meet eligibility requirements of the Act. Loans are financed by capitalization grants, state match and revolving funds. Effective interest rates on loans have varied between 2.55 and 2.87 percent.

Details of loans receivable at June 30, 2001 are:

Loans by Category:

<u>Projects</u>	<u>Loans Authorized</u>	<u>Disbursed</u>	<u>Repayments</u>	<u>Loans Receivable</u>	<u>Remaining Commitment</u>
Complete	\$16,546,697	\$16,546,697	\$ 627,678	\$15,919,019	
Incomplete	<u>\$42,044,636</u>	<u>\$24,767,014</u>	_____	<u>\$24,767,014</u>	<u>\$17,277,622</u>
Total	<u>\$58,591,333</u>	<u>\$41,313,711</u>	<u>\$ 627,678</u>	<u>\$40,686,033</u>	<u>\$17,277,622</u>
Less: Amount due within one year				<u>\$ 1,374,837</u>	
Loans Receivable after June 30, 2002				<u>\$ 39,311,196</u>	

North Carolina
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Exhibit 15 – Notes to Financial Statements

Note 5 - Loans to Major Local Agencies

As of June 30, 2001, the Drinking Water State Revolving Fund has made authorized loans to 20 local agencies that in the aggregate exceeded \$1 million. The outstanding balances of these loans represent approximately 78 percent of the total loans receivable, as follows:

Loan Recipient	Loans Authorized	Disbursed	Repayments	Loans Receivable	Remaining Commitment
Belfast Patetown SD	\$ 3,000,000	\$ 2,745,470		\$ 2,745,470	\$ 254,530
Eastern Wayne San. Dist.	\$ 3,000,000	\$ 2,779,621		\$ 2,779,621	\$ 220,379
Greenville, Utilities Commis:	\$ 3,000,000	\$ 2,596,910		\$ 2,596,910	\$ 403,090
Henderson, City of	\$ 3,000,000	\$ 2,480,158		\$ 2,480,158	\$ 519,842
Salisbury, City of	\$ 3,000,000	\$ 3,000,000	\$ 150,000	\$ 2,850,000	\$ -
Statesville, City of	\$ 3,000,000	\$ 3,000,000		\$ 3,000,000	\$ -
Greenville Utilities Commis:	\$ 3,000,000	\$ 2,637,179		\$ 2,637,179	\$ 362,821
Havelock, City of	\$ 2,907,000	\$ -		\$ -	\$ 2,907,000
China Grove, Town of	\$ 2,831,784	\$ 2,831,784		\$ 2,831,784	\$ -
Durham, City of	\$ 2,700,000	\$ -		\$ -	\$ 2,700,000
Statesville, City of	\$ 2,656,590	\$ -		\$ -	\$ 2,656,590
NewPort, Town of	\$ 2,250,000	\$ 2,250,000		\$ 2,250,000	\$ -
Sanford, City of	\$ 1,950,000	\$ 1,878,350		\$ 1,878,350	\$ 71,650
Yanceyville, Town of	\$ 1,800,000	\$ 1,800,000	\$ 90,000	\$ 1,710,000	\$ -
Morehead City, Town of	\$ 1,700,000	\$ 1,381,783		\$ 1,381,783	\$ 318,217
Franklin, County of	\$ 1,500,000	\$ 1,500,000		\$ 1,500,000	\$ -
Cleveland Co. San. Dist.	\$ 1,496,806	\$ 1,496,806		\$ 1,496,806	\$ -
Sampson, Co W & S Dist. 1	\$ 1,067,937	\$ -		\$ -	\$ 1,067,937
Mt. Airy, Town of	\$ 1,020,000	\$ -		\$ -	\$ 1,020,000
Plymouth, Town of	\$ 1,013,009	\$ -		\$ -	\$ 1,013,009
Subtotal	\$45,893,126	\$32,378,061	\$ 240,000	\$ 32,138,061	\$13,515,065
Other Recipients	<u>\$12,698,207</u>	<u>\$8,935,650</u>	<u>\$387,678</u>	<u>\$8,547,972</u>	<u>\$3,762,557</u>
Totals	<u>\$58,591,333</u>	<u>\$41,313,711</u>	<u>\$627,678</u>	<u>\$40,686,033</u>	<u>\$17,277,622</u>

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Exhibit 15 – Notes to Financial Statements

Note 6 – Contributed Capital and Fund Balance

The Drinking Water State Revolving Fund is capitalized by grants from EPA authorized by the Safe Drinking Water Act and matching funds from the State of North Carolina. As of June 30, 2001, EPA has awarded a capitalization grant of \$72,451,400 to the State of North Carolina. Of this amount, \$39,533,290 has been drawn for loans and administrative expenses. The State of North Carolina has provided matching funds of \$14,490,280. This match was provided through state appropriations by the General Assembly of 1997 of \$9,222,820. The remaining \$5,267,460 in match funds are being provided as a part of the Clean Water and Natural Gas Critical Needs Bond Act of 1998.

The following summarizes the capitalization grant awarded, amounts drawn from the grant as of the balance sheet date, and balances available for future use:

<u>Year</u>	<u>Administration(1)</u>	<u>Loans(1)</u>	<u>Total Award</u>	<u>State Match</u>	<u>Total Grant</u>
1997	\$ 9,366,247	\$36,747,853	\$46,114,100	\$9,222,820	\$55,336,920
1998	\$ 3,146,163	\$ 9,713,237	\$12,859,400	\$2,571,880	\$15,431,280
1999	\$ 3,045,123	\$10,432,777	\$13,477,900	\$2,695,580	\$16,173,480
Total	<u>\$15,557,533</u>	<u>\$56,893,867</u>	<u>\$72,451,400</u>	<u>\$14,490,280</u>	<u>\$86,941,680</u>
			Less: Draws through June 30, 2001		<u>\$39,533,290</u>
			Remaining draw available from Awards		<u>\$32,918,110</u>

(1) After reallocating \$679,699 from set aside 4C4d of the 1998 Intended Use Plan, and \$493,721 from set aside 4C4d of the 1997 Intended Use Plan to Project Funds as authorized in II-B-3 of the Federal Drinking Water State Revolving Fund Program Guidelines.

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Exhibit 15 – Notes to Financial Statements

Note 7 - Loan Administrative Fees

As part of the loan commitment agreement, the loan recipient agrees to pay a 2% administrative fee to the Department of Environment and Natural Resources. This fee is normally paid by the recipient upon commencement of the project. The fees are restricted to a separate fund that is invested with the State Treasurer. The fees and related investment income will be used for future DWSRF program administrative costs after grant administrative funds are exhausted.

Note 8 – Contingencies and Subsequent Events

A. Contingencies -

The DWSRF is exposed to various risks of loss related to torts, theft of assets, errors or omissions, injuries to state employees while performing DWSRF business, or acts of God. As an indirect cost, the DWSRF maintains insurance for all risks of loss. There have not been any claims against the DWSRF since its inception in 1997.

B. Subsequent Events -

Subsequent to year end, the EPA awarded the 2000 capitalization grant to the State. The grant provides \$14,007,400 in additional funds and requires a state match of \$2,801,480 which will be provided by proceeds from the sale of bonds authorized under the Clean Water and Natural Gas Critical Needs Bond Act of 1998. These funds will be utilized as follows:

Loans to qualified local agencies	\$13,579,596
Program Administration	<u>\$ 3,229,284</u>
Total	<u>\$16,808,880</u>