



North Carolina Department of Environment and Natural Resources

Beverly Eaves Perdue
Governor

Dee Freeman
Secretary

November 21, 2012

MEMORANDUM

TO: ENVIRONMENTAL REVIEW COMMISSION
The Honorable David Rouzer, Chair
The Honorable Mitch Gillespie, Co-Chair
The Honorable Ruth Samuelson, Co-Chair

Fiscal Research Division
Mark Trogon, Acting Director

FROM: Kari Barsness *KKB*
Director of Legislative and Intergovernmental Affairs

SUBJECT: 2012 State Infrastructure Fund Annual Report

DATE: November 21, 2012

Pursuant to G.S. 159G-26, the department shall submit to the Environmental Review Commission and the Fiscal Research Division a report on the State Infrastructure Fund by November 1st of each year. Please consider the three attached reports: the Water Infrastructure Fund report and the Drinking Water and Clean Water State Revolving Loan Fund annual reports to meet this reporting requirement.

If you have any questions or need additional information, please contact me by phone at (919) 707-8618 or via e-mail at Kari.Barsness@ncdenr.gov.

cc: Robin Smith, Assistant Secretary for Environment, NCDENR
Tom Reeder, Director, DWR, NCDENR
Chuck Wakild, Director, DWQ, NCDENR
Jennifer Hoffmann, Fiscal Research Division
Mariah Matheson, Research Division, NC General Assembly

**NORTH CAROLINA
WATER INFRASTRUCTURE FUND
Annual Report**

State Fiscal Year 2011-12

Prepared by

Division of Water Quality

Department of Environment and Natural Resources

Dee Freeman, Secretary

November 1, 2012

EXECUTIVE SUMMARY

North Carolina Water Infrastructure Fund

State Fiscal Year 2011-12

This annual report on the North Carolina Water Infrastructure Fund has been prepared pursuant to G.S. 159G-26.

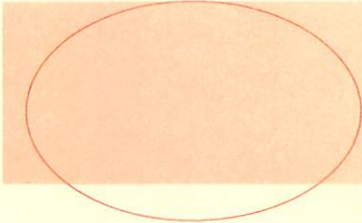
During state fiscal year 2011-12 the Division of Water Quality, Infrastructure Finance Section (IFS), received a capitalization grant from the Environmental Protection Agency (EPA) in the amount of \$31,980,000. The state of North Carolina provided the required 20 percent state match for the Environmental Protection Agency grant using prior years' revenues on closing costs. EPA allowed the use of these funds on a one time only basis to fund the state match for the federal fiscal year 2010-11 grant. The FFY 2011-12 EPA Capitalization Grant application was submitted following the close of the state fiscal year.

IFS also continued to effectively administer EPA funds received under the American Recovery and Reinvestment Act of 2009 (ARRA) during SFY 2011-12. As of June 30, 2012, there were 42 ARRA projects closed out, and it is expected that the remaining projects will be closed out during SFY 2012-13.

During SFY 2011-12, the Wastewater Reserve provided funding for three wastewater infrastructure projects to three local government units. All three local governments met the high-unit-cost threshold (i.e., interest rate for the loan is 0 percent). These loans totaled \$5,874,000. In addition, five local government units received emergency loans. These emergency loans totaled \$3,018,857. Ongoing project costs continued to be reimbursed from the general loan, high-unit-cost grant, technical assistance grants and, emergency loan accounts.

During SFY 2011-12, the Division of Water Resources (DWR) received the FFY 2011-10 EPA Capitalization Grant in the amount of \$35,593,000, and the FFY 2010-11 EPA Capitalization Grant in the amount of \$24,698,000. The state of North Carolina has provided the required \$12,058,200 match through a transfer from state loan programs. DWR will apply for the FFY 2011-12 EPA Capitalization Grant after reviewing applications received Sept. 30. DWR has also continued to administer EPA funds received under the ARRA during SFY 2011-12.

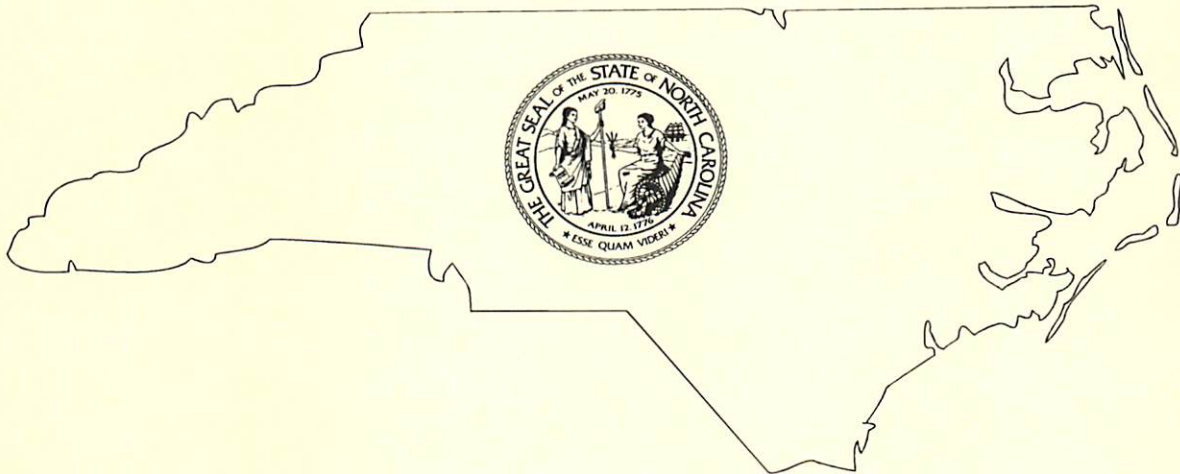
Exhibits I through V in this report provide full details regarding the financial status of the Wastewater and Drinking Water Reserves within the North Carolina Water Infrastructure Fund. Detailed information about the Clean Water and Drinking Water State Revolving Fund accounts is contained in the respective EPA annual reports (copies attached).



Drinking Water State Revolving Fund (DWSRF) Annual Report

Capitalization Grants

For Period Ending June 30, 2012



State of North Carolina

September 30, 2012

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 2012 (July 1, 2011-June 30, 2012). 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 2012 as identified in its Intended Use Plan (IUP) which described the planned use of these funds for project and set-aside purposes.

II EXECUTIVE SUMMARY

North Carolina has received capitalization grants totaling \$328,356,900. The approved IUPs included DWSRF monies for projects in the amount of \$250,252,285. The state has provided the required 20% match funds of \$65,671,380. The remaining portion of the capitalization grants, \$78,104,615 was described as non-project or set-aside uses in the IUPs. Supplemental funding for this reporting period included \$412,375 interest earned on deposits, as well as loan repayments of \$13,892,423 principal and \$5,731,451 in interest.

During state fiscal year 2012 North Carolina made 23 new binding commitments to provide assistance for the construction of water supply facilities. This obligation totaled \$47,123,083. Other projects had changes in the amount of their original commitments resulting in a net obligation increase of \$0.00. Disbursements from North Carolina's DWSRF to 29 loan recipients totaled \$14,072,747. In addition \$5,185,910 was expended during this reporting period for set-aside purposes, including DWSRF program administration; state program management; small system technical assistance; and local assistance and other state programs, as detailed in Exhibit 1 and in this report.

Since the award of the 2009 Capitalization Grant for the purposes of the American Resource Recovery Act (ARRA), North Carolina has made 74 new binding commitments to provide assistance for the construction of water supply facilities. The obligation of \$64,060,000 in total commitments was maintained through June 30, 2012. Disbursements from North Carolina's ARRA funds to 28 loan recipients totaled \$5,468,140. In addition \$516 was expended during this reporting period for the only set-aside, Program Administration, being funded from this particular grant award.

III. GOALS AND ACCOMPLISHMENTS

A. Short-Term Goals and Accomplishments

North Carolina continues to work on the following nine short-term goals and accomplishments that were included in its prior IUPs.

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

North Carolina assigns its second highest priority to projects that help a system comply with current or future regulations.

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

North Carolina assigns its highest priority to projects to consolidate water systems that lack the technical capacity to meet standards, or that are failing for other reasons. This allows eligible, viable water systems to take over supplying the service area of the failed system.

3. **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. All projects types that are federally eligible are also state eligible.

The operating agreement (revised effective 2 April 2012) assigns the third highest priority to projects that replace aging infrastructure.

4. **Improve compliance for 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. In addition, central office has also prepared and issued administrative penalties to non-compliant systems for delinquencies in bacteriological monitoring. Overall systems' compliance rates have improved each year. Details are provided in the annual 2012 Capacity Development Progress Report.

5. Assist EPA in meeting regional program objectives by conducting State Supervision activities and meeting workplan objectives and measures.

The Section met the workplan objectives and measures for the State Supervision activities during the past year.

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

State match for the Federal FY 2010 capitalization grant received during the reporting period was provided by appropriation from the 2011 NC General Assembly and State match for the Federal FY 2011 capitalization grant was available from other state funds.

7. Participate in the creation of a joint drinking water/wastewater database system for financial management of the DWSRF.

The database has been developed and is maintained by the Infrastructure Finance Section of the Division of Water Quality. The database has been used for active production. The Department continues to fix minor technical issues involved with the deployment of this system. During this reporting period, a full time and a temporary employee have been entering historical project data into the financial management database.

8. Provide funding to improve state knowledge of availability of water supply to meet drinking water needs.

The PWS Section supported an initiative with the River Basin Management Section within the Division to develop comprehensive river basin models for the Tar and Broad Rivers. These models will not only benefit resource management from the perspective of public drinking water, and they assist decision making by other agencies, programs, and entities whose interests are dependent upon predicting flow in the Tar and Broad River Basins. The models were completed in December 2011 and all contractual obligations were satisfied in January 2012.

A contract was implemented with the University of North Carolina's Environmental Finance Center to develop measures of managerial capacity for North Carolina water systems, to develop guidance for funding needed water system improvements, to collect information on water system rates and rate structures, and to provide training on these topics.

9. Assist in the economic recovery by providing infrastructure funding to eligible applicants in an expedited fashion.

The NC PWS Section administered the provisions of the American Recovery and Reinvestment Act (ARRA) and met the February 17, 2010 deadline for

establishing binding commitments with all ARRA fund awardees. The Projects Benefits Reporting (PBR) system developed by EPA is used to report on the implementation progress being made by the awardees, especially with the new project reporting requirements, such as jobs reporting. Other oversight activities included on-site inspections of the water system construction, monitoring of ARRA signage requirements, review of documentation about wages paid to employees subject to the Davis-Bacon Act, and review of verification documents for the Buy-American requirements.

B. Long-Term Goals and Accomplishments

North Carolina continues to work on the following nine long-term commitments that were included in its prior IUPs.

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

The NC PWS Section continues to make progress in improving the drinking water quality for the state. The 2011 Capacity Development Progress Report documents the improvements.

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

The NC PWS Section constantly monitors analytical results for regulated and unregulated contaminants to ensure that the highest percent of the state's population are being served drinking water from safe public water systems. While compliance rates fluctuate as new rules take effect, trends show increases overall.

The NC PWS Section continues to fund service area expansion projects that address areas with contaminated private wells and raise the state's overall level of public health protection.

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. Promote safe and affordable drinking water.

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. **Provide technical and financial assistance to public water systems in adapting to changing drinking water quality standards and maintaining the health objectives of the SDWA.**

Assistance provided by both central and field office staff support ARRA and DWSRF loans.

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 are deposited to an account dedicated to disbursement for new loans. The new Federal requirements to fund disadvantaged systems with no expectation of repayment runs counter to this objective. For next fiscal year, 20 percent of the money will not be returned, as mandated by federal law. EPA should address this disconnect between directly competing requirements.

7. **Assist water systems in complying with new SDWA rules as they are implemented.**

The NC PWS Section provides assistance with new rules to the extent resources allow. Limited DWSRF funding supports this goal. Informational mailings including an annual "Regulatory Update," to water systems on specific issues, and staff participate in numerous operator schools and training classes. Reductions in state appropriations and lack of increases in federal funding to address inflationary costs continue to reduce the amount of assistance that can be provided. Assistance is still available in key areas, but as trends continue, this goal may be harder to achieve.

8. **The strategy for implementing North Carolina's Capacity Development Program was submitted on August 23, 2000 and approved on September 21, 2000. Beginning in FY 2000, an annual report has been available online to the public describing the efficacy of and the progress made by NC's capacity development program. This report has been submitted in a timely manner to the Governor in FY 2002, FY 2005, and FY 2008, and FY 2011, as required by Section 1420(c)(3) of the SDWA.**

Water System Management Plans are a central feature of North Carolina's capacity development strategy. The majority of community and nontransient noncommunity water systems have documented their management plans and

policies, financial strategies, and basic operating requirements in these documents. In order to promote further increases in capacity, the NC PWS Section is working directly with small water systems through outreach and training. Continuing strong improvement in compliance rates shows the wide variety of section activities are working.

9. Ensure technical integrity of the proposed water system improvements, advocate self-sufficiency, protect water resources from new pollution sources, and promote sustainability.

This goal is accomplished through a Plan Review and Approval process which includes Capacity Development requirements. Federal requirements to award SRF money without repayment may result in propping up systems that are fundamentally non-viable.

IV. PROGRAM DETAILS

A. Fund Financial Status

1. Sources of Funds

Exhibits 1-A, 1-B, 4, and 5 show the sources of project funds for state fy 2012. During this period, the State received its 2010 and 2011 capitalization grants of \$35,593,000 and \$24,698,000 respectfully. Other state fy 2012 sources included \$412,375 in interest earned on deposits, \$12,058,200 in state match, and \$19,623,874 (principal and interest) in loan repayments.

2. Projects

Exhibit 2 shows that during the fiscal year the State of North Carolina entered into 23 original binding commitments totaling \$47,123,083. Including increases and decreases to other projects the total committed during the fiscal year was as follows:

Commitment from Capitalization Grant/Match Funds-Prior	\$303,108,981
Commitment from Revolving Fund-Current Year	\$ 47,123,083
Adjustment to Prior Commitments	\$ 0.00
Total Committed through June 30, 2012	\$350,232,064

Also, as reflected in Exhibit 2-A, the State of North Carolina entered into no new binding commitments, from the 2009 Capitalization Grant /ARRA award during the fiscal year 2011. Baseline increases and decreases, during this year to other projects, were net zero through June 30, 2012 as follows:

Commitment from Capitalization Grant/Match Funds-Prior	\$ 64,060,000
Commitment from Revolving Fund/ARRA-Current	\$ 0.00
Adjustment to Prior Commitments	\$ 0.00
Total Committed through June 30, 2012	\$ 64,060,000

3. Payments to Automated Clearinghouse (ACH)

Exhibit 2 shows binding commitments as compared to the payment schedule. Exhibit 3 shows the Schedules of Payments to the ACH.

4. Disbursements

Exhibit 3 shows that total disbursement during the fiscal year consisted of \$14,072,747 disbursed to projects and \$5,185,910 expended for set-aside activities.

5. Loan Repayments

Exhibit 4 shows that loan principal repayments during the fiscal year totaled \$13,892,423 with interest received on loans totaling 5,731,451.

6. Loan Administrative Fee

Exhibit 5 shows activity associated with loan administrative fees. During the fiscal year 2012, 8 applicants paid fees totaling \$265,724. Interest earned on funds in the Loan Administrative Fee Account totaled \$51,805. Exhibit 5-1A shows that 7 ARRA loan applicants paid administrative fees totaling \$95,094.

7. Financial Statements

Exhibits 1 through 7 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 6 and 7 illustrate the project assistance activity of the DWSRF funds for the period ending June 30, 2012.

Exhibit 6 shows the projects with which North Carolina's DWSRF has entered into binding commitments for low interest loans or principal forgiveness loans during the period.

Exhibit 7 shows the assistance amount provided to each project by needs/construction 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. Recommendations for improved management were provided and have been or are in the process of being implemented.

D. Set-Aside Program Reports

The following report on set-asides is presented in the order described in the approved Intended Use Plans.

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

The DWSRF is administered by the NCPWS Section. This set-aside is used for salaries and associated expenses of personnel devoting time to program administration, as outlined in the Intended Use Plan.

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

The NCPWS Section continued to provide technical assistance to water systems serving a population of less than 10,000 consumers. Funding from this set-aside was used jointly by the NCPWS Section and the North Carolina Rural Water Association to maintain work plan activities as required to achieve maximum utilization.

A contractual agreement with NCRWA was continued to support a circuit rider position that provided technical assistance to 871 contacts of technical assistance during the period from July 1, 2011 to June 30, 2012. These contacts involved dialog with water system personnel in accordance with the objectives and methods described in the activities and assistance within the Intended Use Plan.

The NCPWS Section continued to utilize this set-aside to support three Environmental Specialist positions in Regional Offices. Overall, PWS Section staff conducted a total of 6,681 site visits to small systems, including, 2,815 sanitary surveys for small systems during calendar year 2011 (data entry had not been completed for all fiscal year 2012 site visits at the time data was pulled from SDWIS for this report).

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

i. Administration of PWS Section Supervision Program.

Performance with this section is measured and evaluated as adherence to the terms and conditions of the PWS Section Supervision Program workplan and GPRA performance measures, reported in SDWIS and compiled directly by EPA.

ii. Administration or technical assistance activities for source water protection.

A full-time Source Water Protection (SWP) Program Engineer coordinates the development, implementation, and management of a Source Water Protection Program, including coordination with delineation and assessment activities, wellhead protection program activities, and interaction with other state agencies. During the past year, the SWP Program Engineer continued to support the Source Water Assessment Program (SWAP) and the existing state Wellhead Protection Program.

Partnership arrangements with other agencies are a major component of NC's source water protection strategy. Specifically, other agencies have been recruited to integrate SWAP data into their agendas and funding priorities. We maintain relationships with multiple agencies that fund agricultural BMPs, stormwater BMPs, land conservation, and stream restoration projects. Additionally, the SWP Program recently assembled a statewide SWP Collaborative that includes representatives from university programs, government agencies, non-profit organizations, professional associations, and regional Councils of Government.

The PWS Section continued to improve its GIS mapping application, which was created to assist other agencies and programs when prioritizing environmental projects. This GIS application effectively directs resources toward drinking water assessment areas and encourages use of SWAP susceptibility ratings. The PWS Section also maintains a web-based application to deliver SWAP data to the public. We are currently overhauling this application to improve its functionality and dependability.

The SWP Program continues to work closely with regional Councils of Government to promote and assist drinking water protection needs of local officials. Recent effort includes directing 205j funding

toward local SWP planning. It should be noted that use of 205j funds to support SWP initiatives denoted cooperation between the clean water and drinking water programs of NC.

The SWP continued to promote the development of local SWP plans. This effort included presentations and consultations with local government officials, public water providers, and stakeholder groups. To date, five public water providers using surface sources have completed comprehensive SWP Plans. These water providers serve a combined population of approximately 235,000 consumers. This year three additional entities initiated local SWP planning. These include the Town of Canton, the Town of Pilot Mountain, and the Triangle Land Conservancy working on behalf of the Swift Creek watershed.

As an incentive to participate in the Source Water Protection Program, a low-interest loan program for land conservation exists and is administered by the SWP Program Engineer. To qualify for this program, an applicant must have an approved Source Water Protection Plan. The loan program has been embraced by the Conservation Trust for North Carolina and the NC Trust for Public Land, two organizations with major influence on land conservation activities throughout the state.

The NC SWP Program continues to receive invitations to share successful SWP strategies at national conferences and events. This year program staff addressed participants at the National River Rally and the National Land Trust Conference.

iii. Development and implementation of a capacity development strategy

Performance with this section is reported to EPA annually in North Carolina's Capacity Development Progress Report. As described in the Intended Use Plan, a Capacity Development team leader position is funded. In recent years, the Capacity Development program has developed electronic tools and training to improve water system compliance. The Capacity Development Team Leader is also leading the development of the Engineering Planning and Development Guidance Document.

Electronic tools include the Sampling Status report and analysis of water system performance data for the Area Wide Optimization Program. The Sampling Status report demonstrates what monitoring is required and what samples have been received during the current period. Analysis for the Area Wide Optimization Program ranks water system performance based on data submitted electronically and highlights areas for system improvement. The NCPWS Section issues

awards to systems meeting optimization goals.

Training included regulatory and treatment training at the North Carolina Waterworks Operators School, in addition to sessions scheduled by and held at PWS Section regional offices.

The Engineering Planning and Development Guidance document is a document presenting preferred design criteria for water systems in North Carolina. The document covers all facets of water system design including distribution, storage tanks, treatment, and general design criteria. The NCPWS Section expects the document to clarify design requirements to water system owners and engineers and thereby reduce project review time. Two chapters describing submittal requirements and the review and permitting process have been published.

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

i. Establishment and implementation of a wellhead protection program.

A full-time Wellhead Protection (WHP) Program Hydrogeologist coordinates the development, implementation, and management of a WHP Program within the NC PWS Section. During the current reporting period the WHP Program continued to implement a process for the review and approval of local WHP plans, including the evaluation and review of draft wellhead protection area (WHPA) delineations. In addition, the WHP Program continued to develop and maintain an MS Access database for tracking WHP Program information.

The WHP Program received eleven WHP plans during the reporting period, seven first time submittal and four updates/renewals of previously approved plans. The newly submitted plans bring the total number of unique PWS systems that have submitted WHP plans to 170. Ten PWS systems received approval of their WHP plans during the reporting period, increasing the total number of PWS systems with approved WHP plans to 130. These 130 systems comprise 798 wells serving a population of 823,597.

The WHP Program continued to provide information and technical assistance as requested to support WHP activities. Example information includes the following:

- WHP plan requirements;
- the NC WHP Guidebook;
- brochures to promote local source water protection efforts;

- lists of PWS systems with approved WHP plans;
- maps of approved WHPAs;
- source aquifer determination;
- assessment of the degree of aquifer confinement;
- aquifer recharge rates;
- determination of the size, shape and orientation of WHPAs; and
- information on potential contamination sources.

Such information is commonly accompanied by recommendations to reduce contamination risk, waste handling practices, standard operating procedures and best management strategies. The WHP Program also provided information to the State's Division of Waste Management (DWM) to support oversight of remediation efforts conducted at sites with ground-water contamination resulting from leaking underground storage tanks.

The WHP Program provided hydrogeologic expertise and analysis as requested by other programs and agencies, units of local government, citizens, environmental consultants, contractors, and the NCRWA. Examples include: analysis to verify source aquifers and degree of confinement as related to monitoring for disinfection byproducts; review and comment regarding proposed well construction rule changes; and review of potential impacts of hydraulic fracturing for enhanced shale gas recovery.

The WHP Program continued to develop and maintain ArcView GIS shapefiles for approved WHPAs. Maps of approved WHPAs on USGS 7.5 minute topographic quadrangle base maps were generated to accompany WHP plan approval letters. Additionally, to facilitate the efficient transfer of this information, electronic versions of the approved WHPA maps as JPEG images were produced and distributed. A total of 306 individual JPEG map images are currently available via email to interested parties upon request. Electronic map images are regularly provided to the DWM/UST Section to support the review of limited site assessments for facilities with soil and/or ground water contamination. Individual electronic maps were also provided upon request to environmental consultants conducting risk based analysis of sites with soil and /or ground-water contamination.

The NC PWS Section administered a contractual agreement with NCRWA to provide assistance to PWS systems in the development of local WHP plans. Many of these systems are small systems that lack the technical and financial resources to pursue drinking water protection on their own. Under conditions of the contract, NCRWA provided on-site technical assistance in the development and

implementation of WHP plans customized to individual communities. This activity included guidance to identify potential contaminants and effective actions to prevent contaminants from entering their drinking water supply.

The WHP Program continued to recognize and promote local interest and participation in source water protection activities. As part of this effort, PWS systems that had received approval of their WHP plans during the previous twelve months were recognized with framed certificates at the NCRWA's annual conference. The WHP Program also continued to foster and develop cross-communication efforts between the state UST/UST Program and the State Drinking Water Program.

The WHP Program provided support to the Source Water Assessment Program (SWAP) and the Source Water Protection Program. Program support includes: review of work products; review and analysis relevant to delineation and assessment activities; participation in the NC Source Water Collaborative; and assisting in the generation of SWAP reports

ii. Capacity Development

The NCPWS Section continued to utilize this set-aside to support nine positions in Regional Offices. These positions provide direct support to water systems as they pursue Capacity Development goals and compliance with the Safe Drinking Water Act. Working in conjunction with other regional office staff, these positions review water systems' financial and managerial capabilities and perform sanitary surveys and site visits.

Overall, PWS Section staff conducted a total of 8,374 site visits, including, 3,036 sanitary surveys for all systems (including small systems) during calendar year 2011. Data entry was not complete for fiscal year 2012 site visits at the time data was pulled from SDWIS for this report.

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

Funds for Local Assistance and Other State Programs can be reallocated among the five different activities or transferred to project fund, based upon the needs of the eligible water systems for any given year upon approval of grant amendment. At any time, the DWSRF Administrator can transfer any unspent funds to the project funds. Once transferred, these funds must remain as part of the project fund. No transfers were made during the reporting period.

F. DBE (MBE/WBE) Requirements.

The total amount of MBE procurement during the state FY 2012 was \$511,091 (6.10 percent of total procurement of \$8,385,319). The total amount of WBE procurement during the same time was \$322,525 (3.85 percent of total procurement).

G. Special Capitalization Grant Requirements.

The Capitalization Grants starting in 2010 required North Carolina to provide a minimum level of additional subsidization and a minimum level of assistance to green projects. Exhibits 8A and 8B show how North Carolina satisfied this requirement.

Exhibits

**North Carolina
Drinking Water State Revolving Fund
Annual Report
June 30, 2012**

Exhibit 1

**Capitalization Grants
Current Summary**

	Remaining Balance as of 7/1/2011	Current Year Award (a)	Total Available	Current Year Disbursements	Remaining Balance as of 6/30/2012
<u>Set Asides</u>					
63xx Administration	\$ 2,380,868.51	\$ 2,411,840.00	\$ 4,792,608.51	\$ 630,237.49	\$ 4,162,271.02
64xx State Program Functions	\$ 2,934,943.31	\$ 6,029,100.00	\$ 8,964,043.31	\$ 2,246,444.70	\$ 6,717,598.61
65xx Technical Assistance	\$ 917,949.88	\$ 1,205,820.00	\$ 2,123,769.88	\$ 461,784.58	\$ 1,661,985.30
68xx Local Assistance and Other State Programs					
-6821 Wellhead Protection	\$ 3,095,781.02	\$ 2,188,495.00	\$ 5,284,276.02	\$ 854,741.11	\$ 4,409,534.91
-6822 Capacity Development	\$ 2,718,815.78	\$ 5,021,230.00	\$ 7,740,045.78	\$ 892,701.89	\$ 6,747,343.89
-6840 Loans for Acquisitions/Easements	\$ 4,530,890.00	\$ 1,853,925.00	\$ 6,384,815.00	\$ -	\$ 6,384,815.00
Total Local Assistance & Other State Programs	\$ 10,345,586.80	\$ 9,043,650.00	\$ 19,389,236.80	\$ 1,847,443.00	\$ 17,541,793.80
Total Set Asides	\$ 16,579,345.48	\$ 18,690,210.00	\$ 35,269,555.48	\$ 5,185,609.76	\$ 30,083,945.73
<u>Projects</u>					
Federal Share	\$ 2,770,811.00	\$ 41,800,790.00	\$ 44,371,601.00	\$ 10,848,063.00	\$ 33,423,538.00
State Share	\$ 8,102,688.00	\$ 12,058,200.00	\$ 20,160,888.00	\$ 3,124,884.00	\$ 17,036,202.00
Total Projects	\$ 10,873,497.00	\$ 53,858,990.00	\$ 64,632,487.00	\$ 14,072,747.00	\$ 60,459,740.00
Total Funding	\$ 27,452,842.48	\$ 72,349,200.00	\$ 99,802,042.48	\$ 19,258,659.76	\$ 80,543,382.73
<u>Funding Sources</u>					
Federal Funds	\$ 19,350,168.48	\$ 60,291,000.00	\$ 79,641,168.48	\$ 16,133,972.76	\$ 63,507,195.73
State Funds	\$ 8,102,688.00	\$ 12,058,200.00	\$ 20,160,888.00	\$ 3,124,884.00	\$ 17,036,202.00
Total Funding	\$ 27,452,842.48	\$ 72,349,200.00	\$ 99,802,042.48	\$ 19,258,659.76	\$ 80,543,382.73

Cumulative Summary

	See Exhibit	Set Asides	Projects	Match	Total Available	Total Disbursed	Ending Balance 6/30/2012
Closed Grants - 1997 through 2004	1-H	\$ 25,200,957.00	\$ 118,097,943.00	\$ 28,659,780.00	\$ 171,958,680.00	\$ 171,958,680.00	\$ -
2005 Capitalization Grant	1-G	\$ 45,899.00	\$ 14,503,201.00	\$ 2,809,820.00	\$ 17,458,920.00	\$ 17,458,920.00	\$ -
2006 Capitalization Grant	1-F	\$ 8,585,419.00	\$ 19,109,481.00	\$ 5,539,980.00	\$ 33,233,880.00	\$ 33,233,880.00	\$ -
2007 Capitalization Grant	1-E	\$ 8,585,450.00	\$ 19,109,550.00	\$ 5,539,000.00	\$ 33,234,000.00	\$ 30,917,576.07	\$ 2,316,423.93
2008 Capitalization Grant	1-D	\$ 8,498,340.00	\$ 18,916,880.00	\$ 5,482,800.00	\$ 32,898,000.00	\$ 24,549,881.74	\$ 8,348,118.26
2009 Capitalization Grant	1-C	\$ 8,498,340.00	\$ 18,916,880.00	\$ 5,482,800.00	\$ 32,898,000.00	\$ 9,048,358.48	\$ 23,849,641.52
2010 Capitalization Grant	1-B	\$ 11,033,830.00	\$ 24,559,170.00	\$ 7,118,800.00	\$ 42,711,800.00	\$ 988,181.00	\$ 41,723,619.00
2011 Capitalization Grant	1-A	\$ 7,658,380.00	\$ 17,041,620.00	\$ 4,939,600.00	\$ 29,637,600.00	\$ -	\$ 29,637,600.00
Total Program Funding		\$ 78,104,815.00	\$ 250,252,285.00	\$ 65,671,380.00	\$ 394,028,280.00	\$ 288,133,657.27	\$ 105,894,622.73

- (a) 2010 Capitalization Grant awarded 9/8/2011
(b) 2011 Capitalization Grant awarded 5/29/2012

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

**2011 Capitalization Grant
7/1/2012 - 6/30/2017**

	<u>Award Amount</u>	<u>Remaining Balance as of 6/30/2011</u>	<u>Current Year Disbursements</u>	<u>Remaining Balance as of 6/30/2012</u>
<u>Set Asides</u>				
6311 Administration	\$ 987,920.00	\$ 987,920.00	\$ -	\$ 987,920.00
6411 State Program Functions	\$ 2,469,800.00	\$ 2,469,800.00	\$ -	\$ 2,469,800.00
6511 Technical Assistance	\$ 493,960.00	\$ 493,960.00	\$ -	\$ 493,960.00
6809 Local Assistance and Other State Programs				
-6H21 Wellhead Protection	\$ 884,245.00	\$ 884,245.00	\$ -	\$ 884,245.00
-6H22 Capacity Development	\$ 2,469,800.00	\$ 2,469,800.00	\$ -	\$ 2,469,800.00
-6H40 Loans for Acquisitions/Easements	\$ 370,655.00	\$ 370,655.00	\$ -	\$ 370,655.00
Total Local Assistance and Other State Programs	<u>\$ 3,704,700.00</u>	<u>\$ 3,704,700.00</u>	<u>\$ -</u>	<u>\$ 3,704,700.00</u>
Total Set Asides	<u>\$ 7,656,380.00</u>	<u>\$ 7,656,380.00</u>	<u>\$ -</u>	<u>\$ 7,656,380.00</u>
<u>Projects</u>				
6C11 Federal Share	\$ 17,041,620.00	\$ 17,041,620.00	\$ -	\$ 17,041,620.00
6D11 State Share	\$ 4,939,600.00	\$ 4,939,600.00	\$ -	\$ 4,939,600.00
Total Projects	<u>\$ 21,981,220.00</u>	<u>\$ 21,981,220.00</u>	<u>\$ -</u>	<u>\$ 21,981,220.00</u>
Total Funding	<u>\$ 29,637,600.00</u>	<u>\$ 29,637,600.00</u>	<u>\$ -</u>	<u>\$ 29,637,600.00</u>
<u>Funding Source</u>				
Total Federal Funds	\$ 24,698,000.00	\$ 24,698,000.00	\$ -	\$ 24,698,000.00
Total State Funds	<u>\$ 4,939,600.00</u>	<u>\$ 4,939,600.00</u>	<u>\$ -</u>	<u>\$ 4,939,600.00</u>
Total Funding	<u>\$ 29,637,600.00</u>	<u>\$ 29,637,600.00</u>	<u>\$ -</u>	<u>\$ 29,637,600.00</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

**2010 Capitalization Grant
7/1/2011 - 6/30/2016**

	Award Amount	Remaining Balance as of 6/30/2011	Current Year Disbursements	Remaining Balance as of 6/30/2012
<u>Set Asides</u>				
63A0 Administration	\$ 1,423,720.00	\$ 1,423,720.00	\$ -	\$ 1,423,720.00
64A0 State Program Functions	\$ 3,559,300.00	\$ 3,559,300.00	\$ -	\$ 3,559,300.00
65A0 Technical Assistance	\$ 711,880.00	\$ 711,880.00	\$ -	\$ 711,880.00
68A0 Local Assistance and Other State Programs				
-6G21 Wellhead Protection	\$ 1,304,250.00	\$ 1,304,250.00	\$ -	\$ 1,304,250.00
-6G22 Capacity Development	\$ 2,551,430.00	\$ 2,551,430.00	\$ -	\$ 2,551,430.00
-6G40 Loans for Acquisitions/Easements	\$ 1,483,270.00	\$ 1,483,270.00	\$ -	\$ 1,483,270.00
Total Local Assistance and Other State Programs	\$ 5,338,950.00	\$ 5,338,950.00	\$ -	\$ 5,338,950.00
Total Set Asides	\$ 11,033,830.00	\$ 11,033,830.00	\$ -	\$ 11,033,830.00
<u>Projects</u>				
6C10 Federal Share	\$ 24,559,170.00	\$ 24,559,170.00	\$ 749,045.00	\$ 23,810,125.00
6D10 State Share	\$ 7,118,600.00	\$ 7,118,600.00	\$ 217,116.00	\$ 6,901,484.00
Total Projects	\$ 31,677,770.00	\$ 31,677,770.00	\$ 966,161.00	\$ 30,711,609.00
Total Funding	\$ 42,711,600.00	\$ 42,711,600.00	\$ 966,161.00	\$ 41,745,439.00
<u>Funding Source</u>				
Total Federal Funds	\$ 35,593,000.00	\$ 35,593,000.00	\$ 749,045.00	\$ 34,843,955.00
Total State Funds	\$ 7,118,600.00	\$ 7,118,600.00	\$ 217,116.00	\$ 6,901,484.00
Total Funding	\$ 42,711,600.00	\$ 42,711,600.00	\$ 966,161.00	\$ 41,745,439.00

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

**2009 Capitalization Grant
7/1/2010 - 9/30/2015**

	<u>Award Amount</u>	<u>Remaining Balance as of 9/30/2011</u>	<u>Current Year Disbursements</u>	<u>Remaining Balance as of 9/30/2012</u>
<u>Set Asides</u>				
6309 Administration	\$ 1,088,580.00	\$ 1,088,580.00	\$ -	\$ 1,088,580.00
6409 State Program Functions	\$ 2,741,400.00	\$ 2,741,400.00	\$ 2,088,491.25	\$ 652,908.75
6509 Technical Assistance	\$ 548,280.00	\$ 514,649.19	\$ 193,598.40	\$ 321,050.79
6809 Local Assistance and Other State Programs				
-6821 Wellhead Protection	\$ 1,304,250.00	\$ 1,304,250.00	\$ -	\$ 1,304,250.00
-6822 Capacity Development	\$ 1,324,580.00	\$ 1,324,580.00	\$ -	\$ 1,324,580.00
-6840 Loans for Acquisitions/Easements	\$ 1,483,270.00	\$ 1,483,270.00	\$ -	\$ 1,483,270.00
Total Local Assistance and Other State Programs	<u>\$ 4,112,100.00</u>	<u>\$ 4,112,100.00</u>	<u>\$ -</u>	<u>\$ 4,112,100.00</u>
Total Set Asides	<u>\$ 8,488,340.00</u>	<u>\$ 8,484,709.19</u>	<u>\$ 2,282,089.65</u>	<u>\$ 6,182,619.54</u>
<u>Projects</u>				
6C09 Federal Share	\$ 18,915,680.00	\$ 18,915,680.00	\$ 5,219,686.00	\$ 13,695,994.00
6D09 State Share	<u>\$ 5,482,800.00</u>	<u>\$ 5,482,800.00</u>	<u>\$ 1,512,952.00</u>	<u>\$ 3,969,848.00</u>
Total Projects	<u>\$ 24,398,480.00</u>	<u>\$ 24,398,480.00</u>	<u>\$ 6,732,638.00</u>	<u>\$ 17,665,822.00</u>
Total Funding	<u>\$ 32,886,800.00</u>	<u>\$ 32,883,189.19</u>	<u>\$ 9,014,727.65</u>	<u>\$ 23,848,441.54</u>
<u>Funding Source</u>				
Total Federal Funds	\$ 27,414,000.00	\$ 27,390,369.19	\$ 7,501,775.85	\$ 19,878,593.54
Total State Funds	<u>\$ 5,482,800.00</u>	<u>\$ 5,482,800.00</u>	<u>\$ 1,512,952.00</u>	<u>\$ 3,969,848.00</u>
Total Funding	<u>\$ 32,886,800.00</u>	<u>\$ 32,883,189.19</u>	<u>\$ 9,014,727.65</u>	<u>\$ 23,848,441.54</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

**2008 Capitalization Grant
7/1/2009 - 9/30/2014**

	Award Amount	Remaining Balance as of 9/30/2011	Current Year Disbursements	Remaining Balance as of 9/30/2012
<u>Set Asides</u>				
6308 Administration	\$ 1,088,560.00	\$ 1,088,560.00	\$ 449,266.91	\$ 647,293.09
6408 State Program Functions	\$ 2,741,400.00	\$ 37,776.41	\$ 37,776.41	\$ -
6508 Technical Assistance	\$ 548,280.00	\$ 392,960.00	\$ 257,849.24	\$ 135,110.76
6808 Local Assistance and Other State Programs				
-6E21 Wellhead Protection	\$ 1,304,250.00	\$ 1,304,250.00	\$ 388,140.48	\$ 938,109.52
-6E22 Capacity Development	\$ 1,324,580.00	\$ 1,324,580.00	\$ 923,046.11	\$ 401,533.89
-6E40 Loans for Acquisitions/Easements	\$ 1,483,270.00	\$ 1,483,270.00	\$ -	\$ 1,483,270.00
Total Local Assistance and Other State Programs	<u>\$ 4,112,100.00</u>	<u>\$ 4,112,100.00</u>	<u>\$ 1,291,186.59</u>	<u>\$ 2,820,913.41</u>
Total Set Asides	<u>\$ 8,498,340.00</u>	<u>\$ 5,839,386.41</u>	<u>\$ 2,038,079.16</u>	<u>\$ 3,603,317.28</u>
<u>Projects</u>				
6C08 Federal Share	\$ 18,915,680.00	\$ 6,435,677.00	\$ 2,758,133.00	\$ 3,677,544.00
6D08 State Share	\$ 5,482,800.00	\$ 1,885,416.00	\$ 799,459.00	\$ 1,085,957.00
Total Projects	<u>\$ 24,398,480.00</u>	<u>\$ 8,301,093.00</u>	<u>\$ 3,557,592.00</u>	<u>\$ 4,743,501.00</u>
Total Funding	<u>\$ 32,896,800.00</u>	<u>\$ 13,940,489.41</u>	<u>\$ 5,593,671.15</u>	<u>\$ 8,346,818.28</u>
<u>Funding Source</u>				
Total Federal Funds	\$ 27,414,000.00	\$ 12,075,073.41	\$ 4,794,212.15	\$ 7,280,861.26
Total State Funds	<u>\$ 5,482,800.00</u>	<u>\$ 1,885,416.00</u>	<u>\$ 799,459.00</u>	<u>\$ 1,085,957.00</u>
Total Funding	<u>\$ 32,896,800.00</u>	<u>\$ 13,940,489.41</u>	<u>\$ 5,593,671.15</u>	<u>\$ 8,346,818.28</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-E

**2007 Capitalization Grant
7/1/2008- 9/30/2013**

	<u>Award Amount</u>	<u>Remaining Balance as of 6/30/2011</u>	<u>Current Year Disbursements</u>	<u>Remaining Balance as of 6/30/2012</u>
<u>Set Asides</u>				
6307 Administration	\$ 1,107,800.00	\$ 167,748.04	\$ 160,970.11	\$ 6,777.93
6407 State Program Functions	\$ 2,769,500.00	\$ 155,766.90	\$ 120,177.04	\$ 35,589.86
6507 Technical Assistance	\$ 553,900.00	\$ 10,150.75	\$ 10,150.00	\$ 0.75
6607 Local Assistance and Other State Programs				
-6D21 Wellhead Protection	\$ 1,291,800.00	\$ 487,281.02	\$ 486,600.63	\$ 680.39
-6D22 Capacity Development	\$ 1,286,000.00	\$ 53,467.27	\$ 53,467.27	\$ -
-6D40 Loans for Acquisitions/Easements	\$ 1,576,450.00	\$ 1,564,450.00	\$ -	\$ 1,564,450.00
Total Local Assistance and Other State Programs	\$ 4,154,250.00	\$ 2,105,198.29	\$ 540,067.80	\$ 1,565,130.39
Total Set Asides	\$ 8,685,450.00	\$ 2,438,663.98	\$ 831,365.05	\$ 1,607,498.93
<u>Projects</u>				
6C07 Federal Share	\$ 19,109,550.00	\$ 1,972,952.00	\$ 1,423,340.00	\$ 549,612.00
6D07 State Share	\$ 5,539,000.00	\$ 571,878.00	\$ 412,565.00	\$ 159,313.00
Total Projects	\$ 24,648,550.00	\$ 2,544,830.00	\$ 1,835,905.00	\$ 708,925.00
Total Funding	\$ 33,234,000.00	\$ 4,983,693.98	\$ 2,667,270.05	\$ 2,316,423.93
<u>Funding Source</u>				
Total Federal Funds	\$ 27,695,000.00	\$ 4,411,815.98	\$ 2,254,705.05	\$ 2,157,110.93
Total State Funds	\$ 5,539,000.00	\$ 571,878.00	\$ 412,565.00	\$ 159,313.00
Total Funding	\$ 33,234,000.00	\$ 4,983,693.98	\$ 2,667,270.05	\$ 2,316,423.93

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-F

**2006 Capitalization Grant
7/1/2007 - 6/30/2012**

	7/1/2007 Award Amount	Beginning Balance as of 6/30/2011	Current Year Disbursements	Remaining Balance as of 6/30/2012
<u>Set Asides</u>				
6306 Administration	\$ 1,107,788.00	\$ 20,000.47	\$ 20,000.47	\$ -
6406 State Program Functions	\$ 2,789,480.00	\$ -	\$ -	\$ -
6506 Technical Assistance	\$ 553,898.00	\$ 188.92	\$ 188.92	\$ -
6606 Local Assistance and Other State Programs				
-6621 Wellhead Protection	\$ 1,230,235.00	\$ -	\$ -	\$ -
-6622 Capacity Development	\$ 1,286,000.00	\$ 16,188.51	\$ 16,188.51	\$ -
-6640 Acquisitions/Easements	\$ 1,638,000.00	\$ -	\$ -	\$ -
Total Local Assistance & Other State Programs	\$ 4,154,235.00	\$ 16,188.51	\$ 16,188.51	\$ -
Total Set Asides	\$ 8,585,419.00	\$ 36,375.90	\$ 36,375.90	\$ -
<u>Projects</u>				
6C06 Federal Share	\$ 19,109,481.00	\$ 178,425.00	\$ 178,425.00	\$ -
6D06 State Share	\$ 5,538,980.00	\$ 51,719.00	\$ 51,719.00	\$ -
Total Projects	\$ 24,648,461.00	\$ 230,144.00	\$ 230,144.00	\$ -
Total Funding	\$ 33,233,880.00	\$ 268,519.90	\$ 268,519.90	\$ -
<u>Funding Source</u>				
Total Federal Funds	\$ 27,694,800.00	\$ 214,800.90	\$ 214,800.90	\$ -
Total State Funds	\$ 5,538,980.00	\$ 51,719.00	\$ 51,719.00	\$ -
Total Funding	\$ 33,233,880.00	\$ 268,519.90	\$ 268,519.90	\$ -

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-G

**2005 Capitalization Grant
7/1/2008 - 6/30/2011**

	7/1/2008 Award Amount	Beginning Balance as of 6/30/2011	Current Year Disbursements	Remaining Balance as of 6/30/2012
<u>Set Asides</u>				
6305 Administration	\$ -	\$ -	\$ -	\$ -
6405 State Program Functions	\$ -	\$ -	\$ -	\$ -
6505 Technical Assistance	\$ 17,680.00	\$ -	\$ -	\$ -
6605 Local Assistance and Other State Programs				
-6621 Wellhead Protection	\$ 28,219.00	\$ -	\$ -	\$ -
-6622 Capacity Development	\$ -	\$ -	\$ -	\$ -
-6640 Acquisitions/Easements	\$ -	\$ -	\$ -	\$ -
Total Local Assistance & Other State Programs	\$ 28,219.00	\$ -	\$ -	\$ -
Total Set Asides	\$ 45,899.00	\$ -	\$ -	\$ -
<u>Projects</u>				
6C05 Federal Share	\$ 14,503,201.00	\$ 619,434.00	\$ 619,434.00	\$ -
6D05 State Share	\$ 2,809,820.00	\$ 130,673.00	\$ 130,673.00	\$ -
Total Projects	\$ 17,413,021.00	\$ 750,307.00	\$ 750,307.00	\$ -
Total Funding	\$ 17,458,920.00	\$ 750,307.00	\$ 750,307.00	\$ -
<u>Funding Source</u>				
Total Federal Funds	\$ 14,549,100.00	\$ 619,434.00	\$ 619,434.00	\$ -
Total State Funds	\$ 2,809,820.00	\$ 130,673.00	\$ 130,673.00	\$ -
Total Funding	\$ 17,458,920.00	\$ 750,307.00	\$ 750,307.00	\$ -

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-H

Grants Closed in Prior Fiscal Years

	<u>Set Asides</u>	<u>Projects</u>	<u>Match</u>	<u>Total Available</u>	<u>Total Disbursed</u>
1997 Capitalization Grant	\$ 7,198,208.00	\$ 38,915,892.00	\$ 9,222,820.00	\$ 55,336,920.00	\$ 55,336,920.00
1998 Capitalization Grant	\$ 2,466,464.00	\$ 10,392,936.00	\$ 2,571,880.00	\$ 15,431,280.00	\$ 15,431,280.00
1999 Capitalization Grant	\$ 2,804,785.00	\$ 10,673,115.00	\$ 2,695,580.00	\$ 16,173,480.00	\$ 16,173,480.00
2000 Capitalization Grant	\$ 2,872,124.00	\$ 11,135,276.00	\$ 2,801,480.00	\$ 16,808,880.00	\$ 16,808,880.00
2001 Capitalization Grant	\$ 3,201,564.00	\$ 10,863,836.00	\$ 2,813,080.00	\$ 16,878,480.00	\$ 16,878,480.00
2002 Capitalization Grant	\$ 2,610,138.00	\$ 11,529,762.00	\$ 2,827,980.00	\$ 16,967,880.00	\$ 16,967,880.00
2003 Capitalization Grant	\$ 2,856,623.00	\$ 11,198,277.00	\$ 2,810,980.00	\$ 16,865,880.00	\$ 16,865,880.00
2004 Capitalization Grant	\$ 1,191,051.00	\$ 13,388,849.00	\$ 2,915,980.00	\$ 17,495,880.00	\$ 17,495,880.00
Total Closed Grants	<u><u>\$ 25,200,957.00</u></u>	<u><u>\$ 118,097,943.00</u></u>	<u><u>\$ 28,659,780.00</u></u>	<u><u>\$ 171,958,680.00</u></u>	<u><u>\$ 171,958,680.00</u></u>

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Exhibit 1-1A

**2009 Capitalization Grant - American Recovery and Reinvestment Act
7/1/2009 - 9/30/2013**

		<u>Award Amount</u>	<u>Remaining Balance as of 6/30/2011</u>	<u>Current Year Disbursements</u>	<u>Remaining Balance as of 6/30/2012</u>
<u>ARRA Set Asides</u>					
63S9	Administration	\$ 1,565,000.00	\$ 1,030,191.74	\$ 516.21	\$ 1,029,675.53
	Total Set Asides	\$ 1,565,000.00	\$ 1,030,191.74	\$ 516.21	\$ 1,029,675.53
<u>ARRA Projects</u>					
6CS9	Federal Share	\$ 31,245,369.00	\$ 5,266,687.83	\$ 2,629,527.00	\$ 2,637,160.83
6CS9	Federal Share	\$ 32,814,631.00	\$ 5,556,670.82	\$ 2,838,613.00	\$ 2,718,057.82
	Total Projects	\$ 64,060,000.00	\$ 10,823,358.65	\$ 5,468,140.00	\$ 5,355,218.65
	Total Funding	\$ 65,625,000.00	\$ 11,853,550.39	\$ 5,468,656.21	\$ 6,384,894.18
<u>Funding Source</u>					
	Total Federal Fund Loan Portion	\$ 32,810,369.00	\$ 6,296,879.57	\$ 2,630,043.21	\$ 3,686,836.36
	Total Federal Fund Principal Forgiveness	\$ 32,814,631.00	\$ 5,556,670.82	\$ 2,838,613.00	\$ 2,718,057.82
	Total Funding	\$ 65,625,000.00	\$ 11,853,550.39	\$ 5,468,656.21	\$ 6,384,894.18

Exhibit 1-1B

Total Disbursements							
	<u>Prior Years</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>Fiscal Year 2012 3rd Quarter</u>	<u>4th Quarter</u>	<u>Total</u>	
<u>2009 ARRA Grant</u>							
Set Asides 2009 Grant	\$ 534,808.26	\$ 317.32	\$ 198.89	\$ -	\$ -	\$ 516.21	
TOTAL	\$ 534,808.26	\$ 317.32	\$ 198.89	\$ -	\$ -	\$ 516.21	
Projects 2009 Grant	\$ 53,236,641.35	\$ 1,459,103.00	\$ 2,933,666.00	\$ 753,660.00	\$ 321,711.00	\$ 5,468,140.00	
TOTAL	\$ 53,236,641.35	\$ 1,459,103.00	\$ 2,933,666.00	\$ 753,660.00	\$ 321,711.00	\$ 5,468,140.00	

(a) 2009 ARRA Grant awarded 4/14/2009

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 Binding Commitments With Respect To Payment Schedule

Project Name	Project Number (DEH-)	Total Award	Binding Commitments				
			Prior Years	Quarter Ending			
				9/30/2011	12/31/2011	3/31/2012	6/30/2012
Current Year Projects							
Anson County	1042B	\$ 300,000				\$ 300,000	
Beaufort, Town of	1050B	\$ 935,000			\$ 935,000		
Belfast-Patetown Sani	1371	\$ 560,000		\$ 550,000			
Cumberland County	1682	\$ 605,100			\$ 605,100		
Duplin County Regional WS Dist. E	1636	\$ 1,161,000					\$ 1,161,000
Duplin County Regional WS Dist. F	1428	\$ 1,973,000		\$ 1,973,000			
Duplin County Regional WS Dist. G	1632	\$ 1,624,500					\$ 1,624,500
Eastern Wayne Sanitary District	1374	\$ 587,500		\$ 587,500			
Elizabethtown, Town of	1628	\$ 389,515				\$ 389,515	
Enfield, Town of	1607A	\$ 80,000	\$ 80,000				
Fayetteville Public Works Commission	1685	\$ 5,048,388					\$ 5,048,388
Goldsboro, City of	1620	\$ 2,949,322			\$ 2,949,322		
Johnston County	1680	\$ 2,649,144				\$ 2,649,144	
King, City of	1688	\$ 13,580,997					\$ 13,580,997
Middlesex, Town of	1700	\$ 431,728					\$ 431,728
Montgomery County Water System	0898B	\$ 2,601,853			\$ 2,601,853		
Mount Olive, Town of	1629	\$ 2,187,850				\$ 2,187,850	
North Wilkesboro, Town of	1647P	\$ 671,670					\$ 671,670
Pamlico County Water	1630	\$ 4,289,772				\$ 4,289,772	
Ramseur, Town of	1642	\$ 353,914					\$ 353,914
Roanoke Rapids Sanitary District	1681	\$ 1,197,030			\$ 1,197,030		
Southeastern Wayne Sanitary Dist.	1373	\$ 620,000		\$ 620,000			
Spruce Pine, Town of	1649	\$ 2,426,000	\$ -	\$ -	\$ -	\$ 2,426,000	\$ -
Total Current Year Projects		\$ 47,123,083	\$ 90,000	\$ 3,730,500	\$ 8,288,105	\$ 12,242,281	\$ 22,772,197
Prior Year Projects		\$ 303,108,981	\$ 295,863,120				
Adjustments to Commitments							
Reported in Prior Years(a)		\$ -	\$ -				
Total Project Commitments		\$ 350,232,064	\$ 288,053,120	\$ 3,730,500	\$ 8,288,105	\$ 12,242,281	\$ 22,772,197
Set Asides(b)		\$ 78,104,815	\$ 59,414,405	\$ 18,690,210	\$ -	\$ -	\$ -
Binding Commitment Totals		\$ 428,336,879	\$ 355,467,525	\$ 22,420,710	\$ 8,288,105	\$ 12,242,281	\$ 22,772,197
Cumulative Binding Commitments							
Cumulative Through 6/30/2011			\$ 355,467,525	\$ 377,888,235	\$ 386,176,340	\$ 398,418,621	\$ 421,190,818
Cumulative Required Commitments (c)							Future Years
Payments to ACH							
1997-2005 Capitalization Grant		\$ 157,848,000	\$ 157,848,000	\$ -	\$ -	\$ -	\$ -
2006 Capitalization Grant		\$ 27,694,900	\$ 27,694,900	\$ -	\$ -	\$ -	\$ -
2007 Capitalization Grant		\$ 27,695,000	\$ 27,695,000	\$ -	\$ -	\$ -	\$ -
2008 Capitalization Grant		\$ 27,414,000	\$ 27,414,000	\$ -	\$ -	\$ -	\$ -
2009 Capitalization Grant		\$ 27,414,000	\$ 27,414,000	\$ -	\$ -	\$ -	\$ -
2010 Capitalization Grant		\$ 35,693,000	\$ -	\$ 1,500,000	\$ 4,000,000	\$ 4,000,000	\$ 5,000,000
2011 Capitalization Grant		\$ 24,698,000	\$ -	\$ -	\$ -	\$ -	\$ 24,698,000
Total Federal Funds		\$ 328,358,900	\$ 288,085,900	\$ 1,500,000	\$ 4,000,000	\$ 4,000,000	\$ 5,000,000
State Match		\$ 65,671,380	\$ 53,613,180	\$ 300,000	\$ 800,000	\$ 800,000	\$ 1,000,000
Total		\$ 394,028,280	\$ 321,679,080	\$ 323,479,080	\$ 328,279,080	\$ 333,079,080	\$ 339,079,080
Binding Commitments as a Percent of Required Amount			111%	117%	118%	120%	124%

(a) Net increase/decrease to project commitments reported in prior years. These changes are the result of projects being completed for less than the original committed amount, and excess funds being reverted to the general loan pool, or reassigned to existing increases. projects for commitment.

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

(c) Payments to ACH lagged by one year

Note: This Exhibit reflects the commitment of funds paid into the ACH. It does not include commitments made from loan repayments deposited into the Revolving Fund.

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Exhibit 2-A Binding Commitments With Respect To Payment Schedule- ARRA

Project Name	Project Number (DEH-)	Total Award	Binding Commitments				
			Prior Year (a)	Quarter Ending			
				9/30/2010	12/31/2010	3/31/2011	6/30/2011
Orange Water & Sewer Authority	1348	<u>\$284,658</u>	<u>\$284,658</u>	\$ 284,658	\$	\$	\$
Total Current Year Projects		\$ 284,658	\$ 64,080,000	\$ -	\$ -	\$ -	\$ -
Prior Years Projects Reported (a)		<u>\$84,080,000</u>	<u>64,344,658</u>				
Adjustments to Commitments Reported in Prior Years		<u>-\$284,658</u>	<u>-\$284,658</u>				
Total Project Commitments		<u>\$ 64,080,000</u>	<u>64,080,000.00</u>	\$ -	\$ -	\$ -	\$ -
Set Asides (b)		<u>\$ 1,685,000</u>	<u>\$ 1,685,000</u>	\$ -	\$ -	\$ -	\$ -
Binding Commitment Totals		<u>\$ 65,625,000</u>	<u>\$ 65,625,000</u>	\$ -	\$ -	\$ -	\$ -
Cumulative Binding Commitments Cumulative Through 6/30/2011			<u>\$ 65,625,000</u>	<u>\$ 65,625,000</u>	<u>\$ 65,625,000</u>	<u>\$ 65,625,000</u>	<u>\$ 65,625,000</u>
Cumulative Required Commitments Payments to ACH 2009 Cap Grant		<u>\$ 65,625,000</u>	<u>\$ 65,625,000</u>	\$ -	\$ -	\$ -	\$ -
Total Federal Funds		<u>\$ 65,625,000</u>	<u>\$ 65,625,000</u>	\$ -	\$ -	\$ -	\$ -
State Match		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total		<u>\$ 65,625,000</u>	<u>\$ 65,625,000</u>	<u>\$ 65,625,000</u>	<u>\$ 65,625,000</u>	<u>\$ 65,625,000</u>	<u>\$ 65,625,000</u>
Binding Commitments as a Percent of Required Amount			100%	100%	100%	100%	100%

Notes:

(a) This no change report is being retained in anticipation of reversion of set-asides for project use.

(b) All ARRA funded projects met the February 17, 2010 deadline for binding commitments.

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Exhibit 3 Total Disbursements

	Prior Years	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Capitalization Grants						
Set Asides 1997 - 2005 Capitalization Grant	\$ 25,248,856.00	\$ -	\$ -	\$ -	\$ -	\$ -
2006 Capitalization Grant	\$ 8,549,043.10	\$ 21,608.39	\$ 61.72	\$ (1,784.61)	\$ 16,592.40	\$ 36,375.90
2007 Capitalization Grant	\$ 6,140,588.02	\$ 628,234.98	\$ (22,248.17)	\$ 124,484.89	\$ 102,913.37	\$ 831,365.05
2008 Capitalization Grant	\$ 2,858,843.59	\$ 541,041.22	\$ 197,743.38	\$ 554,744.87	\$ 742,549.88	\$ 2,036,079.16
2009 Capitalization Grant	\$ 33,830.81	\$ 44,477.20	\$ 881,185.04	\$ 687,832.02	\$ 688,585.39	\$ 2,282,089.65
2010 Capitalization Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011 Capitalization Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 42,835,059.52	\$ 1,233,259.77	\$ 1,058,751.97	\$ 1,345,257.17	\$ 1,550,840.84	\$ 5,185,909.75
Projects 1997 - 2004 Capitalization Grant						
State Match	\$ 28,659,780.00	\$ -	\$ -	\$ -	\$ -	\$ -
2005 Capitalization Grant	\$ 13,883,767.00	\$ 619,434.77	\$ -	\$ -	\$ -	\$ 619,434.77
State Match	\$ 2,776,948.00	\$ 130,872.23	\$ -	\$ -	\$ -	\$ 130,872.23
2006 Capitalization Grant	\$ 18,931,056.00	\$ 45,819.00	\$ -	\$ 132,608.00	\$ -	\$ 178,425.00
State Match	\$ 5,487,261.00	\$ 13,280.00	\$ -	\$ 38,439.00	\$ -	\$ 51,719.00
2007 Capitalization Grant	\$ 17,138,598.00	\$ -	\$ 134,485.00	\$ 1,038,808.00	\$ 248,947.00	\$ 1,423,340.00
State Match	\$ 4,987,122.00	\$ -	\$ 38,981.00	\$ 301,427.00	\$ 72,157.00	\$ 412,665.00
2008 Capitalization Grant	\$ 12,479,883.00	\$ 2,083,145.00	\$ 482,096.00	\$ 114,755.00	\$ 118,137.00	\$ 2,758,133.00
State Match	\$ 3,617,364.00	\$ 598,012.00	\$ 133,841.00	\$ 33,263.00	\$ 34,243.00	\$ 799,459.00
2009 Capitalization Grant	\$ -	\$ -	\$ -	\$ 1,226,848.00	\$ 3,892,740.00	\$ 5,219,688.00
State Match	\$ -	\$ -	\$ -	\$ 355,838.00	\$ 1,157,316.00	\$ 1,512,952.00
2010 Capitalization Grant	\$ -	\$ -	\$ -	\$ -	\$ 749,045.00	\$ 749,045.00
State Match	\$ -	\$ -	\$ -	\$ -	\$ 217,116.00	\$ 217,116.00
2011 Capitalization Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Match	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 228,039,842.00	\$ 3,470,583.00	\$ 769,503.00	\$ 3,242,980.00	\$ 6,589,701.00	\$ 14,072,747.00
Federal Share	\$ 180,529,347	\$ 2,728,399	\$ 598,681	\$ 2,514,215	\$ 5,109,869	
Cumulative	\$ 180,529,347	\$ 183,257,746	\$ 183,854,327	\$ 186,368,542	\$ 191,477,411	
State Share	\$ 45,510,495	\$ 742,184	\$ 172,922	\$ 728,765	\$ 1,480,832	
Cumulative	\$ 45,510,495	\$ 46,252,659	\$ 46,425,581	\$ 47,154,346	\$ 48,635,178	

Total Disbursements **\$ 288,874,801.52** **\$ 4,703,822.77** **\$ 1,828,254.97** **\$ 4,588,237.17** **\$ 8,140,341.84** **\$ 19,258,858.75**

Cumulative Disbursement Totals **\$ 288,874,902** **\$ 273,578,724** **\$ 275,404,879** **\$ 279,993,216** **\$ 288,133,558**

	Prior Years	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
ACH Funds Available (Beginning)						
ACH Funds Available (Beginning)	\$ -	\$ 88,988,232.00	\$ 87,580,510.00	\$ 89,661,983.49	\$ 89,837,490.49	
ACH Deposits 1997-2005 Capitalization Grants						
ACH Deposits 1997-2005 Capitalization Grants	\$ 157,848,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
2006 Capitalization Grant	\$ 27,694,800.00	\$ -	\$ -	\$ -	\$ -	\$ -
2007 Capitalization Grant	\$ 27,695,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
2008 Capitalization Grant	\$ 27,414,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
2009 Capitalization Grant	\$ 27,414,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
2010 Capitalization Grant	\$ -	\$ 1,500,000.00	\$ 4,000,000.00	\$ 4,000,000.00	\$ 5,000,000.00	\$ 14,500,000.00
2011 Capitalization Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 288,085,800.00	\$ 1,500,000.00	\$ 4,000,000.00	\$ 4,000,000.00	\$ 5,000,000.00	\$ 14,500,000.00
Cumulative ACH Deposits	\$ 288,085,900	\$ 289,585,900	\$ 273,585,900	\$ 277,585,900	\$ 282,585,900	
Cash Draw from ACH						
Cash Draw from ACH	\$ 179,097,668	\$ 2,887,722	\$ 1,918,527	\$ 3,824,493	\$ 6,535,380	\$ 15,166,121
Cumulative Draw from ACH	\$ 179,097,668	\$ 181,985,390	\$ 183,903,917	\$ 187,728,410	\$ 194,263,789	
ACH Funds Available (Ending)	\$ 88,968,232	\$ 87,580,510	\$ 89,661,983	\$ 89,837,490	\$ 88,302,111	

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Exhibit 4 Status of The Fund

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Beginning Balance	\$ -	\$ 48,473,149.63	
Increase in Available Funds			
<u>New Funds Deposited</u>			
Closed Grants - 1997 through 2004	\$ 146,767,723.00	\$ -	\$ 146,767,723.00
2005 Capitalization Grant Projects	\$ 13,883,768.00	\$ 619,433.00	\$ 14,503,201.00
State Match	\$ 2,778,948.00	\$ 130,874.00	\$ 2,909,822.00
2006 Capitalization Grant Projects	\$ 18,931,058.00	\$ 178,425.00	\$ 19,109,481.00
State Match	\$ 5,487,281.00	\$ 51,719.00	\$ 5,538,980.00
2007 Capitalization Grant Projects	\$ 17,138,698.00	\$ 1,423,340.00	\$ 18,559,938.00
State Match	\$ 4,987,122.00	\$ 412,685.00	\$ 5,379,807.00
2008 Capitalization Grant Projects	\$ 12,479,883.00	\$ 2,758,133.00	\$ 15,238,116.00
State Match	\$ 3,617,384.00	\$ 799,459.00	\$ 4,416,843.00
2009 Capitalization Grant Projects	\$ -	\$ 5,219,888.00	\$ 5,219,888.00
State Match	\$ -	\$ 1,512,952.00	\$ 1,512,952.00
2010 Capitalization Grant Projects	\$ -	\$ 749,045.00	\$ 749,045.00
State Match	\$ -	\$ 217,116.00	\$ 217,116.00
2011 Capitalization Grant Projects	\$ -	\$ -	\$ -
State Match	\$ -	\$ -	\$ -
Total New Funds	\$ 228,039,841.00	\$ 14,072,747.00	\$ 240,112,588.00
<u>Repayments Received - Principal</u>			
Deposited in Escrow with State Treasurer (1)	\$ -	\$ -	\$ -
Less: Transfers into Revolving Project Fund	\$ -	\$ -	\$ -
Balance Held in Escrow	\$ -	\$ -	\$ -
Deposited into Revolving Projects Fund	\$ 54,139,871.53	\$ 13,892,422.61	\$ 68,032,094.14
Add: Transfers from Escrow	\$ -	\$ -	\$ -
Total Deposited into Revolving Projects Fund	\$ 54,139,871.53	\$ 13,892,422.61	\$ 68,032,094.14
Total Principal Repayments Received	\$ 54,139,871.53	\$ 13,892,422.61	\$ 68,032,094.14
<u>Repayments Received - Interest</u>			
Deposited in Escrow with State Treasurer (1)	\$ -	\$ -	\$ -
Less: Transfers into Revolving Project Fund	\$ -	\$ -	\$ -
Balance Held in Escrow	\$ -	\$ -	\$ -
Deposited into Revolving Projects Fund	\$ 23,477,448.53	\$ 5,731,451.29	\$ 29,208,899.82
Total Deposited into Revolving Projects Fund	\$ 23,477,448.53	\$ 5,731,451.29	\$ 29,208,899.82
Total Interest Repayments Received	\$ 23,477,448.53	\$ 5,731,451.29	\$ 29,208,899.82
<u>Interest Earned on Fund Balance</u>	\$ 8,238,418.57	\$ 412,374.97	\$ 8,650,793.54
Total Increase in Available Funds	\$ 311,895,379.63	\$ 34,108,995.87	\$ 346,004,375.50
Decrease in Available Funds			
<u>Loan Disbursements</u>			
Closed Grants - 1997 through 2004	\$ 146,767,723.00	\$ -	\$ 146,767,723.00
2005 Capitalization Grant Projects	\$ 16,882,714.00	\$ 750,307.00	\$ 17,413,021.00
2006 Capitalization Grant Projects	\$ 24,418,317.00	\$ 230,144.00	\$ 24,648,461.00
2007 Capitalization Grant Projects	\$ 22,103,720.00	\$ 1,835,805.00	\$ 23,939,525.00
2008 Capitalization Grant Projects	\$ 16,097,387.00	\$ 3,557,592.00	\$ 19,654,959.00
2009 Capitalization Grant Projects	\$ -	\$ 6,732,638.00	\$ 6,732,638.00
2010 Capitalization Grant Projects	\$ -	\$ 968,161.00	\$ 968,161.00
2011 Capitalization Grant Projects	\$ -	\$ -	\$ -
Total Capitalization Grant Loan Disbursements	\$ 228,039,841.00	\$ 14,072,747.00	\$ 240,112,588.00
Revolving Fund Loan Disbursements	\$ 39,382,389.00	\$ 4,598,659.00	\$ 43,979,048.00
Total Decrease in Available Funds	\$ 268,422,230.00	\$ 18,669,406.00	\$ 284,091,636.00
Ending Balance	\$ 48,473,149.63	\$ 61,912,739.50	

Note: "The Fund" consists of monies to be loaned out for projects, and does not include set aside funds.

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Exhibit 5 Loan Administrative Fee

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Beginning Balance	\$ <u> -</u>		
Administrative Fees Collected	\$ 5,579,113.00	\$ 265,724.00	\$ 5,844,837.00
Interest Earned on Administrative Fees	\$ 1,195,175.59	\$ 51,805.12	\$ <u> 1,246,980.71</u>
Ending Balance			\$ <u> 7,091,817.71</u>

Exhibit 5-1A ARRA Loan Administrative Fee

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
ARRA Administrative Fees Collected	\$ 1,222,239.50	\$ 95,094.16	\$ <u> 1,317,333.66</u>

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Exhibit 6 New Projects Identified for Receiving DWSRF Assistance

<u>Project Name</u>	<u>Project Number (WIF)</u>	<u>Assistance Amount</u>	<u>Binding Commitment Date</u>	<u>Construction Start Date</u>	<u>Scheduled Completion Date</u>	<u>Loan Interest Rate</u>	<u>Loan Term (Years)</u>
<u>2008 Capitalization Grant</u>							
Enfield, Town of	1607A	\$90,000	5/16/2011			2.455%	18
<u>2009 Capitalization Grant</u>							
Belfast Patetown Sanitary District	1371	\$550,000	7/12/2011			2.455%	17
Duplin County Regional Water System Dist. F	1428	\$1,973,000	8/15/2011			2.455%	20
Eastern Wayne Sanitary District	1374	\$587,500	7/28/2011			2.455%	20
Goldsboro, City of	1620	\$2,949,322	10/10/2011	10/3/2011	1/3/2012	2.455%	20
Johnston, County of	1660	\$2,649,144	2/22/2012		8/16/2011	0.000%	20
Montgomery County Water System	0998B	\$2,601,653	12/16/2011	1/23/2012	9/15/2012	2.455%	17
Pamlico County Water	1630	\$4,289,772	3/22/2012	2/21/2011	3/15/2012	0.000%	20
Southeastern Wayne Sanitary District	1373	\$620,000	7/21/2011			2.455%	13
<u>2010 Capitalization Grant</u>							
Anson County	1042B	\$300,000	3/25/2012			0.000%	20
Cumberland County	1662	\$605,100	10/18/2011			0.000%	20
Duplin County Regional Water System Dist. E	1636	\$1,161,000	4/2/2012			0.000%	20
Duplin County Regional Water System Dist. G	1632	\$1,524,500	4/2/2012			0.000%	20
Elizabethtown, Town of	1626	\$389,515	1/23/2012			0.000%	15
King, City of	1666	\$13,580,997	5/24/2012			0.000%	20
Mount Olive, Town of	1629	\$2,187,850	1/9/2012			0.000%	11
North Wilkesboro, Town of	1647P	\$671,670	4/5/2012			0.000%	20
Ramseur, Town of	1642	\$353,914	4/25/2012			0.000%	20
Roanoke Rapids Sanitary District	1661	\$1,197,030	10/15/2011	12/5/2011	12/1/2012	0.000%	20
Spruce Pine, Town of	1649	\$2,426,000	2/10/2012			0.000%	20
<u>6900 Fund</u>							
Beaufort, Town of	1050B	\$935,000	10/21/2011			2.455%	20
Fayetteville Public Works Commission	1665	\$5,048,388	5/24/2012			0.000%	20
Middlesex, Town of	1700	\$431,728	6/27/2012			0.000%	20
Total Binding Commitments		\$47,123,083					

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Exhibit 7 Assistance Amount by Category--DWSRF

Project Name	Project Number	Category					Total
	(WIF)	Source	Treatment	Storage	Transmission & Distribution	Purchase of System	
<u>2008 Capitalization Grant</u>							
Enfield, Town of	1607A			\$90,000.00			\$90,000
<u>2009 Capitalization Grant</u>							
Belfast Pateltown Sanitary District	1371					\$550,000	\$550,000
Duplin County Regional Water System Dist. F	1428				\$1,973,000		\$1,973,000
Eastern Wayne Sanitary District	1374					\$587,500	\$587,500
Goldsboro, City of	1620			\$2,949,322			\$2,949,322
Johnston, County of	1660			\$2,649,144			\$2,649,144
Montgomery County Water System	0998B					\$2,601,653	\$2,601,653
Pamlico County Water	1630					\$4,289,772	\$4,289,772
Southeastern Wayne Sanitary District	1373					\$620,000	\$620,000
<u>2010 Capitalization Grant</u>							
Anson County	1042B					\$300,000	\$300,000
Cumberland County	1662					\$805,100	\$805,100
Duplin County Regional Water System Dist. E	1636					\$1,161,000	\$1,161,000
Duplin County Regional Water System Dist. G	1632					\$1,524,500	\$1,524,500
Elizabethtown, Town of	1626					\$389,515	\$389,515
King, City of	1668			\$13,580,997			\$13,580,997
Mount Olive, Town of	1629					\$2,187,850	\$2,187,850
North Wilkesboro, Town of	1647P	\$671,670					\$671,670
Ramseur, Town of	1642					\$353,914	\$353,914
Roanoke Rapids Sanitary District	1661					\$1,197,030	\$1,197,030
Spruce Pine, Town of	1649					\$2,426,000	\$2,426,000
<u>6900 Fund</u>							
Beaufort, Town of	1050B	\$935,000					\$935,000
Fayetteville Public Works Commission	1665		\$5,048,388				\$5,048,388
Middlesex, Town of	1700					\$431,728	\$431,728
Totals		\$1,606,670	\$24,317,851	\$1,973,000	\$19,225,562	\$0	\$47,123,083

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Exhibit 8-A 2010 Additional Subsidization

<u>WIF/DEH #</u>	<u>Applicant</u>	<u>Part A \$</u>	<u>Part A Additional Subsidy \$</u>
1662	Cumberland, County of	\$ 605,100	\$ 484,080
1636	Duplin County Regional Water System E	\$ 1,161,000	\$ 928,800
1632	Duplin County Regional Water System G	\$ 1,524,500	\$ 1,219,600
1700	Middlesex, Town of	\$ 431,728	\$ 431,728
1629	Mount Olive, Town of	\$ 2,187,850	\$ 1,750,280
1647P	Noth Wilkesboro, Town of	\$ 671,670	\$ 20,000
1642	Ramseur, Town of	\$ 353,914	\$ 283,131
1649	Spruce Pine, Town of	\$ 2,426,000	\$ 1,940,800
Minimum Subsidy Required: \$10,677,900		\$	7,058,419

Note that these exhibit tables report the initial offers (corresponding to "binding commitment") to each project. North Carolina will report the funding at the Preliminary Promissory Note stage (corresponding to "assistance provided") in the Project Benefits Reporting (PBR) database.

Exhibit 8-B. 2010 Green Project Reserve

<u>WIF/DEH #</u>	<u>Applicant</u>	<u>Part A \$</u>	<u>Part A Green \$</u>
1626	Elizabethtown, Town of	\$ 389,515	\$ 389,515
1661	Roanoke Rapid Sanitary District	\$ 1,197,030	\$ 1,197,030
Green Project Reserve: \$7,118,600		\$	1,586,545

Exhibit 8B shows that North Carolina has not yet met the requirements for the 2010 Green project reserve.

STATE OF NORTH CAROLINA
EPA Revolving Loan Fund
Combining Statement of Net Assets

June 30, 2012 and 2011

Exhibit 9-A

	Drinking Water Program	
	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 76,834,072	\$ 59,834,013
Investment-Bond Proceeds	0	0
Receivables:		
Loans (Due within one year)	13,170,352	10,543,008
Accrued Interest	2,117,038	3,047,724
Other	76,051	80,864
State Treasurer's Securities Lending Collateral	7,713,534	4,921,790
Total Current Assets	<u>99,911,047</u>	<u>78,427,399</u>
Capital Assets, Depreciable		
Machinery and Equipment	155,394	183,280
Accumulated Depreciation	(91,684)	(141,537)
Total Capital Assets, Depreciable (net)	<u>63,710</u>	<u>41,743</u>
Noncurrent Assets:		
Loans Receivable (Due after one year)	234,552,284	228,898,030
Total Assets	<u><u>334,527,041</u></u>	<u><u>307,367,172</u></u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	64,445	63,210
Accrued Vacation Leave	12,149	13,728
Accrued Payroll	0	0
Obligations Under State Treasurer's Securities		
Lending Agreements	8,234,428	5,271,383
Other Accrued Liabilities	23,441	18,967
Total Current Liabilities	<u>8,334,463</u>	<u>5,367,288</u>
Noncurrent Liabilities:		
Accrued Vacation Leave	261,094	273,311
Total Liabilities	<u>8,595,557</u>	<u>5,640,599</u>
NET ASSETS		
Invested in Capital Assets, net of related debt	63,710	41,743
Restricted for:		
Program Loans	325,867,774	301,684,830
Total Net Assets	<u><u>\$ 325,931,484</u></u>	<u><u>\$ 301,726,573</u></u>

Clean Water State Revolving Fund Annual Report

State of North Carolina

Fiscal Year 2012

September 30, 2012



Clean Water Works!

Photo by: Martin Kane

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*The total reported
water quality needs for
the nation as of
January 1, 2008 are
\$298.1 billion.*

*—USEPA Clean
Watersheds Needs
Survey*

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Introduction

The Infrastructure Finance Section (IFS) is part of the Division of Water Quality (DWQ) within the North Carolina Department of Environment and Natural Resources (NCDENR). IFS administers financial assistance programs to assist local government units (LGUs) in constructing projects that both benefit water quality and improve the human environment.

Specifically, IFS administers the Federal-State Clean Water State Revolving Fund (CWSRF) program as established by Title VI of the Federal Water Pollution Control Act (a.k.a. Clean Water Act) as amended in 1987. The CWSRF program offers low-interest loans to LGUs at interest rates lower than market rates for clean water infrastructure. As a LGU repays the loan, the monies

are again loaned out, hence the revolving nature of the program. All loan repayments go back into the CWSRF.

As part of its operating agreement with the United States Environmental Protection Agency (USEPA) and in accordance with the Clean Water Act, IFS must submit an annual report to USEPA that details the activities for the State fiscal year. For the purposes of this report, the most recently completed fiscal year is FY 2011-2012.

The following sections discuss an overview of program history, Clean Water State Revolving Fund goals, project funding, environmental benefits of CWSRF funding, and long-term financial health.

A project needing a \$10 million loan would save \$1,900,000 in interest payments by utilizing a 2% CWSRF loan over a 20-year loan made at the market rate.

Overview of Program History

In order to understand why the program functions as it currently does, it is important to gain an understanding of its

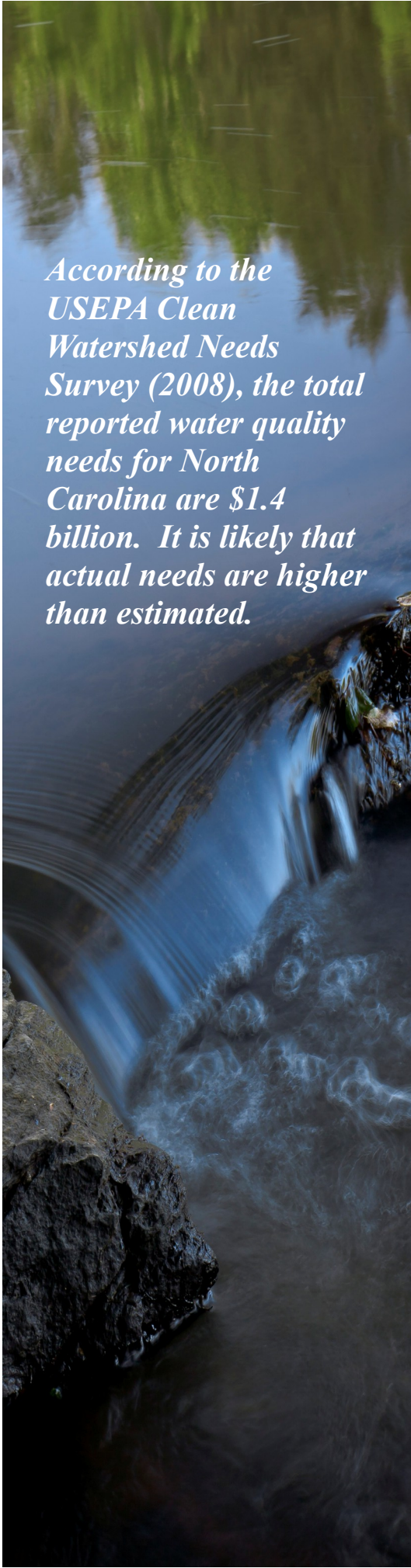
history. This section discusses the process as well as the financial history associated with the program.

Program History

The CWSRF program replaced the Construction Grants program in the late 1980s. The purpose of the grants program established during the early 1970s was to provide funding for LGUs to improve their wastewater infrastructure to meet new (at the time) Federal mandates, including

minimum treatment requirements, associated with changes to the Clean Water Act in 1972.

In 1989, the CWSRF program was created to replace the grants program in order to establish a sustainable financing program. The program made available low-



According to the USEPA Clean Watershed Needs Survey (2008), the total reported water quality needs for North Carolina are \$1.4 billion. It is likely that actual needs are higher than estimated.

interest loans to LGUs for the same purposes of improving water quality and the human environment.

For over 20 years, the CWSRF program has provided financing

for clean water infrastructure, saving LGUs in North Carolina millions of dollars in interest costs. These savings make clean water infrastructure more affordable for the citizens of the state.

Financial History

Congress appropriates an overall CWSRF funding level that is allocated to states based on percentages in the Clean Water Act. This allocation has not been updated since the 1987 amendments. The North Carolina allocation is approximately 1.8% of the national appropriation. Capitalization grants, including the required state match, have provided \$725,829,058 for Clean Water Act projects since the inception of the program in 1987. However, since the CWSRF is a revolving program, these government funds have enabled \$1,294,053,105 in loan commitments over this same time

period. Money that is repaid is loaned for new projects, thereby providing public benefits repeatedly through time (i.e., the revolving nature of the program). While providing substantial support, this infrastructure financing has only met a small percentage of need for LGUs in North Carolina. However, if capitalization grants are increased, the program will better be able to meet infrastructure financing needs for LGUs. The section on the long-term financing health of the program contains more information about the financial aspects of the program.

Clean Water State Revolving Fund Program Goals

As part of the Intended Use Plan (IUP) for the CWSRF program, the Clean Water Act requires that the State identify the goals and objectives of the CWSRF.

The overall goal of the CWSRF program is to provide funding for clean water infrastructure while

advancing the DWQ's overall mission to protect and enhance North Carolina's surface waters and groundwater resources for the citizens of North Carolina and future generations. This overarching goal is supported by several short- and long-term goals that are discussed below.

Short-Term Goals

As part of the Fiscal Year 2012 IUP, IFS developed two short-term goals. First, IFS planned to continue efforts to streamline the funding process to ensure the funds are used in an expeditious and timely manner in accordance with §602(b)(4) of the Clean Water Act. As a result, funded projects are now required to meet a 22-month schedule that is further discussed in the section on project funding cycles (see Page 7).

Second, IFS planned significant efforts to inform LGUs of the availability of funds, benefits of

the CWSRF program, and funding process improvements. IFS staff attended several events throughout the Spring of 2012, including the Rural Water Association's annual conference, the American Water Works Association—North Carolina Water Environment Association's spring conference. Additionally, IFS staff have spoken at several training events. IFS will continue to look for opportunities to conduct outreach on the advantages of the CWSRF program.



IFS outreach at AWWA-WEA Spring Conference, April 2012

Long-Term Goals

In addition to short-term goals, IFS developed long-term goals that will be implemented over the course of several years. The following discusses each of the long-term goals and how IFS has either begun or continues to implement these long-term goals.

Goal #1: To provide effective project management to improve the pace of the revolving fund.

By revising its funding process and placing all applicants on a 22-month funding schedule, IFS has ensured that projects will move through the system from application to executed construction contract in a timely manner. IFS will continue to partner with funding recipients to help ensure projects adhere to the schedule.

Goal #2: To aid compliance with State and Federal water quality standards by all funded

publicly-owned wastewater treatment works. IFS has taken a two-pronged approach to ensure that this long-term goal is met. First, the priority system was revised to more highly prioritize projects that will rehabilitate, replace, or repair wastewater infrastructure that is aging and in need of repair, which aids in the compliance of Clean Water Act requirements. Additionally, projects that implement a basinwide strategy or benefit an impaired or environmentally sensitive water are more highly prioritized.

Goal #3: Ensure the technical integrity of CWSRF projects through diligent and effective planning, design, and construction management.

Through the funding process (e.g., engineering report review, plans and specifications review

Application deadlines are March 1st and September 1st of each year.



Hillsborough Wastewater Treatment Plant Expansion
Image # 11020 035
Date 10/20/11

The expansion of the Hillsborough Wastewater Treatment Plant will also improve effluent water quality.

Over the past four project review cycles, 58 projects were funded.

and permitting, contract review, and construction inspection), IFS staff ensure that the wastewater infrastructure projects that are being funded through CWSRF are technically sound facilities that will be compliant with all federal and state regulations.

Goal #4: To ensure the long-term viability of the CWSRF program through effective financial practices. By changing its funding process schedule, IFS has ensured that not only will funds flow out in a timely manner but will also be repaid in a timely manner. As the pace from funding to construction quickens, loan repayments then begin sooner; therefore, making revolving funds available sooner for additional loans. In addition, all funds/projects are managed in accordance with federal and state requirements. All fund

investments are managed by the state treasurer's office; however, IFS seeks to maximize loans to LGUs, resulting in minimum fund balances managed by the state treasurer's office.

Goal #5: To ensure the priority system reflects the Division of Water Quality's goals. Every year as the IUP is prepared, IFS reviews the priority points utilized to score applicant projects during each semi-annual review cycle. Additionally, when necessary, other DWQ personnel are contacted to obtain input as the priority points system relates to DWQ concerns and goals. Consideration is given to any changes in DWQ's priorities, and the points system is revised to reflect these changes.

Project Funding

There are two funding rounds each year with application deadlines of March 1st and September 1st. Applications are reviewed and prioritized in one month. Successful applicants are notified of the required funding schedule. Successful projects may be funded under the base CWSRF loan program or under one of the special programs provided. Principal forgiveness is allowed under capitalization grants as provided by specific congressional authority. There are two special interest rate programs: green project reserve

and zero percent interest funds. The following sections discuss the overall schedule and each of the four funding types.

Since a full cycle is 22 months, four cycles are examined in this report: September 2010, March 2011, September 2011, and March 2012. The projects funded in these cycles are presented in Appendix A.

Prioritization

The prioritization system developed by IFS considers four elements of a project: project type, environmental benefit, system management, and financial situation.

For project type, IFS places higher priority on projects that repair, rehabilitate, or replace infrastructure that has already been installed for either wastewater treatment plants or collection systems rather than on projects that are new or expansions. Projects that reduce nonpoint source pollution (e.g., stormwater best management practices) are also prioritized more highly.

In terms of environmental benefits, projects that seek to either proactively benefit the environment or correct water quality issues receive points for

environmental benefits. For example, IFS more highly prioritizes projects implementing basinwide strategies, projects correcting groundwater violations, or projects directly benefitting impaired waters.

In addition to correcting water quality issues, IFS seeks to support those LGUs that seek to be proactive in their system management, including prioritization points for asset management plans and appropriate operating ratios.

Last, IFS has taken into account the financial situations of LGUs. Those LGUs who have a high poverty rate and/or high utility bills relative to median household income receive higher priority than other LGUs.

Funding Schedule

The schedule that all applicants must follow if they choose to accept CWSRF funding includes the following: (1) applications received, (2) engineering report / environmental information document approved, (3) plans and specifications and permitting approved, (4) Authority to Award issued, and (5) construction contracts executed. This new system requires that both IFS and the applicant meet these deadlines as well as additional interim deadlines.

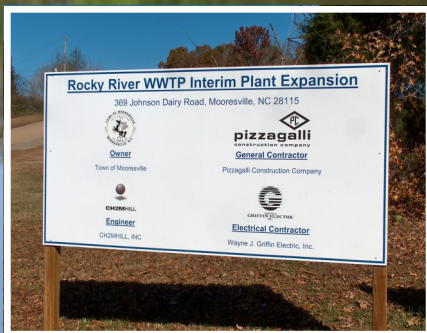
For example, each review cycle is at a different stage in the process.

Projects in the September 2010 cycle began construction (i.e., under contract) no later than July 2012. Projects in the March 2011 cycle have recently reached the plans and specification and permitting approval stage. Projects in the September 2011 cycle are in the process of preparing their plans and specifications as well as permitting. Last, projects in the March 2012 cycle are currently in the engineering report review and environmental documentation phase.

CWSRF application reviewers have 30 days to complete their review of CWSRF funding applications, regardless of the number of applications submitted each cycle.

Beginning with the September 2010 funding cycle, all funded projects must have construction contracts executed within 22 months of submitting an application.

CWSRF Base Program



The Town of Mooresville was one of the last projects to be underway under the old system. Construction was completed in late 2011.

The current interest rates offered by the Infrastructure Finance Section are 2% and 0% (special funding methods only).

The base program is the core of the loan program; all special programs (e.g., principal forgiveness) represent a departure from the base program. As shown in Figure 1, the base CWSRF program provides the funding for the vast majority of loans made with CWSRF funds. This is because not all projects meet the requirements of the other three funding methods, including many larger projects (e.g., wastewater treatment plant expansions). According to the IUP, individual projects may not have a loan amount exceeding \$50 million, and one applicant may not take on CWSRF debt exceeding \$100 million. However, there may be cases where these limits may be exceeded to help ensure that all available funds are utilized during each cycle.

The base program offers loans at one-half the market rate as established by The Bond Buyer's 20-Bond Index. The current CWSRF interest rate is two percent. In addition, interest does not start accruing until the contract completion date, which provides additional interest savings for the LGUs. The maximum term for CWSRF loans is 20 years.

All projects must meet federal requirements for the CWSRF program such as the requirement of Davis-Bacon prevailing wage rates. These requirements may come directly from the Clean Water Act or from specific federal appropriation bills that provide capitalization grants.

Figure 2 below shows the breakdown of funded projects by project type.

Figure 1. Funding by Loan Program

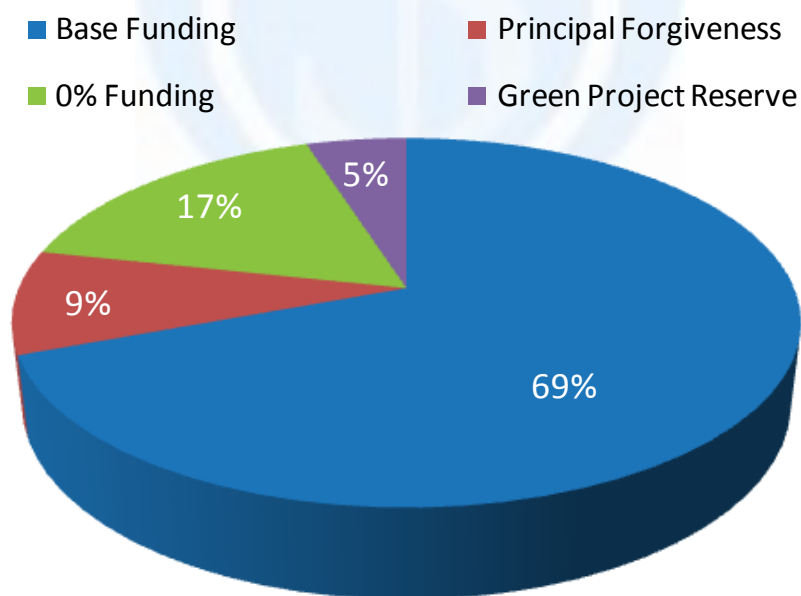
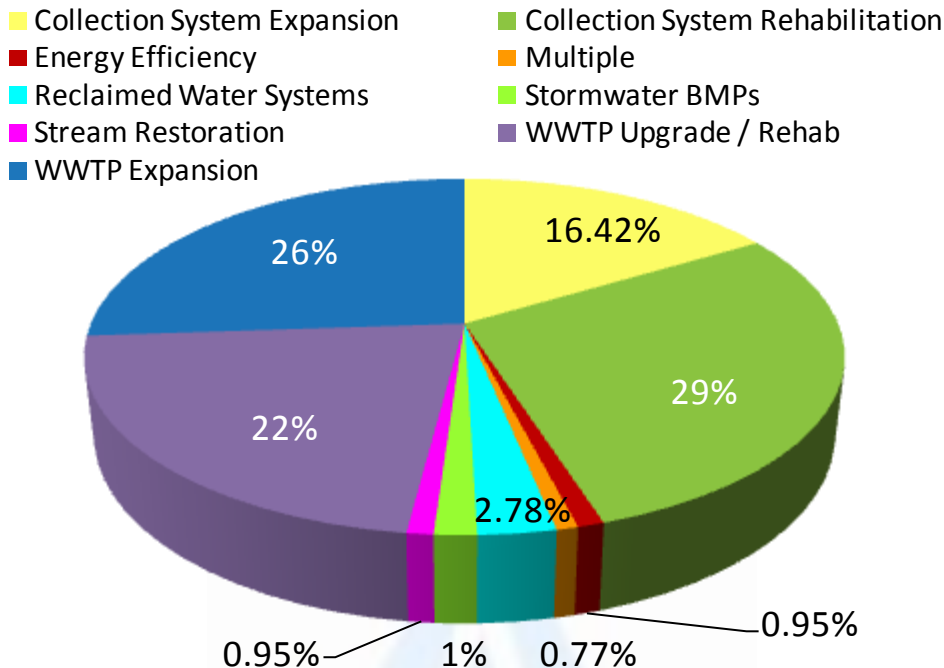


Figure 2. Funded Projects by Project Type

Principal Forgiveness

Principal forgiveness is one of the special funding methods offered by the CWSRF program. It can only be offered when specifically allowed through congressional appropriations. Over the last four funding cycles, 28 loans have included over \$18 million in principal forgiveness. The demand for principal forgiveness has always exceeded availability.

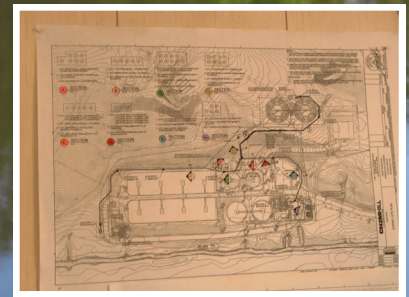
Each federal appropriation since 2010 has provided an allowance for principal forgiveness (i.e., both minimum and maximum amounts). However, congress has decreased the amount available each year since 2010.

For example, based on the congressional allowance, the 2012 capitalization grant only provides a total amount of not less than \$1,417,587 and not

greater than approximately \$2,126,380.

To receive principal forgiveness, a LGU must meet certain qualifications. The LGU must have a sewer connection base of less than 10,000 customers. Also, the LGU must have a score of six or greater from the sum of two financial indicators that examine poverty rate as well as the sewer bill in relation to median household income.

Additionally, principal forgiveness is restricted to half of the total funding amount not to exceed a maximum amount of \$1 million. For the balance of the funds needed for the project, a zero percent interest rate would be offered. Principal forgiveness is not available for any projects that would qualify under the green project reserve.



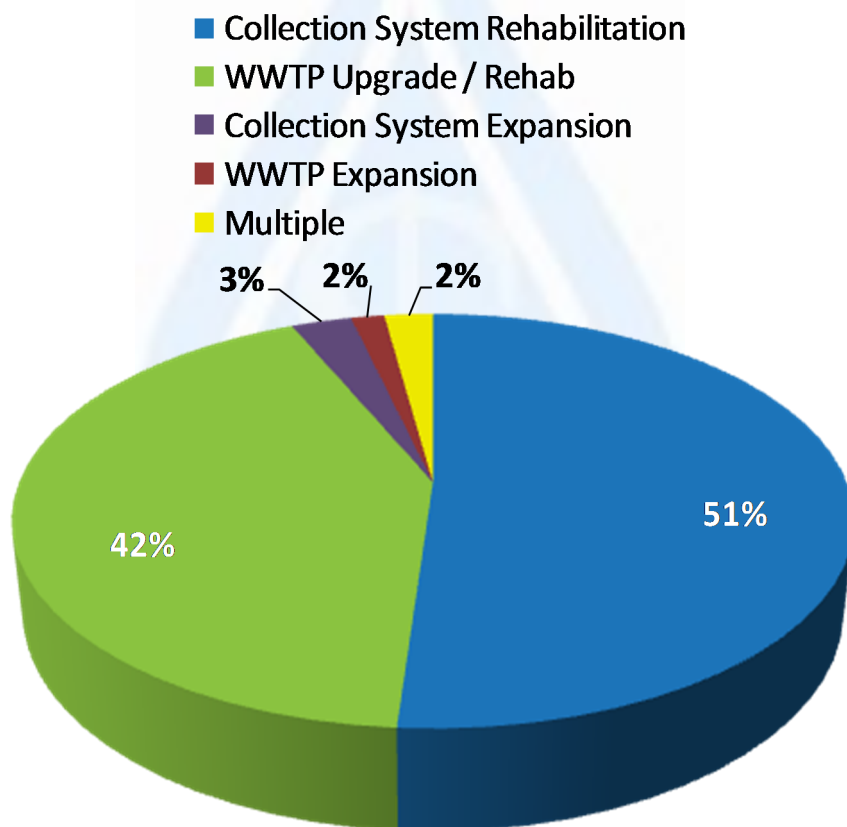
*Diagram of
Mooresville WWTP
Interim Expansion
Project*

Since the new funding cycle system was implemented in September 2010, the demand for principal forgiveness funds has always exceeded supply of funds.

Principal forgiveness is awarded both on eligibility and also on the priority of the project. Figure 3 shows the projects that received principal forgiveness broken out by type. As clearly evident by the figure, the vast majority of projects receiving principal forgiveness were collection system rehabilitation and replacement projects. Funding for these projects was greater than \$10 million.

However, though much fewer in number wastewater treatment plant (WWTP) Equipment Repair and Replacement projects also exceeded \$10 million. This is because repairs of WWTPs are often much more expensive than replacement and rehabilitation of collection systems.

Figure 3. Percentage of Principal Forgiveness Funds Spent by Project Type



Zero Percent Interest

The State has begun to offer zero percent loans for certain disadvantaged communities with rehabilitation projects (i.e., collection system rehabilitation/replacement, wastewater treatment plant equipment repair/replacement, collection system expansion to remove failing septic systems). To qualify for this interest rate, LGUs must meet the above noted principal forgiveness criteria.

This special loan program recognizes the continuing need for affordable clean water infrastructure in these communities and that there is a limited amount of principal forgiveness available as well as decreases in other grants offered through other funding programs. Figure 1 on Page 8 shows the percentage of projects receiving zero percent interest loans.

Over \$30 million has been committed in the zero percent interest program to assist local government units in rehabilitating existing infrastructure.

Green Project Reserve

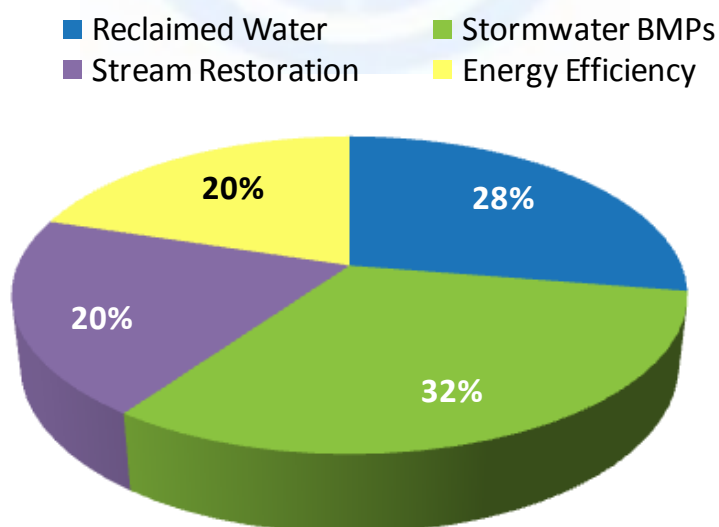
Recent federal appropriations include a green project reserve (GPR), which are CWSRF funds that are set aside for use only for projects that are deemed to be green by USEPA. Categories prioritized by the state include:

- Reclaimed water systems
- Stormwater best management practices (BMPs)

- Stream, wetland, and/or buffer restoration, and
- Energy efficiency wastewater infrastructure projects.

Beginning in 2010, all capitalization grants have required that 10 percent of the grant be provided for green projects; however, this is subject to availability of projects that

Figure 4. Percentage of Project Types for the GPR



10% of all projects funded by IFS from September 2010 to March 2012 are green projects representing 5% of all funds awarded.

meet this criteria. IFS offers zero percent interest rates for all green projects regardless of cost. Principal forgiveness is not available for green reserve projects. IFS has presented information at various seminars and conferences soliciting green projects as part of the short-term goals.

Figure 4 presents the amount of funds loaned for each GPR project type over the past four cycles. Note that both the energy efficiency and wetland/stream/buffer restoration projects received only a total of \$2 million in funds each due to GPR limits at the time (i.e., in accordance with the 2010 IUP).



Purple pipe for the City of Raleigh's Reclaimed Water Distribution System

Environmental Benefits of CWSRF Funding

One of the primary goals of CWSRF funding is to support projects that benefit the natural environment. The Clean Water Benefits Reporting (CBR) system was established by the USEPA to track the way that different projects benefit the environment and a variety of environmental results data is

maintained in the CBR system. Appendix C contains a summary report from this system. Consistent with the program's long-term goals, IFS includes environmental benefits in the priority points for projects that benefit groundwater and surface water quality.

Impaired Waters

The state maintains the integrated report that identifies those waters that are considered to be impaired for various reasons such as turbidity, biological integrity, or chlorophyll-a issues. The priority points system specifically awards points for projects that will directly address a stream impairment.

Over the past four cycles, approximately \$70 million of CWSRF funds have been allocated to projects that benefit impaired waters. Only projects that claimed points directly addressing impairment on their CWSRF application are included

in this figure. In the March 2011 cycle, funding for projects that mitigate impaired waters reached almost \$40 million. This is due to the fact that two WWTP Equipment Repair and Replacement projects totaled approximately \$22 million and \$16 million, respectively. Both projects upgraded WWTP equipment and processes and will directly address stream impairment.

Refer to Appendix C for more information about funding related to projects that benefit impaired waters (i.e., may or may not have received priority points related to impairment).

Implementation of Basinwide Plans

In addition to prioritizing projects that benefit impaired waters, IFS also more highly prioritizes projects that implement basinwide management plans. Basinwide management strategies may address existing water quality issues (whether a stream is deemed impaired or not) or proactively address water quality trends that may lead to impairment. By prioritizing basinwide strategies, the CWSRF program directs funds first toward

both improving existing water quality issues and preventing water quality impairment. For the past four cycles, approximately \$58 million in CWSRF funding has been awarded to projects that directly address a recommendation or strategy in a basinwide management plan. Only projects receiving points for this in the priority points system were counted.

The CWSRF priority points system ensures that projects funded by CWSRF loans will help to fulfill the Division of Water Quality's goal of protecting and enhancing the surface and ground water of North Carolina.

Distribution of Funded Projects

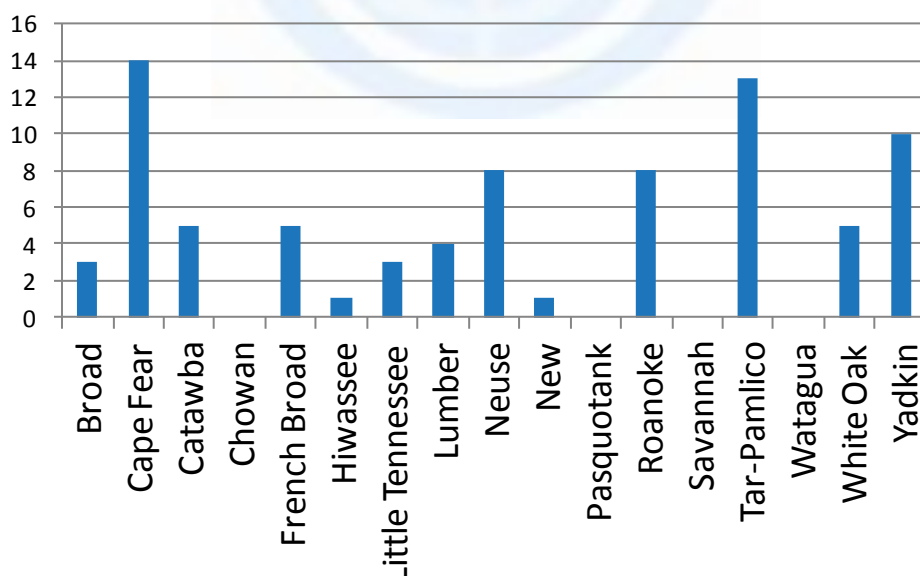
Figure 5 shows the number of projects awarded funding throughout the 17 river basins in North Carolina.

The only basins that did not have a project in each of the four cycles were the Pasquotank, Savannah, and Watauga basins. Compared to the other basins in

North Carolina, these basins either have a very small land area or are sparsely populated, hence the increased likelihood that they would not have a CWSRF-funded project.

Some basins (e.g., Neuse, Roanoke, Yadkin) received over \$30 million of CWSRF funds in

Figure 5. Number of Funded Projects by River Basin





The Western Wake Regional Water Reclamation Facility has constructed clarifiers that, when the reclamation facility is expanded in the future, can be converted to membrane bioreactors.

the last four cycles. These basins are larger both in terms of geography and in terms of population and have more potential applicants for CWSRF

funds. The Catawba and Cape Fear River Basins, home to larger population centers and LGUs also received significant funding.

Long-Term Financial Health of Program

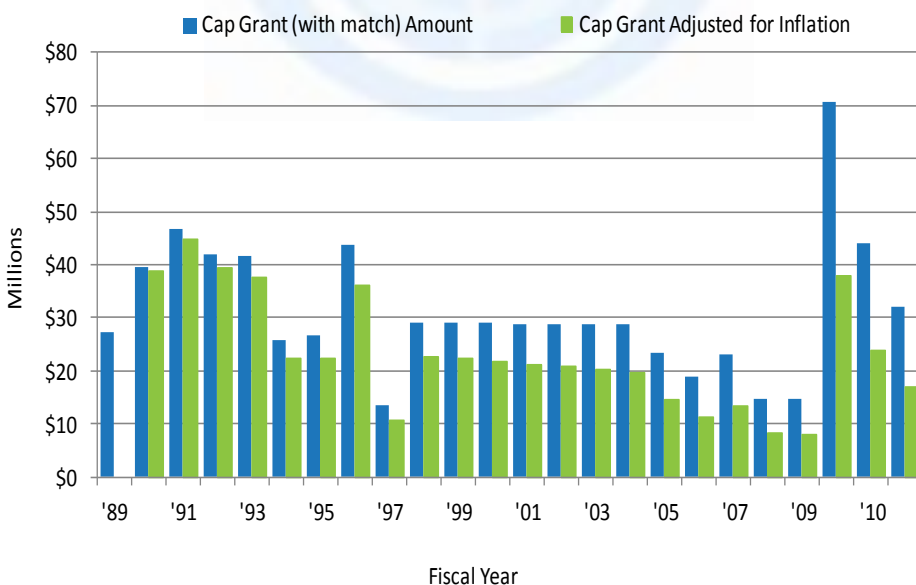
The CWSRF program begins with the capitalization grants. Figure 6 below shows the grants received since the inception of the program and their required twenty percent state match.

Capitalization grants, plus state match, minus the four percent administrative allowance has provided \$725,829,058 dollars for Clean Water Act projects since the inception of the program. In addition, Figure 6 also indicates the effect of inflation. While capitalization grants have increased over 2009 levels, the effectiveness of those dollars are about half of those of the first capitalization grants in the early 1990's. Combined with the increased awareness of clean water infrastructure needs, the

CWSRF can only meet a small percentage of infrastructure funding needs of LGUs as a whole.

In addition to the four percent administrative allowance, the CWSRF charges a two percent fee on all loans to supplement this allowance for administering the program. This fee is not financed as part of a loan and is considered program income if the loan originates from a capitalization grant. Program income is limited to use within the CWSRF by the USEPA. Fees not considered program income (i.e., from loans originating from repayment funds) may be used for other water quality purposes in accordance with USEPA

Figure 6. Capitalization Grants (with Match) Including ARRA



requirements. DWQ utilizes a portion of these non-program income fees to support water quality positions that support the CWSRF program.

Monies being repaid into the fund from completed projects, coupled with continued capitalization of the program, have resulted in an increase of funds available for new projects. The targeted financial incentives and awareness efforts have resulted in a significant increase in projects receiving binding commitments.

Figure 7 illustrates the increase in annual binding commitments. Also in accordance with §603(b)(3), North Carolina continues to easily meet its binding commitment rate; see Appendix B for this information.

Figure 8 shows how the cumulative value of loans, which has risen in the past six years and with it - nearly parallel - the actual disbursements. As monies are disbursed, the amount due back into the program (accounts receivable) also increases. As

Figure 7. Binding Commitments per Year

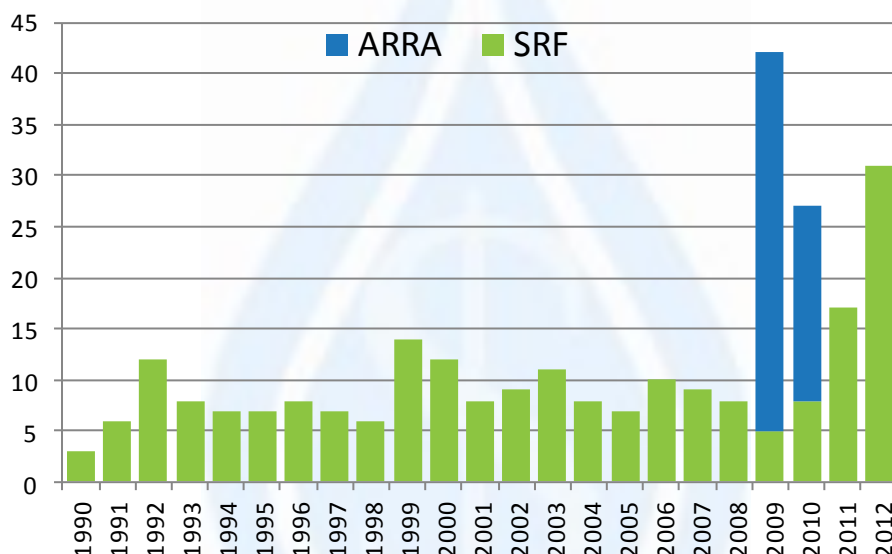
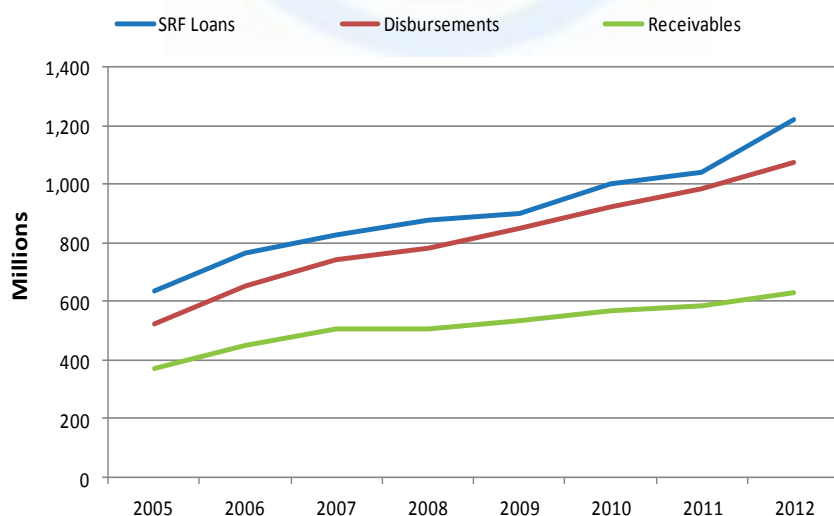


Figure 8. CWSRF Increase in Value





such, even though the fund has been capitalized with over \$700 million as noted above, the revolving nature of the program has allowed the program to enter into \$1.2 billion in binding commitments over that same time. However, the American Recovery and Reinvestment Act of 2009 (ARRA) funds were provided at 50% principal forgiveness. Principal forgiveness will not revolve back into the funding program. Therefore, the accounts receivable line has not increased at the same rate.

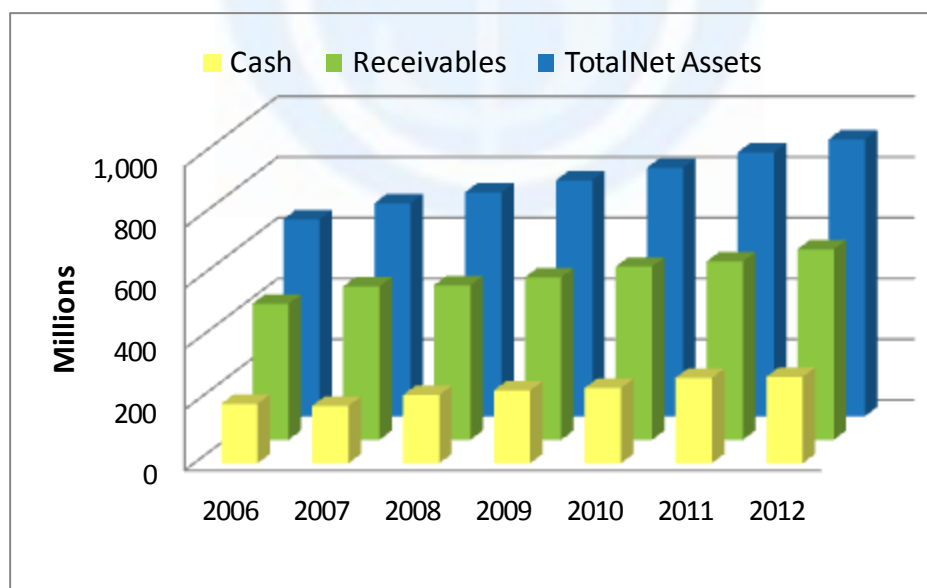
Finally, Figure 9 demonstrates how the combined capitalization and repayments on hand (cash), and accounts receivable, has increased the value of the program (net assets) in North Carolina to just under one billion dollars.

The CWSRF continues to be effective at providing more

funding than capitalization grants to LGUs over the life of the program. For example, the CWSRF is required to enter into 120 percent of the capitalization grant in binding commitments within one year of grant payments. This requirement is cumulative, applying to the CWSRF as a whole. In North Carolina, this requirement has been exceeded prior to any 2012 grant payment (i.e., $\$1,294,053,105 / \$637,909,383 = 203\%$).

As the health of the overall fund is maintained, North Carolina continues to disburse capitalization grant funds first, in accordance with §602(b)(5) and have matching funds available in accordance with §602(b)(2). The 22-month process is intended to meet the intent of §602(b)(4) and ensure that all CWSRF funds are expended in a timely manner.

Figure 9. Increase in Net Assets





Appendix A – Status of Recent Projects



Appendix A - Status of Recent Projects

Cost		Loan Type *	Project Number	Contracts	Description	County	Priority Rating	Project Type	Federal Needs Category
September 2010 Cycle		\$	48,126,545						
Morganton	\$	11,428,456		725-02	5/22/2012	WPCF Improvements	Burke	WWTP Equipment Repair & Replacement	II
Eden	\$	2,154,934	PF	458-04	1/19/2012	Collection System Improvements	Rockingham	Collection System Rehabilitation and Replacement	III-B
Wingate	\$	1,973,350	PF	906-01	7/19/2012	Gravity Wastewater Collection System	Union	Collection System Rehabilitation and Replacement	III-A
Raleigh	\$	2,000,000	GPR	419-16		Upper Longview Lake and Stream Enhancement	Wake	Stream/Buffer/Wetland Restoration	VII-K
Raleigh	\$	4,124,874	GPR	419-17	6/14/2012	Centennial Reuse Pipeline Project	Wake	Reclaimed Water Systems	X
Rocky Mount	\$	1,751,025		394-04	6/27/2012	Lafayette Pump Station Removal	Edgecombe	Collection System Rehabilitation and Replacement	III-B
Rocky Mount	\$	2,340,000	GPR	394-08	3/30/2012	Tar River Regional WWTP Oxygen Regeneration System	Edgecombe	Energy Efficiency for Wastewater Infrastructure	II
Taylorsville	\$	689,464	PF	700-03	6/4/2012	Collection System Rehabilitation & Repair	Alexander	Collection System Rehabilitation and Replacement	III-B
Jacksonville	\$	850,910	GPR	386-07		Centralized Downtown Study Area Storm water BMP	Onslow	Stormwater Best Management Practices	VI-B
Bunn	\$	486,280	PF	531-04		Sanitary Sewer Rehabilitation	Franklin	Collection System Rehabilitation and Replacement	III-B
Henderson	\$	1,000,000	PF	410-05		Sanitary Sewer Rehabilitation	Vance	Collection System Rehabilitation and Replacement	III-B
Blowing Rock	\$	737,000		479-03	6/4/2012	Wastewater Treatment Plant Improvements	Watauga	WWTP Equipment Repair & Replacement	I
Belhaven	\$	1,629,395	PF	503-04		Force Main Bypass and Sewer Rehabilitation &	Beaufort	Multiple	III-A
Brevard	\$	749,375		476-05	7/17/2012	Kings Creek basin sewer rehabilitation.	Transylvania	Collection System Rehabilitation and Replacement	III-B
Johnston County	\$	300,000	GPR	560-12		Reclaimed Water System Improvements	Johnston	Reclaimed Water Systems	X
Warrenton	\$	490,000	PF	634-01		Sanitary Sewer Rehabilitation and Replacement	Warren	Collection System Rehabilitation and Replacement	III-B
Robbinsville	\$	310,000	PF	557-02	3/30/2012	Tallulah Creek and Atoah Street Sewer System Rehabilitation	Graham	Collection System Rehabilitation and Replacement	III-B
Burnsville	\$	1,585,060	PF	642-02		Sanitary Sewer Rehabilitation	Yancey	Collection System Rehabilitation and Replacement	III-A
Pitt County	\$	1,973,000		878-02	5/11/2012	Chicod School PumpStations and ForceMains	Pitt	Collection System Expansion	IV-B
Troy	\$	441,000	GPR	604-03		Wastewater Reuse Project	Montgomery	Reclaimed Water Systems	X
Fayetteville PWC	\$	614,083		434-11	6/26/2012	Edgewater/Northview Sewer Main Relocation	Cumberland	Collection System Rehabilitation and Replacement	III-B
Bryson City	\$	576,232		845-02		WWTP Improvements	Swain	WWTP Equipment Repair &	I
Warren County	\$	867,500		520-04	5/31/2012	Replacement of Clarifier and Plant Control and Monitoring System	Warren	WWTP Equipment Repair & Replacement	II
Franklin	\$	5,350,300		524-03	5/1/2012	WWTP Improvements and Riverview Pump Station and Force Main	Macon	WWTP Equipment Repair & Replacement	I

* Projects labeled principal forgiveness (PF), receive 1/2 of their loan amount forgiven, not to exceed \$1,000,000 per project. Green projects (GPR) receive a 0% interest loan. 0% indicates 0% loan

Appendix A - Status of Recent Projects

Randleman	\$ 678,315		662-02		Wastewater System Repairs	Randolph	Collection System Rehabilitation and Replacement	III-B
Cape Fear Public Utilities	\$ 3,025,992		923-01	5/3/2012	Burnt Mill Creek Phase 2 Sewer Improvement	New Hanover	Collection System Rehabilitation and Replacement	III-B
March 2011 Cycle								
SGWSA	\$ 22,018,839		925-02		South Granville WWTP improvements	Granville	WWTP Expansion/Construction/Upgrade	I
Eden, City of	\$ 2,545,342	PF, 0%	458-05		Kuder St Rehab	Rockingham	Collection System Rehabilitation and Replacement	III-A
Henderson, City of	\$ 16,615,000	PF, 0%	410-06		Nutbush Creek WWTP improvements	Vance	WWTP Equipment Repair & Replacement	II
Lake Waccamaw, Town of	\$ 999,562	PF, 0%	833-01		Phase 4 sewer improvements	Columbus	Collection System Rehabilitation and Replacement	III-B
Wallace, Town of	\$ 250,000	PF, 0%	445-05		Sanitary Sewer Rehabilitation	Duplin	Collection System Rehabilitation and Replacement	III-A
Red Springs, Town of	\$ 589,494	PF, 0%	433-04		WW Collection System Rehabilitation	Robeson	Collection System Rehabilitation and Replacement	III-A
Lumberton, City of	\$ 1,881,759	PF, 0%	455-02		Tanglewood area sewer rehab	Robeson	Collection System Rehabilitation and Replacement	III-A
Forest City, Town of	\$ 902,700	PF, 0%	626-03		Central Business District Sewer System I&I reduction Program	Rutherford	Collection System Rehabilitation and Replacement	III-B
Washington, City of	\$ 600,000	0 %	521-05	3/7/2012	Main and Respress Pump Station	Beaufort	Collection System Rehabilitation and Replacement	III-B
Taylorsville, Town of	\$ 1,972,821	PF,0%	700-04		Sewer Collection System Extension to serve Millersville Community	Alexander	Collection System Rehabilitation and Replacement	IV-A, IV-B
Spring Lake, Town of	\$ 1,700,000	0 %	750-03		WWTP rehabilitation	Cumberland	WWTP Equipment Repair & Replacement	I
Louisburg, Town of	\$ 247,027	0 %	397-05	ATA 5/10/12	Water Reclamation Facility Improvements	Franklin	WWTP Equipment Repair & Replacement	II
PWC-Fayetteville	\$ 4,875,977		434-12		Outfall Rehabilitation parallel to Little Rockfish River	Cumberland	Collection System Rehabilitation and Replacement	III-A
SGWSA	\$ 975,248		925-01		Butner Sewer Rehab Phase 1	Granville	Collection System Rehabilitation and Replacement	III-A

* Projects labeled principal forgiveness (PF), receive 1/2 of their loan amount forgiven, not to exceed \$1,000,000 per project. Green projects (GPR) receive a 0% interest loan. 0% indicates 0% loan

Appendix A - Status of Recent Projects

Cost	Loan Type *	Project Number	Contracts	Description	County	Priority Rating	Project Type	Federal Needs Category
September 2011 Cycle \$ 61,332,872								
Pine Knoll Shores, Town of	\$362,100	GPR	717-01		East End Drainage Project	Carteret	Stormwater Best Management Practices	VI-B
Robersonville, Town of	\$1,143,780	PF, 0%	758-02		Wastewater Collection Ssystem Rehabilitation	Martin	Collection System Rehabilitation and Replacement	III-A
Windsor, Town of	\$1,096,790	PF, 0%	703-01		Collection System Rehab and WWTP Influent PS Replacement	Bertie	Collection System Rehabilitation and Replacement	III-B
Lumberton, City of	\$2,000,000	PF, 0%	455-03		West Lumberton Sewer Rehabilitation.	Robeson	Collection System Rehabilitation and Replacement	V
Spindale, Town of	\$1,000,016	PF, 0%	621-03		Replacing 8000 l.f of 8" sewer and 40 manholes.	Rutherford	Collection System Rehabilitation and Replacement	III-B
Cape Fear Pub. Util. Authority	\$390,000		923-02		Between the Creeks Pump Station 28 Refurbishment	New Hanover	Collection System Rehabilitation and Replacement	III-B
Bunn, Town of	\$1,606,000	PF, 0%	531-05		Wastewater Treatment Plant Expansion	Franklin	WWTP Expansion/Construction/Upgrade	I
Cape Fear Pub. Util. Authority	\$1,750,000		923-03		30th Street Sewer Rehabilitation Project	New Hanover	Collection System Rehabilitation and Replacement	III-B
Cape Fear Pub. Util. Authority	\$1,250,000		923-04		McCumber's Ditch Sewer System Rehabilitation Project	New Hanover	Collection System Rehabilitation and Replacement	III-B
Locust, City of	\$941,870		828-02		Sherwood park and Kings Heights Sewer	Stanly	Collection System Expansion	IV-A
Bath, Town of	\$806,360		733-01	8/23/2012	Wastewater Treatment and Disposal Upgrade	Beaufort	WWTP Equipment Repair & Replacement	I
Cape Fear Pub. Util. Authority	\$2,250,000		923-05		Greenfield Lake Outfall Rehabilitation	New Hanover	Collection System Rehabilitation and Replacement	III-B
Cape Fear Pub. Util. Authority	\$2,425,000		923-06		Smith Creek Alandale Pump Station Removal Project	New Hanover	Collection System Expansion	IV-B
Newport, Town of	\$8,000,000		691-02		Wastewater Treatment Plant Expansion	Carteret	WWTP Expansion/Construction/Upgrade	II
Hendersonville, City	\$3,000,000		444-09		Wolfpen Sewer Interceptor Project	Henderson	Collection System Expansion	IV-B
Thomasville, City of	\$2,709,099		619-04		North Hamby Sanitary Sewer Outfall	Davidson	Collection System Expansion	IV-B
Thomasville, City of	\$632,500		619-05		Wastewater Collection System improvements	Davidson	Collection System Expansion	IV-B
Hendersonville, City	\$3,946,000		444-08		Jackson Park Sewer Interceptor Project	Henderson	Collection System Expansion	IV-B
Moore County	\$1,000,000		496-04		Liftstation 3-4 Rehabilitation	Moore	Collection System Expansion	IV-B
Hendersonville, City	\$1,650,000		444-11		Shepherd Creek/Atkinson elementary Sewer Improvements Project	Henderson	Collection System Expansion	IV-B
Statesville, City of	\$23,373,357		395-03		Third Creek Wastewater Treatment Plant Expansion to 6 MGD	Iredell	WWTP Expansion/Construction/Upgrade	II
March 2012 Cycle \$ 35,192,855								
Midland, Town of	\$1,200,000		928-01		Cabarrus Acres Sewer Project	Cabarrus	Collection System Expansion	IV-A. IV-B
Maysville, Town of	\$1,613,825	GPR	592-01		Town of Maysville Maple Ave Green Stormwater Improvements	Jones	Stormwater Best Management Practices	VI-B

* Projects labeled principal forgiveness (PF), receive 1/2 of their loan amount forgiven, not to exceed \$1,000,000 per project. Green projects (GPR) receive a 0% interest loan. 0% indicates 0% loan

Appendix A - Status of Recent Projects

Eden, City of	\$2,519,449	PF, 0%	458-06		Tanyard Branch Outfall Rehabilitation	Rockingham	Collection System Rehabilitation and Replacement	III-B
Williamston, Town of	\$2,083,289	PF, 0%	435-05		Sanitary Sewer Rehab	Martin	Collection System Rehabilitation and Replacement	III-A
Newton, City of	\$1,399,000		685-02		Snow Creek Sewer Outfall Rehab, Phase II, III, & IV	Catawba	Collection System Rehabilitation and Replacement	III-B
Andrews, Town of	\$492,300	PF, 0%	537-02		Main Street Sewer Rehab	Cherokee	Collection System Rehabilitation and Replacement	III-B
Lenoir, City of	\$3,850,000		393-04		Gunpowder Creek WTPP Improvements	Caldwell	WWTP Equipment Repair & Replacement	I
Henderson, City of	\$1,800,000	PF, 0%	410-07		Sandy Creek Pump Station Improvements	Vance	Collection System Rehabilitation and Replacement	III-B
Spring Lake, Town of	\$1,756,032	PF, 0%	750-05		Lower Little River Interceptor	Cumberland	Collection System Rehabilitation and Replacement	III-A
Edgecombe W&S District #5	\$3,243,815	PF, 0%	883-01		Hwy 33/Logsboro Rd WW Collection & Transport System	Edgecombe	Collection System Expansion	IV-A, IV-B
Willilamston, Town of	\$4,230,300		435-06		Annexation Area A Sanitary Sewer Improvements	Martin	Collection System Expansion	IV-A
Orange, County of	\$755,450		884-02		McGowan Creek Interceptor	Orange	Collection System Expansion	IV-B
Stanly, County of	\$1,658,000		834-02		Tarheel Challenge Academy/NC Hwy 740 Sewer	Stanly	Collection System Expansion	IV-B
Albemarle, City of	\$3,664,395		522-03		WWTP Headworks Improvements	Stanly	WWTP Equipment Repair & Replacement	II
Kinston, City of	\$775,000		527-07		Smithfield Foods Sewer Improvements	Lenoir	Collection System Expansion	IV-B
Northwest, City of	\$900,000		907-01		Northwest Wastewater Collection System Improvement Project	Brunswick	Collection System Expansion	IV-A. IV-B
Albemarle, City of	\$3,252,000		522-04		Sanitary Sewer Rehab, Phase I	Stanly	Collection System Rehabilitation and	III-B

* Projects labeled principal forgiveness (PF), receive 1/2 of their loan amount forgiven, not to exceed \$1,000,000 per project. Green projects (GPR) receive a 0% interest loan. 0% indicates 0% loan



Appendix B – Binding Commitments by Quarter



Binding Commitments by Quarter

In accordance with section 602(b)(3) of the Clean Water Act, States must have binding commitments of at least 120% of a capitalization grant payment within one year of receiving a that grant payment.

Calendar Period	2009 Cap Grant	2010 Cap Grant	2011 Cap Grant	2012 Cap Grant*	Total Grant Payments	Total Commitments
2009 : July-Sept					\$0	\$8,327,176
2009 : Oct-Dec					\$0	\$19,721,109
2010 : Jan-Mar					\$0	\$1,734,287
2010 : April-June					\$0	\$16,770,600
2010 : July-Sept	\$5,000,000				\$5,000,000	\$18,000,000
2010 : Oct-Dec	\$5,000,000	\$6,000,000			\$11,000,000	\$18,805,890
2011 : Jan-Mar	\$2,000,000	\$6,000,000			\$8,000,000	\$91,604,308
2011 : April-June	\$181,148	\$10,000,000			\$10,181,148	\$43,410,925
2011 : July-Sept	\$100,000	\$10,000,000			\$10,100,000	\$43,851,508
2011 : Oct-Dec		\$4,000,000			\$4,000,000	\$0
2012 : Jan-Mar		\$773,000			\$773,000	\$13,459,481
2012 : April-June			\$3,000,000		\$3,000,000	\$33,904,738
2012 : July-Sept			\$10,000,000		\$10,000,000	
2012 : Oct-Dec			\$6,000,000		\$6,000,000	
2013 : Jan-Mar			\$7,650,000	\$6,000,000	\$13,650,000	
2013 : April-June				\$6,000,000	\$6,000,000	
2013 : July-Sept				\$4,000,000	\$4,000,000	
2013 : Oct-Dec				\$4,000,000	\$4,000,000	
2014 : Jan-Mar				\$3,000,000	\$3,000,000	
2014 : April-June				\$2,507,000	\$2,507,000	
	\$12,281,148	\$36,773,000	\$26,650,000	\$25,507,000	\$101,211,148	\$309,590,022

Binding Comm. / Grants = 306%

Cumulative Binding Commitments \$1,223,237,803

Cumulative Grants \$637,909,383

Cumulative Binding Comm./Grants 192%

* 2012 capitalization grant not yet awarded at the end of fiscal year 2011-2012



Appendix C – Clean Water Benefits Reporting (CBR) System Summary



North Carolina CW Benefits Summary Report for Projects with Water Uses Reported

All Loans

	Loans		Projects			Borrowers		
	Assistance Dollars (millions)	Loan Count	Assistance Dollars (millions)	Subsidy Dollars (millions)	Project Count	Facility Population (millions)	Facility Flow (MGD)	Borrower Count
Total Records	674.1	151	646.4		151	0.9	225	114
Records with Benefits Data	327.5	35	316.1	97.4	35	0.9	217	32
Impacting Human Health	156.5	19	150.4	49.3	19	0.3	71	16
	48%	54%	48%		54%	2,109	People Served per \$million	50%
With Impaired Waterbody			104.6	31.0	12	0.5	100	11
			33%		34%	4,528	People Served per \$million	34%
With Waterbody Meeting Standards			157.4	50.1	15			
To Improve Water Quality			178.7	54.2	21			
To Maintain Water Quality			117.1	36.9	11			
To Achieve Compliance			127.5	38.4	15			
To Maintain Compliance			129.1	40.5	12			



Appendix D – Financial Exhibits



STATE OF NORTH CAROLINA
EPA Revolving Loan Fund
Combining Statement of Net Assets
June 30, 2012 and 2011

Exhibit 1

	2012	2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 284,737,436	\$ 281,195,011
Investment-Bond Proceeds		
Receivables:		
Loans (Due within one year)	47,516,974	46,943,647
Accrued Interest	2,303,966	2,518,948
Other	8,274	2,360
State Treasurer's Securities Lending Collateral	28,639,456	23,374,685
Total Current Assets	363,206,106	354,034,651
Capital Assets, Depreciable		
Machinery and Equipment	53,203	80,412
Accumulated Depreciation	(42,021)	(57,339)
Total Capital Assets, Depreciable (net)	11,182	23,073
Noncurrent Assets:		
Loans Receivable (Due after one year)	579,661,935	540,402,210
Total Assets	\$ 942,879,223	\$ 894,459,934
LIABILITIES		
Current Liabilities:		
Accounts Payable	7,282	1,104
Accrued Vacation Leave	11,858	10,336
Accrued Payroll	0	0
Obligations Under State Treasurer's Securities		
Lending Agreements	30,560,461	25,026,324
Other Accrued Liabilities	3,135	2,471
Total Current Liabilities	30,582,736	25,040,235
Noncurrent Liabilities:		
Accrued Vacation Leave	231,541	184,593
Total Liabilities	30,814,277	25,224,828
NET ASSETS		
Invested in Capital Assets, net of related debt	11,182	23,073
Restricted for:		
Program Loans	912,053,764	869,212,033
Total Net Assets	\$ 912,064,946	\$ 869,235,106

STATE OF NORTH CAROLINA**Clean Water State Revolving Fund****Combining Statement of Revenues, Expenses, and****Changes in Net Assets****For the Fiscal Year Ended June 30, 2012 and 2011****Exhibit 2**

	2012	2011
REVENUES		
Operating Revenues:		
Interest Income on Loans	\$ 13,855,548	\$ 13,430,406
Loan Closing Fees	4,257,493	1,259,021
Miscellaneous		9,508
Total Operating Revenues	18,113,041	14,698,935
EXPENSES		
Operating Expenses:		
Personal Services	2,354,212	1,971,843
Supplies and Material	8,181	9,287
Services	49,191	40,813
Depreciation	2,002	5,812
Insurance & Bonding	280	200
Other Fixed Charges	2,136	2,876
Capital Outlay	3,966	7,280
Other Expenses	82,847	114,288
Total Operating Expenses	2,502,815	2,152,399
Operating Income (Loss)	15,610,226	12,546,536
NONOPERATING REVENUES (EXPENSES)		
Federal Grants	27,538,652	42,806,574
Interest Income	20,568	929,600
Grants, Aid and Subsidies	(1,746,110)	(14,208,794)
Sale of Surplus Property		
Gain (loss) on Sale of Property & Equipment	(9,890)	
Miscellaneous	(53,214)	(80,254)
Total Nonoperating Revenues	25,750,006	29,447,126
Income Before Transfers	41,360,232	41,993,662
Transfers In		7,329,830
Transfers Out	(182,032)	(188,240)
Increase in Net Assets	41,178,200	49,135,252
Net Assets July 1	870,886,746	820,099,854
Net Assets June 30	\$ 912,064,946	\$ 869,235,106

STATE OF NORTH CAROLINA**Clean Water State Revolving Fund****Combining Statement of Cash Flows****For the Fiscal Year Ended June 30, 2012 and 2011****Exhibit 3**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,257,493	\$ 1,259,021
Payments to employees and fringe benefits	(2,303,597)	(1,978,382)
Payments to vendors and suppliers	(59,056)	(57,150)
Other Receipts/Payments	(82,847)	(107,656)
Net Cash Used by Operating Activities	1,811,992	(884,168)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants	23,904,443	15,317,523
Federal Recovery Funds (ARRA)	3,628,295	27,486,691
Transfers in		7,329,830
Transfers out	(182,032)	(188,240)
Grants, Aid and Subsidies	(1,746,110)	(14,208,794)
Net Cash Provided from Noncapital Financing Activities	25,604,596	35,737,010
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(6,000)
Sale of Surplus and Adjustment		
Net Cash Used in Capital Financing Activities		(6,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemptions from the State Treasurer L/T investment pool		
Purchase into State Treasurer L/T investment pool		
Repayment on loans	50,747,102	44,499,093
New loans issued	(90,580,155)	(61,613,427)
Interest on loans	13,961,677	13,343,726
Other	1,997,212	2,544,846
Net Cash Provided by Investing Activities	(23,874,163)	(1,225,762)
Net Increase (decrease) in total Cash and Cash Equivalents	3,542,425	33,621,080
Cash and Cash Equivalents, Beginning of Year	281,195,011	247,573,931
Cash and Cash Equivalents, End of Year	\$ 284,737,436	\$ 281,195,011
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 15,610,226	\$ 12,546,537
Adjustments to Reconcile Operating Income to Net Depreciation/Amortization Expense	2,002	5,812
Cash Flow provided by Operating Activities:		
Nonoperating loan interest income	(13,855,548)	(13,430,407)
Loan Repayment		
(Increase) Decrease in Current Assets		
Increase (Decrease) in Liabilities	55,312	(6,110)
Net Cash Used by Operating Activities	\$ 1,811,992	\$ (884,168)
NONCASH INVESTING ACTIVITIES		
Assets Acquired Through the Assumption of a Liability	\$ 28,639,456	\$ 23,374,685
Change in fair value of investments	(1,921,005)	(1,651,639)

EXHIBIT I**Balances in Wastewater and Drinking Water Reserves - for the Period Ending 06/30/12****Wastewater Reserve****General Loan Account**

Beginning Balance 07/01/2011	\$16,570,312
Interest on Investments	120,231
Payment of Interest on Loans	527,686
Repayment of Principal	4,112,667
Current Year Disbursements	-2,414,888
Ending Balance 06/30/2012	<u>\$18,916,008</u>

Less: Existing Commitments	-19,025,547
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** Availability 06/30/2012	<u>-\$109,539</u>
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High Unit Cost Grants

Beginning Balance 07/01/2011	\$11,372,312
Interest on Investments	1,795
Current Year Disbursements	-446,922
Ending Balance 06/30/2012	<u>\$10,927,185</u>

Less: Existing Commitments	-11,091,745
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Availability 06/30/2012	<u>-\$164,560</u>
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Technical Assistance Grants

Beginning Balance 07/01/2011	\$436,239
Interest on Investments	4,463
Current Year Disbursements	-324,421
Ending Balance 06/30/2012	<u>\$116,281</u>

Less: Existing Commitments	-111,054
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Availability 06/30/2012	<u>\$5,227</u>
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Emergency Loan Account

Beginning Balance 07/01/2011	\$4,581,583
Interest on Investments	33,128
Payment of Interest on Loans	122,584
Repayment of Principal	429,244
Current Year Disbursements	-521,273
Ending Balance 06/30/2012	<u>\$4,645,266</u>

Less: Existing Commitments	-5,271,657
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Availability 06/30/2012	<u>-\$626,391</u>
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Drinking Water Reserve**General Loan Account**

Beginning Balance 07/01/2011	\$8,383,716
Interest on Investments	63,338
Payment of Interest on Loans	165,048
Repayment of Principal	746,791
Current Year Disbursements	0
Ending Balance 06/30/2012	<u>\$9,358,893</u>

Less: Existing Commitments	0
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Availability 06/30/2012	<u>\$9,358,893</u>
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High Unit Cost Grants

Beginning Balance 07/01/2011	\$2,567,960
Interest on Investments	116
Current Year Disbursements	-690,985
Ending Balance 06/30/2012	<u>\$1,877,091</u>

Less: Existing Commitments	-1,330,982
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Availability 06/30/2012	<u>\$546,109</u>
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Technical Assistance Grants

Beginning Balance 07/01/2011	\$0
Interest on Investments	
Current Year Disbursements	
Ending Balance 06/30/2012	<u>\$0</u>

Less: Existing Commitments	0
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Availability 06/30/2012	<u>\$0</u>
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Emergency Loan Account

Beginning Balance 07/01/2011	\$3,283,886
Interest on Investments	25,021
Payment of Interest on Loans	57,028
Repayment of Principal	226,237
Current Year Disbursements	0
Ending Balance 06/30/2012	<u>\$3,592,172</u>

Less: Existing Commitments	0
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Availability 06/30/2012	<u>\$3,592,172</u>
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EXHIBIT II - Wastewater Reserve
Identification of Each Loan and Grant for Fiscal Year 2012

General Loan Account

Recipient	New	Commitment	Amount Disbursed FY 2012	Amount Disbursed Prev. Years	Remaining Commitment
Town of Black Mountain		974,345	175,149	799,196	0
Town of Creedmor		845,625	24,740	817,755	3,130
Town of Clarkton		786,327	68,686	570,303	147,338
Junaluska Sanitary Dist.		1,625,000	1,407,339	0	217,661
Macon County		2,043,250	738,974	1,043,761	260,515
Town of Conway		686,360	0	0	686,360
Town of Stantonsburg		1,616,251	0	0	1,616,251
Town of Oakboro		2,019,292	0	0	2,019,292
Town of Norwood		2,451,000	0	0	2,451,000
Town of Columbus		2,750,000	0	0	2,750,000
Johnston County		3,000,000	0	0	3,000,000
Town of Stanley	Y	3,000,000	0	0	3,000,000
Town of Green Level	Y	1,874,000	0	0	1,874,000
Yadkin Valley, S.A.	Y	1,000,000	0	0	1,000,000
Total		\$24,671,450	\$2,414,888	\$3,231,015	\$19,025,547

High Unit Cost Grants

Catawba County	3,000,000	0	2,996,345	3,655
Swan Quarter	1,833,333	0	1,749,361	83,972
Town of Louisburg	3,000,000	0	2,850,000	150,000
Town of Magnolia	3,000,000	0	2,837,823	162,177
Town of Mt. Olive	3,000,000	0	2,823,860	176,140
Town of Clayton	2,295,500	0	1,464,165	831,335
Harnett County	3,000,000	0	1,366,258	1,633,742
City of Hickory	2,104,681	0	0	2,104,681
Town of Burnsville	2,946,043	0	0	2,946,043
City of High Shoals	3,000,000	0	0	3,000,000
Total	\$27,179,557	\$0	\$16,087,812	\$11,091,745

Technical Assistance Grants

City of Conover	50,000	50,000	0	0
Yadkin Valley Sewer Auth.	50,000	50,000	0	0
City of Eden	50,000	50,000	0	0
Town of Vanceboro	15,875	15,081	0	794
Town of Franklinton	50,000	43,140	0	6,860
Town of Murphy	50,000	43,100	0	6,900
Town of Robersonville	19,600	0	0	19,600
City of Kinston	50,000	27,000	0	23,000
Town of Elizabethtown	50,000	26,500	0	23,500
Town of Elm City	50,000	19,600	0	30,400
Total				\$111,054

Emergency Loan Account

Thomasville	579,950	521,273	0	58,677
Burke County	750,000	0	0	750,000
City of Northwest	1,444,123	0	0	1,444,123
Johnston County	Y 200,000	0	0	200,000
Moore County	Y 1,323,000	0	0	1,323,000
Town of Windsor	Y 190,527	0	0	190,527
City of Benson	Y 290,580	0	0	290,580
Town of Shelby	Y 1,014,750	0	0	1,014,750
Total	\$5,792,930	\$521,273	\$0	\$5,271,657

EXHIBIT III - Drinking Water Reserve
Identification of Each Loan and Grant for Fiscal Year 2012

General Loan Account

<u>Recipient</u>	<u>New</u>	<u>Commitment</u>	<u>Amount Disbursed FY 2012</u>	<u>Amount Disbursed Prior FY's</u>	<u>Remaining Commitment</u>
N/A					

Total		\$0	\$0	\$0	\$0
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High Unit Cost Grants

Avery County	X	987,653	0	980,710	6,943
Beaufort County (Water Dist. VI)	X	627,494		534,726	92,768
Town of Clyde	X	222,510	0	205,426	17,084
Duplin County (Water Dist. E)	X	818,610	23,842	670,164	124,604
Town of Elm City	X	410,152	0	0	410,152
Town of Saratoga		108,388	0	108,388	0
Duplin County (Water Dist. F)	X	2,992,673	21,492	2,971,181	0
Duplin County (Water Dist. G)	X	2,988,704	0	2,979,577	9,127
Granville County	X	566,810	566,810	0	0
Parkton, Town of	X	2,382,760	0	1,712,456	670,304
Lincoln County	X	78,841	78,841	0	0
Total		\$12,184,595	\$690,985	\$10,162,628	\$1,330,982

Technical Assistance Grants

N/A					\$0
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Total		\$0	\$0	\$0	\$0
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Emergency Loan Account

N/A					\$0
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Total		\$0	\$0	\$0	\$0
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EXHIBIT IV
Water Infrastructure Fund
Water Quality Impacts Assessment and Environmental Benefits
Fiscal Year 2012

		Assistance Amount	Type	Water Quality Impacts Assessment/Environmental Benefits	KEY					
DIVISION OF WATER QUALITY				(See Key)	Division of Water Quality					
Clean Water State Revolving Fund Account					1	Corrects Sewer System Overflows				
CWSRF Base Program					2	Addresses Failing Septic/Onsite Systems				
Orange County	CS370884-01	\$3,500,000	Loan	2	3	Infiltration/Inflow				
Hillsborough	CS370601-01	\$18,894,640	Loan	11	4	Compliance Resolution or Exceeded Useful Life				
Harnett County	CS370454-05	\$7,007,100	Loan	11	5	Stormwater BMP Addressing Existing Pollution				
Surf City	CS370535-01	\$5,513,168	Loan	11	6	Stream, Wetland, Estuary Restoration				
Long View	CS370676-02	\$436,600	Loan	3, 4	7	Addresses SOC or Regulatory Compliance Schedule				
Gaston County	CS370718-01	\$8,500,000	Loan	11	8	Corrects Documented Violations of Groundwater Standards				
Eden	CS370458-04	\$2,154,934	Loan/PF	3, 4	9	Directly Or Indirectly Addresses Water Body Impairment				
Washington	CS370521-05	\$600,000	Loan	4	10	Green Project				
Cape Fear Pub Util	CS370923-01	\$3,025,992	Loan	1, 3, 11	11	Treatment and Conveyance Capacity				
Bunn	CS370531-04	\$486,280	Loan/PF	3, 4	12	Reclaimed Water				
Louisburg	CS370397-05	\$247,027	Loan	4	Division of Water Resources					
Franklin	CS370524-03	\$5,350,300	Loan	4	1	Consolidation				
Blowing Rock	CS370479-03	\$737,000	Loan	4	2	Compliance Resolution				
Warren County	CS370520-04	\$867,500	Loan	4	3	Supply/Treatment Capacity				
Bryson City	CS370845-02	\$633,855	Loan	4	4	Other				
Morganton	CS370725-02	\$11,428,456	Loan	4, 9	L/PF = Loan/Principal Forgiveness					
Raleigh	CS370419-17	\$5,125,312	Loan	6, 10						
Rocky Mount	CS370394-08	\$2,340,000	Loan	4						
Jacksonville	CS370386-07	\$850,910	Loan	5, 10						
Jacksonville	CS370386-08	\$373,000	Loan	5, 10						
Johnston County	CS370560-12	\$300,000	Loan	10, 12						
Robbinsville	CS370557-02	\$310,000	Loan/PF	4						
Fayetteville/PWC	CS370434-11	\$614,083	Loan	4						
Randleman	CS370662-02	\$678,315	Loan	4						
Rocky Mount	CS370394-04	\$1,751,025	Loan	1						
Burnsville	CS370642-02	\$1,585,060	Loan	1,3,4						
Brevard	CS370476-05	\$749,375	Loan	1,3,4						
Pitt County	CS370878-02	\$1,973,000	Loan	2						
Taylorsville	CS370700-03	\$689,347	Loan/PF	1,3,4						
Cape Fear Pub Util	CS370923-02	\$390,000	Loan	4,9						
Lumberton	CS370455-03	\$2,000,000	Loan/PF	3						
Wingate	CS370906-01	\$2,113,000	Loan	1,3,4						
Wastewater Reserve Accounts										
Thomasville	E-SEL-T-11-0043	\$579,950	Loan	1,4						
Johnston County	E-SEL-T-11-0042	\$200,000	Loan	1,3,4						
Stantonsburg	E-SRL-T-10-0081	\$1,105,740	Loan	4						
Oakboro	E-SRL-T-11-0085	\$2,019,292	Loan	3,4						

[illegible]

STATE OF NORTH CAROLINA
EPA Revolving Loan Fund
Combining Statement of Revenues, Expenses, and
Changes in Net Assets

For the Fiscal Year Ended June 30, 2012 and 2011

Exhibit 9-B

	Drinking Water Program	
	2012	2011
REVENUES		
Operating Revenues:		
Interest Income on Loans	\$ 4,892,434	\$ 4,770,756
Loan Closing Fees	360,818	803,833
Miscellaneous		114,400
Total Operating Revenues	<u>5,253,252</u>	<u>5,688,989</u>
EXPENSES		
Operating Expenses:		
Personal Services	3,143,451	2,976,763
Supplies and Material	25,104	20,204
Services	1,789,267	1,419,282
Depreciation	15,695	13,078
Insurance & Bonding	16,945	
Other Fixed Charges	31,160	32,219
Capital Outlay	31,330	33,662
Other Expenses	136,144	439,618
Total Operating Expenses	<u>5,189,097</u>	<u>4,934,826</u>
Operating Income (Loss)	<u>64,155</u>	<u>754,163</u>
NONOPERATING REVENUES (EXPENSES)		
Federal Grants	21,595,998	58,153,920
Interest Income	(60,524)	134,686
Grants, Aid and Subsidies	(4,538,250)	(21,458,652)
Sale of Surplus Property		
Gain (loss) on Sale of Property & Equipment	25,844	(47,876)
Miscellaneous	(9,220)	(14,684)
Total Nonoperating Revenues	<u>17,013,848</u>	<u>36,767,394</u>
Income Before Transfers	17,078,003	37,521,557
Transfers In	7,118,600	6,201,872
Transfers Out	(341,284)	(264,500)
Increase in Net Assets	23,855,319	43,458,930
Net Assets July 1	<u>302,076,165</u>	<u>258,267,643</u>
Net Assets June 30	<u>\$ 325,931,484</u>	<u>\$ 301,726,573</u>