

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

Capitalization Grants

For Period Ending June 30, 2002



State of North Carolina

September 30, 2002

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 fiscal year 2002 (July 1, 2001-June 30, 2002). 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 2002 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 \$86,458,800. The approved IUP included DWSRF monies for projects in the amount of \$68,351,682. The DWSRF for projects included the 20 percent state match of \$17,291,760. The remaining portion of the capitalization grant, \$18,107,118 was described as non-project or set-aside uses in the IUPs. Supplemental funding for this reporting period included \$217,241 interest earned on deposits, as well as loan repayments of \$1,857,907 principal and \$941,153 in interest.

During state fiscal year 2002 North Carolina made 5 new binding commitments to provide assistance for the construction of water supply facilities. These obligations totaled \$6,670,297. Disbursements from North Carolina's DWSRF to 19 loan recipients totaled \$10,819,181. In addition, \$2,685,949 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, as 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 FY00 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, 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. Both the strategy and implementation for North Carolina's Capacity Development Rules is working well to meet capacity development requirements.

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, monitoring failure notifications and administrative orders 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 FY00 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. Assist water systems in complying with new SDWA rules as they are implemented.

Assistance is provided with new rules to the extent resources allow. Limited DWSRF funding supports this goal. Informational mailings are sent periodically to water systems on specific issues and staff participation on numerous operator schools and training classes.

6. 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.

7. 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.

8. 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 2002. During this period, the State received its 2000 capitalization grant of \$14,007,400. Other state fy 2002 sources included \$217,241 in interest earned on deposits, \$1,392,273 in state match, and \$2,799,060 (principal and interest) in loan repayments.

2. Projects

The State of North Carolina entered into 5 original binding commitments during fiscal year 2002 and increased commitments to 1 project. Including the increase, the total committed through June 30, 2002 was \$65,472,370. By the end of state fy 2002, there was \$20,171,072 in project funds remaining to be committed which includes \$13,579,596 from fy 2000 funds.

3. Payments to Automated Clearinghouse (ACH)

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

4. Disbursements

Total disbursements during FY2002, as shown in Exhibit 5, consisted of \$10,819, 181 disbursed to projects and \$2,685,949 expended for set aside activities.

5. Loan Repayments

As reflected in Exhibit 6, loan principal repayments during the fiscal year on 24 projects totaled \$1,857,907 with interest received on loans totaling \$941,153.

6. Loan Administrative Fee

Exhibit 7 reflects activity associated with loan administrative fees. During the reporting period, fees totaling \$305,491 were paid by 8 applicants. Interest earned on these funds totaled \$62,063.

7. Financial Statements

Financial activity for the fiscal year is presented in Exhibits 11 through 14, 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; 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 National Information Management System (NIMS).

B. Assistance Activity

Exhibits 8 through 10 illustrate the project assistance activity of the fund for the period ending June 30, 2002.

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 approved Intended Use Plans. 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 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 and 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 estimate 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 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, and NC Public Water Supply Section. Other agencies may have received notices of meetings but did not send 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 2000 covering set-asides is a continuation of the programs and projects approved in the Fiscal Year 1997 – FY1999 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 \$560,296 from Federal FY00 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 and management of the program; financial management; capacity development implementation; 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 funded through this set-aside. This IUP also adds partial funding for the Assistant Section Chief with duties related to DWSRF program implementation,

including loans and set-asides. It is also anticipated that one additional Engineer will be hired to help conduct work associated with completing complex federal requirements. 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. Funds from this set-aside will be used to continue work plan activities until all funds are expended, regardless of the fiscal year that occurs.

Status:

Through June 30, 2002, the following staff positions have been funded through the program administration set-aside:

- 1 Environmental Engineering Supervisor II
- 1 Administrative Assistant I
- 1 Accountant II
- 1 Accountant Tech IV
- 2 1/5 Environmental Engineer II
- 1 Office Assistant

An existing Environmental Supervisor III provides direct oversight for the SRF Unit. This allowed the 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. A request to create a new Environmental Engineer II position for the SRF Unit has been submitted. 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.

Total staff to implement the program is listed above. This set-aside was used for salaries, fringe benefits, indirect cost, operating expenses, office supplies and furniture, office space leasing, computer system programming and services, and equipment purchases. Total annualized amounts for the support of the administrative personnel is dependent upon prior award year fund depletion rates. The flexibility in the DWSRF authorized by the SDWA permits this agency to request the full set-aside and adjust the amount and timing of spending to administer the program in a timely and efficient manner. This agency applied for the full 4 percent Administration Set-aside of approximately \$560,296.

The DWSRF program assesses a 2 percent closing cost, as has been the practice of the wastewater SRF program. This is approximately \$260,000 per year to cover the years 2004 through 2024.

The primary goal was to use the resources available through the DWSRF Capitalization Grant to provide maximum services allowed by the set-aside programs

and to provide low-interest loans to projects with the greatest public health, compliance and affordability needs.

Objectives met for the past year were to:

- Set aside sufficient funds to administer the program in perpetuity.
- Maximize the efficient use of these funds.
- Administer the DWSRF program in an efficient and comprehensive manner.

The following services were provided:

Low interest loans to eligible local units of government for allowable projects.

Completion of all processes associated with the loans to ensure applicants receive their project cost reimbursement disbursements on a timely basis.

Monitored payback schedules to ensure principal and interest payments are available on a timely basis for future year awards as low-interest loans.

Made progress inspections of construction sites to verify use of state revolving funds as intended.

Monitored the set-aside expenditures to prevent over-expenditure of authorized amounts and limits.

Annual reports prepared showing how the state has met its goals and objectives of the past year.

Annual audits performed meeting standards of the General Accounting Office, including auditor's opinions, reports on internal controls, and compliance adherence.

The following goal was not achieved:

Develop and use a DWSRF Information Management System to meet quarterly and annual financial and project management report requirements for the federal DWSRF Information System, along with other state reporting needs.

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

The State will allocate \$280,148 from Federal FY00 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 to continue work plan activities. This money is used jointly by the NCPWSS and the North Carolina Rural Water Association (NCRWA). The NCPWSS will provide continued funding support for three Environmental Technician IV in regional offices. The NCRWA's contract will continue the support of one circuit rider. 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 maximum contaminate level 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 regarding 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.*

Status:

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 continued 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 2,487 sanitary surveys and 5,973 total other on-site contacts during the reporting period. NCRWA's contract was continued in support of a circuit rider position that provided 254 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 FY00. By utilizing matches already met, North Carolina can take advantage of \$1,400,740 in FY00 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. North Carolina has a greater percentage of small systems than many states and is faced with many systems that require assistance more than, or prior to, 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 4500-plus transient water systems in North Carolina, EPA requires that the State ensure that these systems are complying with testing and monitoring requirements. North Carolina has not had adequate information on transient systems to ensure public health is being protected in these systems. While compliance among these systems has improved dramatically (for example from less than 25 percent to nearly 90 percent in two years for coliform monitoring), ongoing oversight and assistance is required. The money from this set-aside will be used to continue the work begun as a result of the FY 1997 IUP to address these concerns.

A total of \$1,179,040 will be set aside to continue support for an Engineer II and (6) Engineering Technician V to manage transient systems; and a Processing Assistant V, a Data Entry Specialist, and an Applications Analyst Programmer to handle the increased information flow in the central office. This IUP also adds a Computing Consultant II position. To assist these transient systems and other small systems needing general technical assistance, and for assistance with new initiatives such as capacity development, an Engineering Technician IV, a Hydrogeologist I, two Environmental Engineer I's, and a Water Treatment Plant Consultant were added in the field offices.

Status:

An Engineer II and an Engineering Technician V manage transient system compliance from the Central Office. A Processing Assistant V, a Data Entry Specialist, an Applications Analyst Programmer and an Environmental Technician V also work in central office to assist in handling these transient systems. (Please note that the Computing Consultant II position initially proposed for this work was changed to one of the Environmental Technician V positions.)

To assist transient and other small systems with technical matters and with new initiatives such as capacity development, field positions that include 6 Engineering Technician IV positions, 2 Environmental Engineer I positions and a Water Treatment Plant Consultant were established. (The Hydrogeologist I position initially proposed for this program was not included.)

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. During this time period, 6,304 monitoring violations, 345 maximum contaminant level (MCL) violations and 1,475 administrative orders were issued to transient systems by Central Office staff. 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. During this time period, 3,026 site visits were performed. 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, 2001 to June 30, 2002, some 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 the existing state Wellhead Protection Program. Specifically, the Source Water Protection (SWP) Program Manager assisted with the development of input datasets and web content for the SWAP information technology (IT) project.

In addition, from September 2001 to June 30, 2002 this position performed background research to develop resources for an emerging state Source Water Protection program. Research included topics such as:

- Innovative approaches to Source Water Protection;
- Approaches to developing Well Abandonment programs
- Policies for protecting source water quality in water supply reservoirs used for recreational purposes;
- Status of and need for local Well Abandonment programs;
- Existing examples of local SWP in North Carolina;
- Available funding Sources for SWP in North Carolina;
- Technical assistance available for SWP in North Carolina;
- Support organizations for SWP in North Carolina.

This background information enabled this position to:

- Begin development of Fact Sheets on Resources for SWP and Case Stories of SWP in North Carolina;
- Begin development and schedule Source Water Workshops for water systems;
- Write Papers and Articles promoting SWP in North Carolina;
- Give presentations on SWP to water systems, councils of government, trade organizations and communities interested in SWP;
- Begin development of Web content explaining SWAP, SWP and WHP as well as the relationship between these programs.

The SWP Program Manager is responsible for coordinating the review of proposals for recreational use of Public Water Supply reservoirs. One such

request was made and studied (Lake Michie). Existing rules, ordinances and historical approvals were considered in the review process.

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

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 for new and existing systems was developed and needs to be implemented. Activities are being coordinated by one Environmental Engineer II position, currently vacant, in the NCPWSS at an estimated total salary and fringe benefit cost of \$62,000.

Status:

Activities identified in the Capacity Development Status Reports of 2000 (Strategy) and 2001 (Implementation) are working well for North Carolina.

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.

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.

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. This option has not yet been used.

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.

Other Capacity Development activities during the past year include:

- Reviewing vulnerability assessments for large systems.
- Applying for a Counter Terrorism Grant
- Preparing an outline and strategy for the Governor's Report on Capacity Development.
- Participating with the North Carolina Drought Monitoring Task Force in helping systems to manage existing water sources and develop new water sources.
- Participating in the Region IV and VI Capacity Development Workshop.
- Have begun investigations to use Capacity Development, in particular, Water System Management Plans for enforcement.

4C3d. Implementation of the Operator Certification Program.

EPA will withhold 20 percent of the Capitalization Grant from States that do not have an 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 for an individual to assist with operator certification by evaluating, administering, and providing record keeping for the operator training program, including coordinating and developing 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 renew the contract to provide these functions for another year at an annual cost of \$97,700.

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 \$988,100 from Federal FY00 for wellhead protection from this set aside. A state may fund several other categories of activities including loans, to assist development and/or implementation of local drinking water protection initiatives. 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. It may also provide support for up to three full-time equivalent positions in field offices, for a total amount of \$503,000. Assistance will also be provided by these positions in support of the Delineation and Assessment of wellhead protection areas. Activities related to the existing EPA-approved wellhead protection program were transferred from the Division of Water Quality, Groundwater Section to NCPWSS during summer of 1998. 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 \$300,000 for contractors to identify and inventory locations of public water supply wells in order that they may be delineated and assessed, 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:

The assessment of the nearly 10,500 public sources of drinking water in the state require the integration and analysis of spatial data in the form of GIS coverages with tabular data and the output in the form of maps, text and web pages. Programming code to automate this process is required. This will be accomplished with the assistance of contract programmers in conjunction with NCPWSS staff.

The contract for "Computer Application for Source Water Assessment Program (SWAP) Automation" - Phase A which included three deliverables or planning documents, entitled "User Business Requirements," "Conceptual Design," and

"Architecture Requirements" was completed in August 2001. In January 2002, the Phase B contractor used the Phase A planning documents and began developing the programming code for the computer application of the automation of the SWAP assessments.

Potential Contaminant Source databases were evaluated for the most current location information. Several databases were updated and amended with better address information or GPS locations. Currently, nearly 36,000 points representing potential sources of contamination will be used for the assessments.

All other data inputs required for delineation and assessment are also complete and have been submitted to the contractor for use in the computer application.

As of June 30, 2002 10,226 active wells had been GPS'd and provided to the contractor for use in the computer application. This database is dynamic with new wells coming on-line routinely.

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

The total dollars for this set-aside category is \$988,100. This 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 source water protection areas. 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 \$640,000 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, 2001 through June 30, 2002 the PWSS received 13 local wellhead protection (WHP) plans submitted for review and approval. These newly submitted plans bring the total received to date to 96. Of these 96 plans, 46 had received approval prior to the current reporting period. The majority of the 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. Review also involved holding numerous meetings with the parties involved in WHP plan development (e.g., local government officials, consultants, NCRWA staff, etc.). During the current reporting period, 5 additional WHP plans received approval. This brings the total number of systems with approved WHP plans in North Carolina to 51. These 51 systems comprise 205 public water supply wells serving a population of 167,684.

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.

From July 1, 2001 through June 30, 2002, 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, 2002 information available on this website included WHP plan requirements, a downloadable version of the North Carolina Wellhead Protection Guidebook (PDF format), and a list of approved WHP plans.

NCPWSS staff completed the development of ArcView GIS shapefiles for all approved WHPAs. NCPWSS staff continue to develop WHPA shapefiles for newly approved WHP plans. NCPWSS staff began including printed copies of WHPA maps produced from these shapefiles with approval letters sent to public water supply systems. Copies of these maps were also provided to Regional Office staff and to the State's Division of Waste Management. Electronic copies of maps were also provided upon request via email to environmental consultants conducting limited site assessments as part of a risk based analysis of sites with soil and/or ground water contamination.

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.

In March 2001, the NCPWSS and the North Carolina Rural Water Association (NCRWA) entered into an agreement (Contract No. T01007) 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. Assistance included providing outreach materials to educate community leaders and the public about the value of protecting ground water from contamination; providing guidance in the identification of potential contaminant sources; identifying steps that can be undertaken to help prevent contaminants from entering water supplies, and providing public education materials necessary to make ground-water protection a community effort. To promote local WHP plan development, the NCRWA developed a tri-fold brochure describing the WHP Program and the services offered by the NCRWA. These brochures were made available to communities and local officials interested in developing local WHP plans. During the current reporting period, NCPWSS and NCRWA staff continued cooperative efforts to improve and refine the WHP plan approval process.

From July 1, 2001 through June 30, 2002, NCPWSS staff participated in numerous meetings and conferences with local officials and public water supply system staff interested in developing local WHP plans. To encourage development of local WHP plans, NCPWSS staff provided presentations at several of these meetings and conferences. NCPWSS staff made presentations as part of the Water Plant Operator Continuing Education Training at Carteret Community College (April 24, 2002), and during the opening session of the NC Rural Water Association Annual Conference in Greensboro (May 22, 2002).

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 (T200018) 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 prior to the current reporting period resulted in NCPWSS staff co-authoring a draft document with the contractor entitled "Proposed Revisions to the North Carolina Wellhead Protection Program." During the current reporting period, NCPWSS staff continued to work with the contractor to further refine the draft document. Work to be conducted under this contract was completed by the contractor during the current reporting period with the provision of training in the revised delineation methodologies to members of the NCPWSS central and regional office staff, and members of the NCRWA staff.

The second contract (T200020) involves the development of a user-friendly WHP guidance document specific to North Carolina. Pursuant to a request by the contractor, the NCPWSS and the contractor mutually agreed to a no-cost extension of the contract ending date from June 30, 2002 to December 31, 2002. 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 North Carolina's ground water sources of public drinking water.

From July 1, 2001 through June 30, 2002, the WHP Program staff continued to support the development of the SWAP Program. This support included providing input at internal SWAP meetings, review and analysis of work products generated by the Program, review and analysis of hydrogeologic data relevant to the delineation and assessment component of the Program, attending meetings with the contractor retained by the SWAP Program, and reviewing, testing, and commenting on work products completed by the contractor.

Other activities conducted under this set-aside category include obtaining accurate locational information for all of North Carolina's public water supply wells. As of June 30, 2002, more than 10,226 public water supply wells had been located using GPS technology and the data entered into an Arcview database. This figure represents over 98% of North Carolina's public water supply wells.

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:

The Drinking Water State Revolving Fund Final Rule was adopted August 7, 2000. Prior to that time, rules provided that funds allocated for Local Assistance and Other State Programs could not be banked for use in future years (with the exception of funds spent for Delineation and Assessment of source water protection, which had to be obligated by March 5, 2002). The Final Rule, as adopted, removed the non-bankable provision. Therefore, currently approved Wellhead Protection funds will continue to be utilized as such for the duration of the grant period. Delineation and Assessment funds not obligated as of March 5, 2002 will be reallocated to other set asides as allowed in the Rules. A grant amendment will be submitted to effect such reallocation.

V. PROJECT CHANGES

The following reflects changes from the FY97 Comprehensive Project Priority List (CPPL) in the IUP not previously reported:

Andrews, Town of - Commitment being increased by \$123,306 to construct floating intake to improve raw water quality.

Sampson County Water and Sanitary District - Binding Commitment October 16, 2000, contracts awarded, reviewing Part B.

Pilot Mountain, Town of - Award State grant for major part of project. Binding commitment and loan agreement against 1999 funds for \$544,287. Scheduled completion September, 2003.

Spencer, Town of - Loan offer declined. Application returned.

Tryon, Town of - Project completed. Final disbursement made in July, 2002 for an increase of \$40,043 for a revised commitment of \$250,043.

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

Plymouth, Town of - Bypassed, on 1997 list. Binding commitment and loan agreement against 1998 funds for \$1,013,009.

Havelock, City of - Bypassed on 1997 list. Binding commitment and loan agreement against 1998 funds for \$2,907,000.

The following reflects changes from the FY98 CPPL in the IUP not previously reported:

Albertson Water and Sewer District - Project completed. Awaiting closeout and appropriately \$175,000 reduction in commitment.

Statesville, City of, Phase 1B - Project nearing completion.

The following reflects changes from the FY99 CPPL in the IUP:

Mount Airy, Town of - Binding commitment and loan agreement for \$1,020,000 against 1998 funds. Project nearing completion.

South Camden Water and Sewer District - Binding commitment and Loan agreement For \$813,581 against 1998 funds.

West Jefferson, Town of - Binding commitment and loan agreement. Project near completion.

North Wilkesboro, Town of - Binding commitment and loan agreement for \$2,722,380. Project about two-thirds complete.

Hillsborough, Town of - Binding commitment of \$1,802,952 for water treatment Plant rehabilitation upgrade but not expansion. Awarded state grant for \$2m.

The following reflects changes from the FY2000 CPPL in the IUP:

Spring Lake, Town of - Transmission main from Harnett County - Binding commitment and Loan agreement for \$433,687 against 1999 funds.

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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	\$ 5,195,332	\$ 43,635,168	\$ 48,830,500	\$ 6,506,420
1998 Capitalization Grant	1-B	\$ 15,431,280	\$ 5,163,651	\$ 3,982,142	\$ 9,145,793	\$ 6,285,487
1999 Capitalization Grant	1-C	\$ 16,173,480	\$ 3,003,582	\$ 199,776	\$ 3,203,358	\$ 12,970,122
2000 Capitalization Grant	1-D	<u>\$ 16,808,880</u>	<u>\$ 142,565</u>	<u>\$ -</u>	<u>\$ 142,565</u>	<u>\$ 16,666,315</u>
Total Program Funding		<u>\$ 103,750,560</u>	<u>\$ 13,505,130</u>	<u>\$ 47,817,086</u>	<u>\$ 61,322,216</u>	<u>\$ 42,428,344</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**

Set Asides	Funds Available	Current Fiscal Year	Disbursements Prior Fiscal Years	Cumulative To Date	Balance
Administration (6397)	\$ 1,844,564	\$ 450,718	\$ 1,178,346	\$ 1,629,064	\$ 215,500
Technical Assistance (6597)					
NC Rural Water Association	\$ 82,800	\$ -	\$ 49,770	\$ 49,770	\$ 33,030
NC Public Water Supply	\$ 350,241	\$ -	\$ 350,241	\$ 350,241	\$ -
Other Contracts	\$ 489,241	\$ -	\$ 522,271	\$ 522,271	\$ (33,030)
Total Technical Assistance	<u>\$ 922,282</u>	<u>\$ -</u>	<u>\$ 922,282</u>	<u>\$ 922,282</u>	<u>\$ -</u>
State Program Functions (6497)					
PWSS Program	\$ 1,011,465	\$ -	\$ 1,011,465	\$ 1,011,465	\$ -
Source Water Protection	\$ 76,234	\$ -	\$ 76,234	\$ 76,234	\$ -
Capacity Development	\$ 70,508	\$ -	\$ 70,508	\$ 70,508	\$ -
Operator Certification - Waterworks Op. Assn.	\$ 90,600	\$ -	\$ 90,600	\$ 90,600	\$ -
Total State Program Functions	<u>\$ 1,248,807</u>	<u>\$ -</u>	<u>\$ 1,248,807</u>	<u>\$ 1,248,807</u>	<u>\$ -</u>
Local Assistance and Other State Programs					
Delineation & Assessment (66976620)					
NC Public Water Supply	\$ 1,105,625	\$ 231,047	\$ 518,674	\$ 749,721	\$ 355,904
NC Center for Geographic Info & Analysis	\$ 100,000	\$ 4,596	\$ 693	\$ 5,289	\$ 94,711
Other Contracts	\$ 1,116,732	\$ 380,375	\$ 350,648	\$ 731,023	\$ 385,709
Reserve for remaining years of work	\$ 2,289,053	\$ -	\$ -	\$ -	\$ 2,289,053
Total Delineation & Assessment	<u>\$ 4,611,410</u>	<u>\$ 616,018</u>	<u>\$ 870,015</u>	<u>\$ 1,486,033</u>	<u>\$ 3,125,377</u>
Wellhead Protection (66976621)					
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>\$ 616,018</u>	<u>\$ 1,609,199</u>	<u>\$ 2,225,217</u>	<u>\$ 3,125,377</u>
Total Set Asides	<u>\$ 9,366,247</u>	<u>\$ 1,066,736</u>	<u>\$ 4,958,634</u>	<u>\$ 6,025,370</u>	<u>\$ 3,340,877</u>
Projects					
Federal Share (6197)	\$ 36,747,853	\$ 3,291,304	\$ 30,832,854	\$ 34,124,158	\$ 2,623,695
State Share (6297)	<u>\$ 9,222,820</u>	<u>\$ 837,292</u>	<u>\$ 7,843,680</u>	<u>\$ 8,680,972</u>	<u>\$ 541,848</u>
Total Projects	<u>\$ 45,970,673</u>	<u>\$ 4,128,596</u>	<u>\$ 38,676,534</u>	<u>\$ 42,805,130</u>	<u>\$ 3,165,543</u>
Total 1997 Capitalization Grant	<u>\$ 55,336,920</u>	<u>\$ 5,195,332</u>	<u>\$ 43,635,168</u>	<u>\$ 48,830,500</u>	<u>\$ 6,506,420</u>
Recap:					
Total Federal Funds	\$ 46,114,100	\$ 4,358,040	\$ 35,791,488	\$ 40,149,528	\$ 5,964,572
Total State Funds	<u>\$ 9,222,820</u>	<u>\$ 837,292</u>	<u>\$ 7,843,680</u>	<u>\$ 8,680,972</u>	<u>\$ 541,848</u>
Total 1997 Capitalization Grant	<u>\$ 55,336,920</u>	<u>\$ 5,195,332</u>	<u>\$ 43,635,168</u>	<u>\$ 48,830,500</u>	<u>\$ 6,506,420</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

	Funds Available	Disbursements			Balance
		Current Fiscal Year	Prior Fiscal Years	Cumulative To Date	
Set Asides					
Administration (6398)	\$ 514,376	\$ -	\$ -	\$ -	\$ 514,376
Technical Assistance (6598)					
NC Rural Water Association	\$ 80,300	\$ 30,807	\$ 49,493	\$ 80,300	\$ -
NC Public Water Supply	\$ 176,888	\$ 73,212	\$ 98,705	\$ 171,917	\$ 4,971
Other Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Total Technical Assistance	\$ 257,188	\$ 104,019	\$ 148,198	\$ 252,217	\$ 4,971
State Program Functions (6498)					
PWSS Program	\$ 1,050,458	\$ 382,853	\$ 662,020	\$ 1,044,873	\$ 5,585
Source Water Protection	\$ 77,254	\$ -	\$ 77,254	\$ 77,254	\$ -
Capacity Development	\$ 73,628	\$ -	\$ 73,628	\$ 73,628	\$ -
Operator Certification - Waterworks Op. Assn.	\$ 84,600	\$ -	\$ 84,600	\$ 84,600	\$ -
Total State Program Functions	\$ 1,285,940	\$ 382,853	\$ 897,502	\$ 1,280,355	\$ 5,585
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	\$ -	\$ -	\$ -	\$ -	\$ -
Wellhead Protection (6698 6621)					
NC Public Water Supply	\$ 153,559	\$ 3,788	\$ 115,195	\$ 118,983	\$ 34,576
NC Rural Water Assn.	\$ 185,100	\$ 33,666	\$ 150,932	\$ 184,598	\$ 502
Other Contracts	\$ 70,301	\$ 35,165	\$ 33,136	\$ 68,301	\$ 2,000
Total Wellhead Protection	\$ 408,960	\$ 72,619	\$ 299,263	\$ 371,882	\$ 37,078
Total Local Assistance & Other State Programs	\$ 408,960	\$ 72,619	\$ 299,263	\$ 371,882	\$ 37,078
Total Set Asides	\$ 2,466,464	\$ 559,491	\$ 1,344,963	\$ 1,904,454	\$ 562,010
Projects					
Federal Share 6001	\$ 10,392,936	\$ 3,640,282	\$ 2,085,086	\$ 5,725,368	\$ 4,667,568
State Share 6002/6002/6002	\$ 2,571,880	\$ 963,878	\$ 552,093	\$ 1,515,971	\$ 1,055,909
Total Projects	\$ 12,964,816	\$ 4,604,160	\$ 2,637,179	\$ 7,241,339	\$ 5,723,477
Total 1998 Capitalization Grant	\$ 15,431,280	\$ 5,163,651	\$ 3,982,142	\$ 9,145,793	\$ 6,285,487
Recap:					
Total Federal Funds	\$ 12,859,400	\$ 4,199,773	\$ 3,430,049	\$ 7,629,822	\$ 5,229,578
Total State Funds	\$ 2,571,880	\$ 963,878	\$ 552,093	\$ 1,515,971	\$ 1,055,909
Total 1998 Capitalization Grant	\$ 15,431,280	\$ 5,163,651	\$ 3,982,142	\$ 9,145,793	\$ 6,285,487

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 <i>6399</i>	\$ 539,116	\$ -	\$ -	\$ -	\$ 539,116
Technical Assistance <i>6599</i>					
NC Rural Water Association	\$ 80,300	\$ 50,665	\$ -	\$ 50,665	\$ 29,635
NC Public Water Supply	\$ 189,258	\$ 68,360	\$ -	\$ 68,360	\$ 120,898
Other Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Total Technical Assistance	<u>\$ 269,558</u>	<u>\$ 119,025</u>	<u>\$ -</u>	<u>\$ 119,025</u>	<u>\$ 150,533</u>
State Program Functions <i>6499</i>					
PWSS Program	\$ 1,140,679	\$ 394,087	\$ 6,795	\$ 397,882	\$ 742,797
Source Water Protection	\$ 57,608	\$ 57,608	\$ -	\$ 57,608	\$ -
Capacity Development	\$ 55,503	\$ 55,503	\$ -	\$ 55,503	\$ -
Operator Certification - Waterworks Op. Assn.	\$ 94,000	\$ 78,333	\$ 15,667	\$ 94,000	\$ -
Total State Program Functions	<u>\$ 1,347,790</u>	<u>\$ 582,531</u>	<u>\$ 22,462</u>	<u>\$ 604,993</u>	<u>\$ 742,797</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 <i>6699 6621</i>	\$ 153,559	\$ -	\$ 153,559	\$ 153,559	\$ -
NC Rural Water Assn.	\$ 185,100	\$ 184,003	\$ -	\$ 184,003	\$ 1,097
Other Contracts	\$ 550,000	\$ 31,598	\$ 23,755	\$ 55,353	\$ 494,647
Total Wellhead Protection	<u>\$ 888,659</u>	<u>\$ 215,601</u>	<u>\$ 177,314</u>	<u>\$ 392,915</u>	<u>\$ 495,744</u>
Total Local Assistance & Other State Programs	<u>\$ 888,659</u>	<u>\$ 215,601</u>	<u>\$ 177,314</u>	<u>\$ 392,915</u>	<u>\$ 495,744</u>
Total Set Asides	<u>\$ 3,045,123</u>	<u>\$ 917,157</u>	<u>\$ 199,776</u>	<u>\$ 1,116,933</u>	<u>\$ 1,928,190</u>
Projects					
Federal Share	\$ 10,432,777	\$ 1,658,030	\$ -	\$ 1,658,030	\$ 8,774,747
State Share	\$ 2,695,580	\$ 428,395	\$ -	\$ 428,395	\$ 2,267,185
Total Projects	<u>\$ 13,128,357</u>	<u>\$ 2,086,425</u>	<u>\$ -</u>	<u>\$ 2,086,425</u>	<u>\$ 11,041,932</u>
Total 1999 Capitalization Grant	<u>\$ 16,173,480</u>	<u>\$ 3,003,582</u>	<u>\$ 199,776</u>	<u>\$ 3,203,358</u>	<u>\$ 12,970,122</u>
Recap:					
Total Federal Funds	\$ 13,477,900	\$ 2,575,187	\$ 199,776	\$ 2,774,963	\$ 10,702,937
Total State Funds	<u>\$ 2,695,580</u>	<u>\$ 428,395</u>	<u>\$ -</u>	<u>\$ 428,395</u>	<u>\$ 2,267,185</u>
Total 1999 Capitalization Grant	<u>\$ 16,173,480</u>	<u>\$ 3,003,582</u>	<u>\$ 199,776</u>	<u>\$ 3,203,358</u>	<u>\$ 12,970,122</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-D
2000 Capitalization Grant
Summary**

	Funds Available	----- Current Fiscal Year	Disbursements Prior Fiscal Years	----- Cumulative To Date	Balance
Set Asides					
Administration <i>6300</i>	\$ 560,296	\$ -	\$ -	\$ -	\$ 560,296
Technical Assistance <i>6500</i>					
NC Rural Water Association	\$ 83,400	\$ -	\$ -	\$ -	\$ 83,400
NC Public Water Supply	\$ 196,748	\$ -	\$ -	\$ -	\$ 196,748
Other Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Total Technical Assistance	<u>\$ 280,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,148</u>
State Program Functions <i>6400</i>					
PWSS Program	\$ 1,179,040	\$ 15,667 ⁰⁰	\$ -	\$ 15,667	\$ 1,163,373
Source Water Protection	\$ 62,000	\$ -	\$ -	\$ -	\$ 62,000
Capacity Development	\$ 62,000	\$ -	\$ -	\$ -	\$ 62,000
Operator Certification - Waterworks Op. Assn.	\$ 97,700	\$ -	\$ -	\$ -	\$ 97,700
Total State Program Functions	<u>\$ 1,400,740</u>	<u>\$ 15,667</u>	<u>\$ -</u>	<u>\$ 15,667</u>	<u>\$ 1,385,073</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 <i>6600 6621</i>					
NC Public Water Supply	\$ 503,000	\$ 126,898	\$ -	\$ 126,898	\$ 376,102
NC Rural Water Assn.	\$ 185,100	\$ -	\$ -	\$ -	\$ 185,100
Other Contracts	\$ 300,000	\$ -	\$ -	\$ -	\$ 300,000
Total Wellhead Protection	<u>\$ 988,100</u>	<u>\$ 126,898</u>	<u>\$ -</u>	<u>\$ 126,898</u>	<u>\$ 861,202</u>
Total Local Assistance & Other State Programs	<u>\$ 988,100</u>	<u>\$ 126,898</u>	<u>\$ -</u>	<u>\$ 126,898</u>	<u>\$ 861,202</u>
Total Set Asides	<u>\$ 3,229,284</u>	<u>\$ 142,565</u>	<u>\$ -</u>	<u>\$ 142,565</u>	<u>\$ 3,086,719</u>
Projects					
Federal Share	\$ 10,778,116	\$ -	\$ -	\$ -	\$ 10,778,116
State Share	<u>\$ 2,801,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,801,480</u>
Total Projects	<u>\$ 13,579,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,579,596</u>
Total 1999 Capitalization Grant	<u>\$ 16,808,880</u>	<u>\$ 142,565</u>	<u>\$ -</u>	<u>\$ 142,565</u>	<u>\$ 16,666,315</u>
Recap:					
Total Federal Funds	\$ 14,007,400	\$ 142,565	\$ -	\$ 142,565	\$ 13,864,835
Total State Funds	<u>\$ 2,801,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,801,480</u>
Total 1999 Capitalization Grant	<u>\$ 16,808,880</u>	<u>\$ 142,565</u>	<u>\$ -</u>	<u>\$ 142,565</u>	<u>\$ 16,666,315</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

<u>Source of Funds</u>	<u>Prior Years Totals</u>	<u>Fiscal Year 2002</u>				<u>Totals</u>
		<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	
ACH Payments						
1997 Grant	\$ 46,114,100	\$ -	\$ -	\$ -	\$ -	\$ -
1998 Grant	\$ 12,859,400	\$ -	\$ -	\$ -	\$ -	\$ -
1999 Grant	\$ 4,845,000	\$ 8,632,900	\$ -	\$ -	\$ -	\$ 8,632,900
2000 Grant	\$ -	\$ 47,000	\$ 1,500,000	\$ 1,500,000	\$ 2,000,000	\$ 5,047,000
Total	\$ 63,818,500	\$ 8,679,900	\$ 1,500,000	\$ 1,500,000	\$ 2,000,000	\$ 13,679,900
Cash Deposits						
State Match	\$ 9,825,487	\$ 160,187	\$ 626,850	\$ 214,826	\$ 390,410	\$ 1,392,273
Interest on Deposits	\$ 1,502,322	\$ 51,286	\$ 50,497	\$ 53,949	\$ 61,509	\$ 217,241
Total	\$ 11,327,809	\$ 211,473	\$ 677,347	\$ 268,775	\$ 451,919	\$ 1,609,514
Loan Repayments						
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 975,606
Principal Repayments	\$ 627,679	\$ -	\$ 489,777	\$ -	\$ 1,368,130	\$ 1,857,907
Interest Payments	\$ 347,927	\$ -	\$ 498,868	\$ -	\$ 442,285	\$ 941,153
Total	\$ 975,606	\$ -	\$ 988,645	\$ -	\$ 1,810,415	\$ 3,774,666
Total Funds	\$ 76,121,915	\$ 8,891,373	\$ 3,165,992	\$ 1,768,775	\$ 4,262,334	\$ 19,064,080

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Exhibit 3 - Payment Schedule

Actual and Projected Increases in ACH Funds

		Award Amount	Prior Years	Fiscal Year 2002				Year Total	Cumulative Payments
				First Quarter	Second Quarter	Third Quarter	Fourth Quarter		
1997 Capitalization Grant									
Actual		\$ 46,114,100	\$46,114,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,114,100
1998 Capitalization Grant									
Actual		\$ 12,859,400	\$12,859,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,859,400
1999 Capitalization Grant									
Actual	2002	\$ 13,477,900	\$ 4,845,000	\$8,632,900	\$ -	\$ -	\$ -	\$ 8,632,900	\$ 13,477,900
2000 Capitalization Grant									
Actual	2002	\$ 14,007,400		\$ 47,000	\$1,500,000	\$ 1,500,000	\$2,000,000	\$ 5,047,000	\$ 5,047,000
Proposed	2003			\$8,960,400	\$ -	\$ -	\$ -	\$ 8,960,400	\$ 14,007,400
Totals		<u>\$ 86,458,800</u>							<u>\$ 86,458,800</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
			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	\$ 355,645	\$ -	\$ -	\$ -	\$ -	\$ -
Chimney 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	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 109,106	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 1,102,270	\$ -	\$ -	\$ -	\$ -	\$ -
Sanford, City of	0433	\$ 1,950,000	\$ -	\$ -	\$ -	\$ -	\$ -
Seven Devils, Town of	0456	\$ 489,777	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 45,970,673	\$ -	\$ -	\$ -	\$ -	\$ -
Set Asides *		\$ 9,366,247	\$ -	\$ -	\$ -	\$ -	\$ -
(1) Binding Commitment Totals			\$ -	\$ -	\$ -	\$ -	\$ -
(2) Cumulative Binding Commitments							
Cumulative Through 6/30/2002 *		\$ 55,336,920	\$ -	\$ -	\$ -	\$ -	\$ -
(3) Cumulative Required Commitments **							
Payments to ACH		\$ 46,114,100	\$ -	\$ -			
State Match		\$ 9,222,820	\$ -	\$ -			
Total		\$ 55,336,920	\$ -	\$ -			
(4) Binding Commitments as a Percent of Required Amount							
				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	\$ -	\$ -	\$ -	\$ -	\$ -
Sampson County W & S Dist II	0741	\$ 877,730	\$ -	\$ -	\$ -	\$ -	\$ -
Mt. Airy, Town of	0666	\$ 1,020,000	\$ -	\$ -	\$ -	\$ -	\$ -
Plymouth, Town of	0702	\$ 1,013,009	\$ -	\$ -	\$ -	\$ -	\$ -
Havelock, City of	0432	\$ 2,907,000	\$ -	\$ -	\$ -	\$ -	\$ -
South Camden W & S Dist	0707	\$ 602,841	\$ 210,740	\$ -	\$ -	\$ -	\$ 210,740
Total Projects *	8	\$ 12,620,660	\$ 210,740	\$ -	\$ -	\$ -	\$ 210,740
Set Asides *		\$ 2,466,464	\$ -	\$ -	\$ -	\$ -	\$ -
(1) Binding Commitment Totals			\$ 210,740	\$ -	\$ -	\$ -	\$ 210,740
(2) Cumulative Binding Commitments		\$ -					
Cumulative Through 6/30/2002 *		\$ 15,087,124	\$ 15,297,864	\$ 15,297,864	\$ 15,297,864	\$ 15,297,864	
(3) Cumulative Required Commitments **							
Payments to ACH		\$ 4,538,659	\$ 8,320,741	\$ -	\$ -	\$ -	
State Match		\$ 2,530,999	\$ 40,881	\$ -	\$ -	\$ -	
Total		\$ 7,069,658	\$ 15,431,280	\$ 15,431,280	\$ 15,431,280	\$ 15,431,280	
(4) Binding Commitments as a Percent of Required Amount			213%	99%	99%	99%	99%

* 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 4C - Binding Commitments With Respect To Payment Schedule
1999 Capitalization Grant**

Project Name	Project Number (DEH-)	Binding Commitments					
		Prior Years	Fiscal Year 2002				Total
			1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
West Jefferson, Town of	0668	\$ -	\$ 1,166,994	\$ -	\$ -	\$ -	\$ 1,166,994
North Wilksboro, Town of	0647	\$ -	\$ -	\$ -	\$ 2,722,380	\$ -	\$ 2,722,380
Spring Lake, Town of	0804A	\$ -	\$ -	\$ -	\$ 433,687	\$ -	\$ 433,687
Pilot Mountain	0831	\$ -	\$ -	\$ -	\$ -	\$ 544,284	\$ 544,284
Hillsborough, Town of	0801	\$ -	\$ -	\$ -	\$ -	\$ 1,802,952	\$ 1,802,952
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Projects *		<u>\$ -</u>	<u>\$ 1,166,994</u>	<u>\$ -</u>	<u>\$ 3,156,067</u>	<u>\$ 2,347,236</u>	<u>\$ 6,670,297</u>
Set Asides *		<u>\$ -</u>	<u>\$ 3,045,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,045,123</u>
(1) Binding Commitment Totals			<u>\$ 4,212,117</u>	<u>\$ -</u>	<u>\$ 3,156,067</u>	<u>\$ 2,347,236</u>	<u>\$ 9,715,420</u>
(2) Cumulative Binding Commitments		\$ -					
Cumulative Through 6/30/2002 *		<u>\$ -</u>	<u>\$ 4,212,117</u>	<u>\$ 4,212,117</u>	<u>\$ 7,368,184</u>	<u>\$ 9,715,420</u>	
(3) Cumulative Required Commitments **							
Payments to ACH		\$ -	\$ 85,000	\$ 1,470,000	\$ 3,055,000	\$ 4,845,000	
State Match		\$ -	\$ 21,250	\$ 367,500	\$ 763,750	\$ 1,211,125	
Total		<u>\$ -</u>	<u>\$ 106,250</u>	<u>\$ 1,837,500</u>	<u>\$ 3,818,750</u>	<u>\$ 6,056,125</u>	
(4) Binding Commitments as a Percent of Required Amount		NA	3964%	229%	193%	160%	

* 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 4D - Binding Commitments With Respect To Payment Schedule
2000 Capitalization Grant**

Project Name	Project Number (DEH-)	Binding Commitments					Total
		Prior Years	Fiscal Year 2002				
			1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
Total Projects *		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Set Asides *		\$ -	\$ 3,229,284	\$ -	\$ -	\$ -	\$ 3,229,284
(1) Binding Commitment Totals			\$ 3,229,284	\$ -	\$ -	\$ -	\$ 3,229,284
(2) Cumulative Binding Commitments Cumulative Through 6/30/2002 *		\$ -	\$ 3,229,284	\$ 3,229,284	\$ 3,229,284	\$ 3,229,284	
(3) Cumulative Required Commitments ** Payments to ACH		\$ -	\$ -	\$ -	\$ -	\$ -	
State Match		\$ -	\$ -	\$ -	\$ -	\$ -	
Total		\$ -	\$ -	\$ -	\$ -	\$ -	
(4) Binding Commitments as a Percent of Required Amount		NA	NA	NA	NA	NA	

* 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 2002				Total
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
Disbursements to Projects						
1997 Capitalization Grant	\$30,832,854	\$ 1,002,514	\$ 2,198,517	\$ 20,816	\$ 69,457	\$ 3,291,304
State Match	\$ 7,843,680	\$ 255,035	\$ 559,291	\$ 5,296	\$ 17,670	\$ 837,292
1998 Capitalization Grant	\$ 2,085,086	\$ 366,957	\$ 2,141,587	\$ 549,848	\$ 581,890	\$ 3,640,282
State Match	\$ 552,093	\$ 97,163	\$ 567,053	\$ 145,588	\$ 154,074	\$ 963,878
1999 Capitalization Grant	\$ -	\$ 243,925	\$ 231,432	\$ 267,976	\$ 914,697	\$ 1,658,030
State Match	\$ -	\$ 63,024	\$ 59,797	\$ 69,238	\$ 236,336	\$ 428,395
2000 Capitalization Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Match	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$41,313,713	\$ 2,028,618	\$ 5,757,677	\$ 1,058,762	\$ 1,974,124	\$ 10,819,181
<i>Federal Share</i>	\$ 32,917,940	\$ 1,613,396	\$ 4,571,536	\$ 838,640	\$ 1,566,044	
<i>Cumulative</i>	\$ 32,917,940	\$ 34,531,336	\$ 39,102,872	\$ 39,941,512	\$ 41,507,556	
<i>State Share</i>	\$ 8,395,773	\$ 415,222	\$ 1,186,141	\$ 220,122	\$ 408,080	
<i>Cumulative</i>	\$ 8,395,773	\$ 8,810,995	\$ 9,997,136	\$ 10,217,258	\$ 10,625,338	
Set Asides						
1997 Capitalization Grant	\$ 4,958,634	\$ 213,276	\$ 198,624	\$ 222,614	\$ 432,222	\$ 1,066,736
1998 Capitalization Grant	\$ 1,344,963	\$ 301,891	\$ 234,497	\$ 23,627	\$ (524)	\$ 559,491
1999 Capitalization Grant	\$ 199,776	\$ 108,532	\$ 163,322	\$ 331,027	\$ 314,276	\$ 917,157
2000 Capitalization Grant	\$ -	\$ 18,561	\$ 24,810	\$ 33,586	\$ 65,608	\$ 142,565
Total	\$ 6,503,373	\$ 642,260	\$ 621,253	\$ 610,854	\$ 811,582	\$ 2,685,949
Total Disbursements	\$47,817,086	\$ 2,670,878	\$ 6,378,930	\$ 1,669,616	\$ 2,785,706	\$ 13,505,130
<i>Cumulative Totals</i>	\$ 47,817,086	\$ 50,487,964	\$ 56,866,894	\$ 58,536,510	\$ 61,322,216	
ACH Funds Available (Beginning)	\$ -	\$ 24,397,188	\$ 30,880,120	\$ 27,169,819	\$ 27,205,833	
ACH Deposits						
1997 Capitalization Grant	\$46,114,100	\$ -	\$ -	\$ -	\$ -	\$ -
1998 Capitalization Grant	\$12,859,400	\$ -	\$ -	\$ -	\$ -	\$ -
1999 Capitalization Grant	\$ 4,845,000	\$ 8,632,900	\$ -	\$ -	\$ -	\$ 8,632,900
2000 Capitalization Grant	\$ -	\$ 47,000	\$ 1,500,000	\$ 1,500,000	\$ 2,000,000	\$ 5,047,000
Total	\$63,818,500	\$ 8,679,900	\$ 1,500,000	\$ 1,500,000	\$ 2,000,000	\$ 13,679,900
<i>Cumulative ACH Deposits</i>	\$ 63,818,500	\$ 72,498,400	\$ 73,998,400	\$ 75,498,400	\$ 77,498,400	
Cash Draw from ACH	\$39,421,312	\$ 2,196,968	\$ 5,210,301	\$ 1,463,986	\$ 2,403,618	\$ 11,274,873
<i>Cumulative Draw from ACH</i>	\$ 39,421,312	\$ 41,618,280	\$ 46,828,581	\$ 48,292,567	\$ 50,696,185	
ACH Funds Available (Ending)	\$24,397,188	\$ 30,880,120	\$27,169,819	\$ 27,205,833	\$ 26,802,215	

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Exhibit 6 - Project Loan Repayment and Interest Activity

	<u>Prior Years</u>	<u>1st Quarter</u>	<u>Fiscal Year 2002</u>			<u>4th Quarter</u>	<u>Total</u>
			<u>2nd Quarter</u>	<u>3rd Quarter</u>			
Loan Disbursements							
1997 Capitalization Grant Projects	\$38,676,534	\$ 1,257,549	\$ 2,757,808	\$ 26,112	\$ 87,127	\$ 4,128,596	
1998 Capitalization Grant Projects	\$ 2,637,179	\$ 464,120	\$ 2,708,640	\$ 695,436	\$ 735,964	\$ 4,604,160	
1999 Capitalization Grant Projects	\$ -	\$ 306,949	\$ 291,229	\$ 337,214	\$ 1,151,033	\$ 2,086,425	
2000 Capitalization Grant Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Disbursements	<u>\$41,313,713</u>	<u>\$ 2,028,618</u>	<u>\$ 5,757,677</u>	<u>\$ 1,058,762</u>	<u>\$ 1,974,124</u>	<u>\$10,819,181</u>	
<i>Cumulative Disbursements</i>	\$ 41,313,713	\$ 43,342,331	\$ 49,100,008	\$ 50,158,770	\$ 52,132,894		
Principal Repayments							
1997 Capitalization Grant Projects	\$ 627,679	\$ -	\$ 489,777	\$ -	\$ 1,368,130	\$ 1,857,907	
1998 Capitalization Grant Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1999 Capitalization Grant Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2000 Capitalization Grant Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Repayments	<u>\$ 627,679</u>	<u>\$ -</u>	<u>\$ 489,777</u>	<u>\$ -</u>	<u>\$ 1,368,130</u>	<u>\$ 1,857,907</u>	
<i>Cumulative Repayments</i>	\$ 627,679	\$ 627,679	\$ 1,117,456	\$ 1,117,456	\$ 2,485,586		
Principal Outstanding	<u>\$40,686,034</u>	<u>\$ 42,714,652</u>	<u>\$ 47,982,552</u>	<u>\$ 49,041,314</u>	<u>\$ 49,647,308</u>		
Interest Received	\$ 347,927	\$ -	\$ 498,868	\$ -	\$ 442,285	\$ 941,153	
<i>Cumulative Interest Received</i>	\$ 347,927	\$ 347,927	\$ 846,795	\$ 846,795	\$ 1,289,080		

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Exhibit 7 - Loan Administrative Fee

	Prior Years	Fiscal Year 2002				Total
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
Loan Administrative Fees						
1997 Capitalization Grant Projects	\$ 843,444	\$ -	\$ 54,000	\$ -	\$ -	\$ 54,000
1998 Capitalization Grant Projects	\$ 70,870	\$ 92,968	\$ 27	\$ 8,504	\$ 57,000	\$ 158,499
1999 Capitalization Grant Projects	\$ -	\$ 23,340	\$ -	\$ 53,380	\$ -	\$ 76,720
2000 Capitalization Grant Projects	\$ -	\$ 16,272	\$ -	\$ -	\$ -	\$ 16,272
Total	\$ 914,314	\$ 132,580	\$ 54,027	\$ 61,884	\$ 57,000	\$ 305,491
Interest Earned on Administrative Fees	\$ 91,565	\$ 13,619	\$ 15,906	\$ 15,978	\$ 16,560	\$ 62,063
Totals	\$ 1,005,879	\$ 146,199	\$ 69,933	\$ 77,862	\$ 73,560	\$ 367,554
Cumulative Fees	\$ 914,314	\$ 1,046,894	\$ 1,100,921	\$ 1,162,805	\$ 1,219,805	
Cumulative Interest	\$ 91,565	\$ 105,184	\$ 121,090	\$ 137,068	\$ 153,628	
Cumulative total	\$ 1,005,879	\$ 1,152,078	\$ 1,222,011	\$ 1,299,873	\$ 1,373,433	

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Exhibit 8 - New Projects Identified for Receiving DWSRF Assistance

Project Name	Project Number (DEH-)	Assistance Amount	Binding Commitment Date	Construction Start Date	Scheduled Completion Date	Loan Interest Rate	Loan Term (Years)
<u>1997 Capitalization Grant</u>							
None							
Total 1997		<u>\$ -</u>					
<u>1998 Capitalization Grant</u>							
South Camden W & S Dist	0707	\$ 210,740	8/6/2001	12/6/2000	8/10/2001	2.87%	20
Total 1998		<u>\$ 210,740</u>					
<u>1999 Capitalization Grant</u>							
West Jefferson, Town of	0668	\$ 1,166,994	5/15/2001	7/16/2001	9/1/2002	2.87%	20
North Wilkesboro, Town of	0647	\$ 2,722,380	3/8/2002	2/18/2002	10/30/2002	2.57%	20
Spring Lake, Town of	0804A	\$ 433,687	2/4/2002	6/7/2002	9/10/2002	2.57%	20
Pilot Mountain, Town of	0831	\$ 544,284	4/30/2002	6/16/2002	9/1/2003	2.57%	20
Hillsborough, Town of	0801	\$ 1,802,952	5/30/2002	Not yet determined		2.66%	20
Total 1999		<u>\$ 6,670,297</u>					
<u>2000 Capitalization Grant</u>							
None							
Total 2000		<u>\$ -</u>					
Total Binding Commitments		<u><u>\$ 6,881,037</u></u>					

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Exhibit 9 - Project Binding Commitments by Quarter

Project Name	Project Number (DEH-)	Fiscal Year 2002				Total
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
<u>1997 Capitalization Grant</u>						
None						
Total 1997		\$ -	\$ -	\$ -	\$ -	\$ -
<u>1998 Capitalization Grant</u>						
South Camden W & S Dist	07074	\$ 210,740				\$ 210,740
Total 1998		\$ 210,740	\$ -	\$ -	\$ -	\$ 210,740
<u>1999 Capitalization Grant</u>						
West Jefferson, Town of	0668	\$ 1,166,994	\$ -	\$ -	\$ -	\$ 1,166,994
North Wilkesboro, Town of	0647	\$ -	\$ -	\$ 2,722,380		\$ 2,722,380
Spring Lake, Town of	0804A	\$ -	\$ -	\$ 433,687		\$ 433,687
Pilot Mountain, Town of	0831	\$ -	\$ -	\$ -	\$ 544,284	\$ 544,284
Hillsborough, Town of	0801	\$ -	\$ -	\$ -	\$ 1,802,952	\$ 1,802,952
Total 1999		\$ 1,166,994	\$ -	\$ 3,156,067	\$ 2,347,236	\$ 6,670,297
<u>2000 Capitalization Grant</u>						
None						
Total 2000		\$ -	\$ -	\$ -	\$ -	\$ -
Total		\$ 1,377,734	\$ -	\$ 3,156,067	\$ 2,347,236	\$ 6,881,037

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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>						
Total 1997		\$ -	\$ -	\$ -	\$ -	\$ -
<u>1998 Capitalization Grant</u>						
South Camden W&S District					\$ 210,740	\$ 210,740
Total 1998		\$ -	\$ -	\$ -	\$ 210,740	\$ 210,740
<u>1999 Capitalization Grant</u>						
West Jefferson, Town of	0668				\$ 1,166,994	\$ 1,166,994
North Wilksboro, Town of	0647				\$ 2,722,380	\$ 2,722,380
Spring Lake, Town of	0804A				\$ 433,687	\$ 433,687
Pilot Mountain, Town of	0831				\$ 544,284	\$ 544,284
Hillsborough, Town of	0801		\$ 1,802,952		\$ -	\$ 1,802,952
Total 1999		\$ -	\$ 1,802,952	\$ -	\$ 4,867,345	\$ 6,670,297
<u>2000 Capitalization Grant</u>						
Total 2000		\$ -	\$ -	\$ -	\$ -	\$ -
Total		\$ -	\$ 1,802,952	\$ -	\$ 5,078,085	\$ 6,881,037
	Category 1	Source				
	Category 2	Treatment				
	Category 3	Storage				
	Category 4	Distribution				

STATE OF NORTH CAROLINA
Drinking Water State Revolving Fund
BALANCE SHEET
6/30/2002

Exhibit 11

ASSETS	<u>2002</u>	<u>2001</u>
Current Assets:		
Cash and cash equivalents	\$ 7,409,512	\$ 4,862,949
Receivables:		
Loan interest	904,859	970,441
Investment interest	29,131	20,110
Intergov-Fed agency Rec.	96,168	111,978
Other	111,342	103,133
Subtotal	1,141,500	1,205,662
Current maturities of loans receivable	2,521,185	1,374,837
Total receivables	<u>1,141,500</u>	<u>2,580,499</u>
Total current assets	<u>11,072,197</u>	<u>7,443,448</u>
Noncurrent Assets:		
Fixed Assets		
Loans receivable, net of current maturities	47,126,121	39,311,196
Total Noncurrent Assets	<u>47,126,121</u>	<u>39,311,196</u>
TOTAL ASSETS	<u>\$ 58,198,318</u>	<u>\$ 46,754,644</u>
 LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts payable	\$ 25,780	\$ 110,847
Accrued vacation	111,342	103,133
Other accrued expense	897	1,262
Total current liabilities	<u>138,019</u>	<u>215,242</u>
Fund Equity:		
Investment in general fixed assets		
Contributed capital:		
Environmental Protection Agency	21,960,012	21,960,012
State of North Carolina	9,222,820	9,222,820
Retained Earnings	26,877,467	15,356,570
Total fund equity	<u>58,060,299</u>	<u>46,539,402</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 58,198,318</u>	<u>\$ 46,754,644</u>

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

STATE OF NORTH CAROLINA
Drinking Water State Revolving Fund
Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Fiscal Years Ended June 30, 2002 and 2001

Exhibit 12

	<u>2002</u>	<u>2001</u>
REVENUES		
Federal Funds	11,259,062	17,573,278
State match to Federal Funds	1,392,273	552,093
Loans to Communities	\$ 875,572	\$ 976,540
Investment	<u>288,325</u>	<u>300,530</u>
	1,163,897	1,277,070
Loan Closing Fees	<u>305,490</u>	<u>82,477</u>
TOTAL REVENUES	<u><u>14,120,722</u></u>	<u><u>19,484,918</u></u>
Program administration expenses:		
Personnel	1,216,313	1,114,945
Fringe benefits	235,519	223,345
Travel	21,886	38,206
Supplies	2,623	8,136
Software	106,717	2,979
Postage and Printing	1,534	3,599
Registration	1,983	3,600
Repairs	218	2,657
Rent	10,239	69,822
Miscellaneous	3,476	3,615
Equipment	32,612	51,301
Regional Office Expense	32,981	6,795
Contract services	864,394	592,326
Indirect cost	<u>69,330</u>	<u>71,356</u>
Total administrative expenses	<u>2,599,825</u>	<u>2,192,682</u>
Excess of Revenues Over Expenses	11,520,897	17,292,236
Fund Equity at Beginning of year	46,539,402	29,247,166
Increase (Decrease) in Contributed Capital		
Fund Equity at End of Year	<u><u>\$58,060,299</u></u>	<u><u>\$46,539,402</u></u>

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

STATE OF NORTH CAROLINA
Drinking Water State Revolving Fund
Comparative Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Years Ended June 30, 2002 and 2001

Exhibit 13

	<u>Closing Fees</u>	<u>DWSRF</u>	<u>Total 30-Jun-02</u>	<u>Closing Fees</u>	<u>DWSRF</u>	<u>Total 30-Jun-01</u>
REVENUES						
Federal Funds		11,259,062	11,259,062		17,573,278	17,573,278
State match to Federal Funds		1,392,273	1,392,273		552,093	552,093
Interest Earned on:						
Loans to communities		875,572	875,572		976,540	976,540
Investment Income		288,325	288,325		300,530	300,530
Total Interest Income	0	1,163,897	1,163,897	0	1,277,070	1,277,070
Loan Closing Fees	305,490	0	305,490	82,477	0	82,477
TOTAL REVENUES	305,490	13,815,232	14,120,722	82,477	19,402,441	19,484,918
EXPENSES						
Program Administration		2,599,825	2,599,825		2,192,682	2,192,682
Excess of Revenues Over Expenses	305,490	11,215,407	11,520,897	82,477	17,209,759	17,292,236

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

**North Carolina
Drinking Water State Revolving Fund
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Exhibit 14 – 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, 2002, North Carolina has been awarded \$86,458,800 in capitalization grants, which has necessitated a state match totaling \$17,291,760. This match was provided through state appropriations by the General Assembly of 1997 of \$9,222,820. The remaining \$8,068,940 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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Drinking Water State Revolving Fund
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Exhibit 14 – 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 Special Revenue Fund Type 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 all funds deposited with the Treasurer are considered 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 were recorded as contributed capital until 2000. Effective July 1 2000 GASB #33 required the recognition of revenues when earned and the reporting of them on the operating statement as a revenue rather than as a contribution of capital.

**North Carolina
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Exhibit 14 – 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	\$7,409,512	\$7,409,512

**North Carolina
Drinking Water State Revolving Fund
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Exhibit 14 – 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 2.50 and 2.87 percent.

Details of loans receivable at June 30, 2002 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	\$31,893,337	\$31,893,337	\$2,485,586	\$29,407,751	
Incomplete	<u>\$33,579,033</u>	<u>\$20,239,556</u>	_____	<u>\$20,239,556</u>	<u>\$13,339,477</u>
Total	<u>\$65,472,370</u>	<u>\$52,132,893</u>	<u>\$2,485,586</u>	<u>\$49,647,307</u>	<u>\$13,339,477</u>
Less: Amount due within one year				<u>\$ 2,521,185</u>	
Loans Receivable after June 30, 2003				<u>\$ 47,126,122</u>	

**North Carolina
Drinking Water State Revolving Fund
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Exhibit 14 – Notes to Financial Statements

Note 5 - Loans to Major Local Agencies

As of June 30, 2002, the Drinking Water State Revolving Fund has made authorized loans to 23 local agencies that in the aggregate exceeded \$1 million. The outstanding balances of these loans represent approximately 79 percent of the total loans receivable, as follows:

Loan Recipient	Loans			Loans	Remaining
	Authorized	Disbursed	Repayments	Receivable	Commitment
Belfast Patetown SD	\$ 3,000,000	\$ 3,000,000	\$ 168,181	\$ 2,831,819	\$ -
Eastern Wayne San. Dist.	\$ 3,000,000	\$ 3,000,000		\$ 3,000,000	\$ -
Greenville, Utilities Commis	\$ 3,000,000	\$ 2,596,910		\$ 2,596,910	\$ 403,090
Henderson, City of	\$ 3,000,000	\$ 2,720,286		\$ 2,720,286	\$ 279,714
Salisbury, City of	\$ 3,000,000	\$ 3,000,000	\$ 300,000	\$ 2,700,000	\$ -
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	\$ 359,064		\$ 359,064	\$ 2,547,936
China Grove, Town of	\$ 2,831,784	\$ 2,831,784	\$ 176,987	\$ 2,654,797	\$ -
North Wilkesboro, Town	\$ 2,722,380	\$ 1,073,920	\$ -	\$ 1,073,920	\$ 1,648,460
Durham, City of	\$ 2,700,000	\$ 2,066,824		\$ 2,066,824	\$ 633,176
Statesville, City of	\$ 2,656,590	\$ 1,865,721		\$ 1,865,721	\$ 790,869
NewPort, Town of	\$ 2,250,000	\$ 2,250,000	\$ 112,500	\$ 2,137,500	\$ -
Sanford, City of	\$ 1,950,000	\$ 1,950,000		\$ 1,950,000	\$ -
Hillsborough, Town of	\$ 1,802,952	\$ -		\$ -	\$ 1,802,952
Yanceyville, Town of	\$ 1,800,000	\$ 1,800,000	\$ 180,000	\$ 1,620,000	\$ -
Morehead City, Town of	\$ 1,700,000	\$ 1,564,635		\$ 1,564,635	\$ 135,365
Franklin, County of	\$ 1,500,000	\$ 1,500,000	\$ 75,000	\$ 1,425,000	\$ -
Cleveland Co. San.Dist.	\$ 1,496,806	\$ 1,496,806	\$ 74,840	\$ 1,421,966	\$ -
West Jefferson, Town	\$ 1,166,994	\$ 1,012,505	\$ 120,000	\$ 892,505	\$ 154,489
Sampson, Co W & S Dist. 1	\$ 1,067,937	\$ -		\$ -	\$ 1,067,937
Mt. Airy, Town of	\$ 1,020,000	\$ 1,005,872		\$ 1,005,872	\$ 14,128
Plymouth, Town of	\$ 1,013,009	\$ 347,303		\$ 347,303	\$ 665,706
Subtotal	\$51,585,452	\$41,078,809	\$ 1,207,508	\$ 39,871,301	\$10,506,643
Other Recipients	\$13,886,918	\$11,054,084	\$1,278,078	\$9,776,006	\$2,832,834
Totals	\$65,472,370	\$52,132,893	\$2,485,586	\$49,647,307	\$13,339,477

**North Carolina
Drinking Water State Revolving Fund
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Exhibit 14 – 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, 2002, EPA has awarded a capitalization grant of \$86,458,800 to the State of North Carolina. Of this amount, \$50,808,162 has been drawn for loans and administrative expenses. The State of North Carolina has provided matching funds of \$17,291,960. This match was provided through state appropriations by the General Assembly of 1997 of \$9,222,820. The remaining \$8,068,940 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
2000	\$ 3,229,284	\$10,778,116	\$14,007,400	\$2,801,480	\$16,808,880
Total	<u>\$18,786,817</u>	<u>\$67,671,983</u>	<u>\$86,458,800</u>	<u>\$17,291,960</u>	<u>\$103,750,560</u>
			Less: Draws through June 30, 2002	<u>\$50,696,185</u>	
			Remaining draw available from Awards	<u>\$35,762,615</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 14 – 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 \$14,065,400 in additional funds and requires a state match of \$2,813,080 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	\$13,676,916
Program Administration	<u>\$ 3,201,564</u>
Total	<u>\$16,878,480</u>