



September 25, 2019

Ms. Stephanie Hammett  
SRF Section, USEPA Region IV  
61 Forsyth Street, SW  
Atlanta, GA 30303

**Re: South Carolina's FY 2019  
Clean Water SRF Annual Report**


Dear Ms. Hammett:

Enclosed is South Carolina's FY 2019 Annual Report for the Clean Water State Revolving Fund Program.

Please contact Chuck Gorman at 803-898-3993 or me at 803-898-4157 if you have questions.

Sincerely,

  
For  
Shawn Clarke, P.E.  
Director, Water Facilities Permitting Division

  
Charles M. Gorman, P.G.  
Manager, State Revolving Fund

Enclosures

cc: Mike Marcus, Ph.D., Chief, Bureau of Water (e-mail)  
Ann Clark, Assistant Bureau Chief, Bureau of Water (e-mail)  
Bonnie Ammons, Executive Director, SC Rural Infrastructure Authority (e-mail)  
Patricia Comp, SC Rural Infrastructure Authority (e-mail)



CLEAN WATER

# South Carolina CWSRF Fiscal Year 2019 Annual Report

September 2019



## ANNUAL REPORT

### I. Introduction

The South Carolina Department of Health and Environmental Control (DHEC) is submitting the Fiscal Year (FY) 2019 Clean Water State Revolving Fund Annual Report to the U.S. Environmental Protection Agency (EPA) to report on program activities for the period of July 1, 2018 through June 30, 2019 (i.e., State FY 2019). This report is prepared with the cooperation of the Rural Infrastructure Authority (RIA) Office of Local Government (OLG). The Clean Water State Revolving Fund (CWSRF) is administered by DHEC, the grantee agency, and RIA/OLG. DHEC is responsible for compliance with federal procedures, project requirements, and manages the technical and environmental permitting aspects of the program. RIA/OLG is responsible for financial functions including setting annual financial loan policies, applicant creditworthiness assessments, funding decisions, preparing loan documents, and carrying out other financial duties related to maintaining the loan portfolio and financial records.

### II. Goals of the Intended Use Plan

This year's program goals were listed in the FY 2018 Clean Water Intended Use Plan (IUP) and are discussed below. There are two (2) short-term goals and six (6) long-term goals that are intended to enhance the protection of public health and the environment for the citizens of the state and preserve the financial viability of the CWSRF program. The goals are listed below with an explanation of the State's success in achieving each goal during FY 2019.

#### A. Short Term Goals

1. Update the State Revolving Fund Operating Agreement between EPA and South Carolina before the end of calendar year 2018.

*DHEC worked with RIA/OLG on a draft Operating Agreement and discussed the proposed modifications with EPA. EPA recommended using another state's Operating Agreement as an example for possible improvements. DHEC is working on updating the Operating Agreement as recommended by EPA.*

2. Maintain a subcontract with a qualified vendor to provide technical assistance to CWSRF sponsors for the preparation of Fiscal Sustainability Plans.

*DHEC has a contract with SC Rural Water Association (RWA) to assist SRF Clean Water Loan recipients who must comply with the Fiscal Sustainability Plan (FSP) requirement. Assistance is offered through a Fiscal Sustainability Planning & Asset Management Workshop and onsite visits. During the onsite visits assistance with initiating/improving/updating the system's asset management program is given in preparation for developing an FSP for SRF-funded construction. RWA encourages systems to go beyond FSP development as required (only for the SRF-funded construction) and include the entire system for sustainable planning and operation.*

*In FY 2019, one workshop was held and 15 systems received site visits, with one SRF borrower completing an asset management plan for their system and two other systems actively working toward completion of asset management plans.*

#### B. Long Term Goals

1. Promote sustainable system capacity through the consolidation of systems thereby taking advantage of the economies of scale to address technical, managerial and financial capacity problems.

*The SRF program continues to offer a one percent (1%) takeover rate for a viable system owner/project sponsor who is willing to take over a failing, non-viable system and bring it into compliance. No system took advantage of this incentive rate during the year.*

*One project that initiated construction during FY 2019 for the Town of Lyman is using principal forgiveness funds to rehabilitate a sewer main in the Startex area where the Town assumed ownership after operating the system in receivership.*

*After a delay for redesign of the sewer route, it is anticipated that a project listed in the FY17 DWIUP for Richland County Utilities will eliminate on-site wastewater facilities at three public schools, which are under DHEC consent orders for compliance violations.*

*Also, as has been reported previously, improvements and upgrades to the non-viable Town of Timmonsville wastewater system are nearing completion by the new owner/sponsor City of Florence. The work has included collection system rehab work with lagoon liner replacements, disposal of solids from the treatment plants' primary lagoons, rebuilding influent pumps, headworks improvements and a new SCADA system. Additional wastewater line repairs also are included in this project.*

2. Assist local communities as they strive to achieve and maintain compliance with federal and state water quality standards by funding projects that improve or protect water quality by reducing pollutant loading in order to attain water quality standards.

*The Clean Water Priority Ranking system assigns points for activities with the potential to maintain, protect or improve the water quality in a local watershed. Priority points are assigned to projects for addressing pollutants of concern as follows: in areas with approved Total Maximum Daily Loads, (40 points per pollutant/TMDL); Clean Water Act Section 303d Section listed waters (10 points for each water quality parameter that does not meet the standard for that parameter); in special resource waters (10 points); in an area covered by an approved Source Water Protection Plan (10 points); in a DHEC defined priority watershed (20 points) and/or in the vicinity of a recent or ongoing Clean Water Act Section 319 funded implementation project (30 points). Most of the projects listed in Exhibit 1, Table 3 (Construction Starts FY 2019), and in Exhibit 1 Table 2 (CW Approvals to Place into Operation FY 2019) received points for one or more of these WQ criteria described above. In FY 2019 all of the projects that initiated construction had water quality points, and of the thirteen projects that were placed into operation in FY 2019 all but one had water quality points.*

3. Maintain a working relationship with other infrastructure funding authorities within the state to coordinate water quality funding.

*Representatives from the five state and federal agencies that fund utility infrastructure projects in the state meet regularly to discuss potential projects and applications for loans and/or grants. Open communication among the group continues between meetings so the applicants will be given the best advice for how to proceed with financing potential and ongoing projects. The five state and federal funding agencies that participate in these meetings include DHEC SRF, the S.C. Rural Infrastructure Authority, S.C. Dept. of Commerce-Community Development Block Grant Section, the Economic Development Administration of the U.S. Dept. of Commerce and the U.S. Dept. of Agriculture - Rural Development program.*

4. Work collaboratively to direct CWSRF funds to areas where additional DHEC and EPA resources are already invested (i.e., Priority Watersheds and 319 grants).

*To encourage protection of vulnerable watersheds and to leverage federal investment for environmental protection, priority points are given for projects that take place in a DHEC-defined priority watershed (20 points) and/or take place in the vicinity of a current/recently completed Section 319 grant-funded project (30 points)*

*Of the projects initiating construction, four are located in priority watersheds and two additional projects are located near 319-funded projects.*

5. Promote the use of green practices and investment in green infrastructure, water and energy efficient improvements and environmentally innovative projects.

*A reduced interest rate (“green rate”) is available to utilities without a credit rating for green construction components for up to 25% of total project costs (green + non-green). None of the projects with a binding commitment made during FY 2019 took advantage of the rate. EPA’s green project reserve (GPR) guidance is posted to the SRF Website so sponsors can ascertain what types of projects or portions of projects are considered green.*

6. Maintain the fiscal integrity of the CWSRF to ensure the perpetuity of the fund.

*DHEC ensures project sponsors are SRF eligible, comply with the requirements of the Clean Water Act, and meet the technical requirements needed to proceed to construction. RIA/OLG establishes and implements stringent loan policies and loan decisions to promote the perpetuity of the CWSRF. To date, the SRF program has not experienced a loan default or a late loan payment.*

### **C. Environmental Outcomes and Measures**

South Carolina will update EPA’s web-based project tracking system as required which will be used to gather the necessary information to assess the environmental outcomes and measures for meeting the objectives of the CWSRF program.

*DHEC continues to update EPA’s CWSRF Benefits Reporting (CBR) database for tracking and reporting environmental outcomes and measures derived by activities of the CWSRF program. All necessary information about projects funded during the year has been entered into the CBR system. Also, previous years’ closed loans have been recorded in the CBR system. EPA uses this information from all states’ CWSRF programs to develop reports that are submitted to the U.S. Congress to describe the environmental benefits derived from the successes of the SRF program. DHEC also enters the required program information in the National Information Management System (NIMS).*

### **III. Binding Commitments During FY 2019**

The SRF program entered into thirteen (13) binding commitments during FY 2019 that totaled \$106,281,746. Please refer to Tables 1 and 4 of Exhibit 1 for more information concerning the amount of assistance provided, loan terms, and construction costs per project category.

### **IV. Projects Initiating Construction During FY 2019**

Sixteen (16) projects initiated construction during FY 2019. Please refer to Table 3 of Exhibit 1 for a list of these projects.

## V. Projects Initiating Operation During FY 2019

Thirteen (13) projects received approvals to operate during FY 2019. Please refer to Table 2 of Exhibit 1 for a list of these projects.

## VI. Source of Funds

The State's CWSRF received funds from the following sources:

- ❑ federal capitalization grant awards;
- ❑ 20 percent state match of the capitalization grant award provided by RIA/OLG with state cash reserves;
- ❑ investment earnings; and
- ❑ loan repayments.

## VII. Revenues and Expenses

### A. CWSRF Federal Capitalization Grant Award

The FY 2018 CWSRF federal capitalization grant award in the amount of \$16,443,000 was received September 14, 2018. The 20% State match amount of \$3,288,600 was provided by the RIA/OLG through state cash reserves.

### B. Sources of Clean Water SRF Funds by Quarter During FY 2019.

Refer to Exhibit 2 for fund sources for Clean Water SRF by Quarter during FY 2019.

### C. Funds Available for FY 2019 loans—\$111,256,253 (estimated amount in FY2018 CWSRF IUP).

### D. Financial Statements.

Refer to Exhibit 4 for CWSRF Financial Statements for FY 2019.

### E. Final Accounting of Administrative Expenses During FY 2019

Refer to Exhibit 5 for administrative expenditures for the DHEC Clean Water SRF program.

### F. Disbursements for Construction Projects

Refer to Exhibit 3 for information concerning these disbursements.

## VIII. Provisions of the Operating Agreement/Conditions of the Grant

- A. The CWSRF is administered in accordance with Title VI of the Clean Water Act as amended and is in compliance with the terms, schedules, conditions, provisions and assurances of the current fiscal year Intended Use Plan, the Operating Agreement between DHEC and EPA, and the Clean Water SRF Capitalization Grants.
- B. The RIA/OLG deposited the required state match of \$3,288,600 in the CWSRF when the capitalization grant was made available in accordance with the Operating Agreement.
- C. Project sponsors are required to include in their bid documents "fair share" goals and require that the prime contractor include those "fair share" goals in the bid documents for subcontracts with Disadvantaged Business Enterprises (DBE). Project sponsors and prime contractors are also required to follow the six affirmative steps for ensuring that SRF projects are accessible for disadvantaged businesses and to properly document the steps. Actual Minority Business Enterprise (MBE)/Woman

Business Enterprise (WBE) participation is reported annually to EPA, Region IV on EPA Form 5700-52A.

The annual reporting period for DBE participation follows the federal fiscal year, percentages are reported on over that time period. The following table shows contracted DBE participation against dollars contracted for construction on equivalency projects over the reporting period October 1, 2017 to September 30, 2018.

| Total Value of Construction Contracts FFY18 | MBE Dollars | MBE % | WBE Dollars | WBE % | Total DBE Dollars | Total DBE % |
|---|-------------|-------|-------------|-------|-------------------|-------------|
| \$75,464,712                                | \$0.0       | 0.0%  | \$917,500   | 1.2%  | \$917,500         | 1.2%        |

- D. The SRF program reserves the authority to transfer funds between the CWSRF and the Drinking Water (DW) SRF as allowed by federal statute. Transfers are executed to meet the loan demand of either program. The maximum amount that can be transferred in any given year is 33% of that year's DWSRF capitalization grant. The monies transferred are required to be non-federal and generated through loan repayments. In FY19 no transfers were made between the CWSRF and DWSRF.

#### **IX. Program Changes, Comparison with the Intended Use Plan**

The SRF program within DHEC and OLG/RIA continues organizationally unchanged from last year. DHEC is the primacy agency through which the EPA provides capitalization grants to the state. OLG/RIA manages the loan and financial functions of the program. No state law changes affecting the SRF have been enacted since 2010 when the SC program was authorized legislatively to provide additional subsidization for selected SRF project sponsors. An outdated and obsolete state regulation that was enacted in 1988 and only addressed the CWSRF was repealed in FY19.

#### **X. Attachments**

Attachments 1 through 4 listed below are found at the end of this document and provide additional information about the CWSRF.

Attachment 1 – Memorandum from RIA/OLG dated September 16, 2019 with financial information on the CWSRF for State Fiscal Year 2019.

Attachment 2 – SRF Interest Rates for FY 2019

Attachment 3 – Letters from DHEC to EPA dated June 25, 2018, Certification of FY 2018 Clean Water State Revolving Fund Capitalization Grant and Certification of Equivalent State Qualification-based Requirements for Revolving Fund A/E Contracts

Attachment 4 – Listing of Equivalency Projects for CW FY 2018 Capitalization Grant

Exhibit 1



2019 CLEAN WATER

**TABLE 1 - CW BINDING COMMITMENTS FY 2019**

| Project Description  | RIA Project Number | DHEC (SRF) Project # | Population Affected by Project | Binding Commitment (Loan Closing Date) | Interest Rate                            | Date Loan Matures | Construction Start | Total Project Cost | Total SRF Loan Amount | Amount of Principal Forgiveness AFP/Subsidy | Project Description   |
|--|--------------------|----------------------|--------------------------------|--|--|-------------------|--------------------|--------------------|-----------------------|---|---|
| 1 <b>Aiken, City of</b><br>Critical Stormwater Rehabilitation - Phase 1  | X1-207-18          | 549-07               | 32,604                         | 1/30/2019                              | 2.10%                                    | 11/1/2039         | 3/18/2019          | \$659,198          | \$659,198             |   | Repair or replace aging stormwater ponds and conveyance pipes using conventional construction and trenchless technology.  |
| 2 <b>Dorchester County Water &amp; Sewer</b><br>Lower Dorchester WWTP Improvements   | X1-203-18          | 542-05               | 55,100                         | 9/13/2018                              | 1.90%                                    | 2/1/2034          | 4/15/2019          | \$3,654,740        | \$3,654,740           |   | Improvements to the WWTP to include installation of: a clarifier mechanism, RAS pump, new tertiary filter, new sludge feed pump, polymer feed system, centrifuge and modification of sludge holding basin.  |
| 3 <b>Fort Mill, Town of</b><br>Fort Mill WPCP Expansion - Phase 2  | 1-213-19           | 336-09               | 8,000                          | 4/11/2019                              | Blended<br>20/30 split<br>2.60%<br>2.80% | 7/1/2051          | 4/1/2019           | \$35,000,000       | \$35,000,000          |   | Upgrade and expand the existing WPCP (Water Pollution Control Plant) from 3.0 mgd to 4.5 mgd to accommodate growth and to meet the anticipated nitrogen and phosphorus limits.  |
| 4 <b>Georgetown, City of</b><br>West End Sewer Rehabilitation  | X1-204-18          | 412-15               | 3,218                          | 11/12/2018                             | 1.60%                                    | 7/1/2039          | 10/22/2018         | \$2,460,281        | \$2,460,281           |   | Rehabilitation of ~40,000 LF of aging gravity sewer lines in the City's West End. Project will reduce infiltration and inflow of rainwater and reduce the potential for sewer backups and overflows   |
| 5 <b>GSWSA</b><br>South Wastewater Transmission System Upgrade   | X1-208-18          | 381-77               | 105,000                        | 5/3/2019                               | Blended<br>20/30 split<br>2.10%<br>2.60% | 3/1/2050          | 6/17/2019          | \$12,103,104       | \$12,103,104          |   | Installation of ~35,500 LF of force main to interconnect sections of the sewer system to address reliability and redundancy in handling sewer flows. A pump station will be constructed at the headworks of the Schwartz WWTP to intercept the influent flows from the multiple force mains.        |
| 6 <b>James Island PSD</b><br>Pump Station 2 Diversion Force Main   | X1-209-18          | 543-15               | 9,112                          | 6/7/2019                               | Blended<br>20/30 split<br>2.10%<br>2.60% | 10/1/2049         | 4/8/2019           | \$6,715,435        | \$6,715,435           |   | Installation of ~9450 linear feet of 14" and 16" force main to replace existing pipes that are in poor condition and have the potential to fail. To be constructed in two phases - phase 1 ~3500 LF & phase 2 ~5950 LF.   |
| 7 <b>Lexington, Town of</b><br>I-20 Wastewater System Pump Station and Lagoon Closeout   | X1-210-18          | 740-02               | 5,588                          | 1/15/2019                              | Blended<br>20/30 split<br>2.10%<br>2.60% | 6/1/2050          | 2/18/2019          | \$3,486,706        | \$3,486,706           |   | Elimination of the Carolina Water Service (CWS) I-20 WWTP by construction of a pump station to divert raw wastewater from the CWS collection system into the Town of Lexington's forcemain for conveyance to the City of Cayce's Regional WWTP followed by closeout of the I-20 WWTP lagoon system. |
| 8 <b>Lyman, Town of</b><br>Startex Sewer Main Rehabilitation   | F1-17              | 462-09               | 859                            | 3/15/2019                              | ----                                     | ----              | 4/10/2019          | \$973,000          | \$973,000             |   | Rehabilitation of the 60-90-year old collection system in the Startex Mill Village (~7319 linear feet of 8-inch sewer main and line and ~210 manholes).   |
| 9 <b>Mount Pleasant Waterworks</b><br>Park West Forcemain Replacement  | X1-202-18          | 511-50               | 38,000                         | 8/23/2018                              | 2.10%                                    | 4/1/2039          | 9/4/2018           | \$3,437,285        | \$3,437,285           |   | Replace an existing force main that is aging and prone to failure.  |
| 10 <b>Mount Pleasant Waterworks</b><br>Capacity, Management, Operations & Maintenance (CMOM) Rehabilitation /Replacement Program | X1-212-19          | 511-51               | 45,000                         | 5/24/2019                              | 2.60%                                    | 3/1/2040          | 6/3/2019           | \$7,000,000        | \$7,000,000           |   | Replacement or rehabilitation of ~13,000 LF of clay sewers using CIPP or open cut line replacement and rehabilitation of several hundred manholes. (?Services)  |
| 11 <b>ReWa</b><br>Lower Reedy Digester Capacity Evaluation and Improvements  | 1-206-18           | 370-84               | 67,000                         | 5/17/2019                              | 2.10%                                    | 5/1/2041          | 5/15/2019          | \$15,882,883       | \$15,882,883          |   | Assessment of existing anaerobic digester system, evaluate alternatives for reliability improvement and install the selected alternative.   |
| 12 <b>ReWa</b><br>FY18 Gravity Sewer & Manhole Rehabilitation  | X1-205-18          | 370-97               | 75,000                         | 5/17/2019                              | 2.10%                                    | 7/1/2039          | 7/24/2018          | \$1,498,064        | \$1,498,064           |   | Lining existing sewers with Cured in Place Piping & lining of existing manholes with cementitious material to reduce the potential for wet weather sanitary sewer overflows resulting from inflow and infiltration and limit exfiltration into the environment.                                     |
| 13 <b>ReWa</b><br>Rock Creek Interceptor   | X1-211-18          | 370-99               | 17,856                         | 5/17/2019                              | 2.10%                                    | 1/1/2041          | 6/15/2019          | \$13,411,050       | \$13,411,050          |   | Replacement of a 24-inch sewer with a 36-inch sewer to address hydraulic issues and reduce the potential for sanitary sewer overflows.  |
| <b>CW BINDING COMMITMENTS FY 2019</b>  |                    |                      |                                |  |  |                   |                    | \$106,281,746      | \$105,308,746         | \$973,000                                   |   |

**TABLE 2 - CW APPROVALS TO PLACE INTO OPERATION FY 2019**

| Sponsor & Project  | RIA Project Number | DHEC (SRF) Project # | Service Population Affected by Project | Binding Commitment (Loan Closing Date) | Construction Start                              | Date Approval to Place into Operation Issued | Total Project Cost | Total SRF Loan Amount | Amount of SRF Loan from APF Additional Loan Subsidy | PROJECT DESCRIPTION   |
|--|--------------------|----------------------|--|--|---|--|--------------------|-----------------------|---|---|
| 1 <b>Anderson, City of</b><br>Northeast Pump Station Consolidation / Northwest PS  | X1-182-16          | 379-18               | 4500                                   | 5/26/2017                              | 5/15/2017                                       | 11/13/2018                                   | \$5,966,713        | \$5,966,713           |   | Upgrade/Rehab of existing Northeast PS to include a 500 gallon per minute pump, related gravity sewer and forcemain, which will allow consolidation of the Kings Road PS with the Northeast PS. Upgrade/Rehab of existing Northwest PS to include a 1200 gallon per minute pump, related gravity sewer and forcemain.   |
| 2 <b>Bamberg Board of Public Works</b><br>Pine Street Sewer Rehabilitation   | X1-193-17          | 278-02               | 1200                                   | 12/7/2017                              | 1/30/2018                                       | 4/22/2019                                    | \$3,720,738        | \$3,720,738           |   | Reduce infiltration and inflow through sewer line installation and repair and rehabilitation of aging vitrified clay pipe with PVC pipe.  |
| 3 <b>BJWSA</b><br>Hardeeville WWTP Upgrade and Expansion   | 1-180-16           | 520-29               | 3772                                   | 9/23/2016                              | 10/3/2016                                       | 4/1/2019                                     | \$29,341,480       | \$29,341,480          |   | Upgrade the Hardeeville Wastewater Treatment Plant to comply with the new Savannah River TMDL to be accomplished by upgrading the plant's secondary treatment process by adding a new headworks, and additional oxidation ditch with anoxic basin.  |
| 4 <b>Clover, Town of</b><br>Town of Clover Calabash Improvements & Guinn Street Rehab  | F1-16              | 402-10               | 5287                                   | 3/16/2018                              | 5/22/2018                                       | 4/3/2019                                     | \$468,800          | \$468,800             |   | Install new bar screen and rehabilitate the air diffuser system at the Calabash WWTP to aid in complying with a Consent Order to reduce nitrogen levels in the discharge pumped to Gastonia, NC for treatment and disposal. Replace old gravity sewer line on Guinn Street to reduce infiltration and inflow.   |
| 5 <b>East Richland County Public Service District</b><br>New 64-inch Interceptor Sewer   | X1-184-17          | 524-26               | 43000                                  | 6/19/2017                              | 7/12/2017                                       | 8/7/2018                                     | \$4,410,907        | \$4,410,907           |   | Installation of a new 64-inch interceptor to replace aging parallel 54-inch and 42-inch interceptors.   |
| 6 <b>Hilton Head PSD1 Regional</b><br>PS Construction Upgraded   | X1-189-17          | 503-05               | 3750                                   | 8/23/2017                              | 7/18/2017                                       | 7/19/2018                                    | \$1,397,774        | \$1,397,774           |   | Construct 2 sewer pump stations and upgrade an existing pump station.   |
| 7 <b>James Island PSD</b><br>Utility Relocate for Charleston Co. Roadwise Harbor View Rd. Widening Project, PS 11 Rehabilitation and PS54 Upgrade and FM Replacement | X1-167-14          | 543-06               | 22000                                  | 10/31/2014                             | Relocate 12/1/14<br>PS54 1/5/15<br>PS11 4/18/16 | 1/16/2019                                    | \$4,242,522        | \$4,242,522           |   | Relocation and/or protection of existing utilities due to Charleston County Roadwise Harbor View Road widening project. Rehabilitation of existing triplex pump station to include installation of steel sheet pile wall, repair and recoating of existing wetwell walls and, replacing two DIP force mains with one larger force main. Replacement of degraded 4" PVC/DIP force main with 6" HDPE FM and installation of above grade piping and control valves at PS 54. |
| 8 <b>Mount Pleasant, Waterworks</b><br>Capacity Management, Operations, and Maintenance - Rehab/Replacement Program  | 1-169-15           | 511-41               | 5000                                   | 4/24/2015                              | 4/20/2015                                       | 4/8/2019                                     | \$14,000,000       | \$14,000,000          |   | Replacement or rehabilitation of ~171,362 LF of clay sewers located though out the MPW collection system using wether CIPP or cut and replace.  |
| 9 <b>Pamplico, Town of</b><br>Wastewater Treatment Plant Expansion   | F1-15              | 564-01               | 593                                    | 9/8/2017                               | 10/9/2017                                       | 8/24/2018                                    | \$430,100          | \$430,100             |   | Upgrade the WWTP by adding another Sequencing Batch Reactor and appurtenances and change the current UV disinfection system to a chlorine contact chamber to improve effluent processing.   |
| 10 <b>Pendleton, Town of</b><br>Main Line Sewer Upgrades   | F1-15              | 472-08               | 1950                                   | 12/8/2016                              | 1/1/2017 then delayed                           | 1/31/2019                                    | \$836,500          | \$836,500             |   | Replace ~6,500 linear feet of 60-year old 10" clay sewer main and associated brick manholes with 18" PVC pipe and precast concrete manholes to reduce sanitary sewer overflows.   |
| 11 <b>ReWa</b><br>FY17 Gravity Sewer & Manhole Rehabilitation  | X1-194-17          | 370-69               | 50000                                  | 12/4/2017                              | 5/22/2017                                       | 8/27/2018                                    | \$1,803,195        | \$1,803,195           |   | Lining existing sewers with Cured in Place Piping & lining of existing manholes with cementous material to reduce the potential for wet weather sanitary sewer overflows resulting from inflow and infiltration.  |
| 12 <b>Walterboro, City of</b><br>Walterboro Biosolids Handling Improvements  | X1-181-16          | 441-08               | 6385                                   | 1/31/2017                              | 3/6/2017  | 7/25/2018                                    | \$1,480,000        | \$1,480,000           |   | Improvements at the WWTP to include additional biosolids storage and sludge dewatering improvements. Also install a septage receiving station and convert an existing equalization basin to a sludge storage lagoon.  |
| 13 <b>Winnsboro, Town of</b><br>McCulley Creek Sewer Rehabilitation Project  | F1-15              | 326-01               | 5280                                   | 3/15/2017                              | 4/12/2017                                       | 12/18/2017                                   | \$325,000          | \$325,000             |   | Replace ~5,000 linear feet of existing 8" gravity sewer with 10" or 12" pipe. Modify existing sludge handling system at the Water Treatment Plant.  |
| <b>TABLE 2 - CW APPROVALS TO PLACE INTO OPERATION FY 2019</b>  |                    |                      |  |  |   |  | \$68,423,729       | \$66,363,329          | \$2,060,400   |   |

**TABLE 3 - CW CONSTRUCTION STARTS FY 2019**

| Project Description   | RIA Project Number | DHEC (SRF) Project # | Population Affected by Project | Binding Commitment (Loan Closing Date) | Interest Rate | Date Loan Matures | Construction Start | Total Project Cost | Total SRF Loan Amount | Amount of Principal Forgiveness AFP/Subsidy | Project Description   |
|---|--------------------|----------------------|--------------------------------|--|---------------|-------------------|--------------------|--------------------|-----------------------|---|---|
| 1<br><b>Aiken, City of</b><br>Critical Stormwater Rehabilitation - Phase 1  | X1-207-18          | 549-07               | 32,604                         | 1/30/2019                              | 2.10%         | 11/1/2039         | 3/18/2019          | \$659,198          | \$659,198             |   | Repair or replace aging stormwater ponds and conveyance pipes using conventional construction and trenchless technology.  |
| 2<br><b>Dorchester County Water &amp; Sewer</b><br>Lower Dorchester WWTP Improvements   | X1-203-18          | 542-05               | 55,100                         | 9/13/2018                              | 1.90%         | 2/1/2040          | 4/15/2019          | \$3,654,740        | \$3,654,740           |   | Improvements to the WWTP to include installation of: a clarifier mechanism, RAS pump, new tertiary filter, new sludge feed pump, polymer feed system, centrifuge and modification of sludge holding basin.  |
| 3<br><b>Fort Mill, Town of</b><br>Fort Mill WPCP Expansion - Phase 2  | 1-213-19           | 336-09               | 8,000                          | 4/11/2019                              | 2.60%         | 7/1/2041          | 4/1/2019           | \$35,000,000       | \$35,000,000          |   | Upgrade and expand the existing WPCP (Water Pollution Control Plant) from 3.0 mgd to 4.5 mgd to accommodate growth and to meet the anticipated nitrogen and phosphorus limits.  |
| 4<br><b>Georgetown, City of</b><br>West End Sewer Rehabilitation  | X1-204-18          | 412-15               | 3,218                          | 11/12/2018                             | 1.60%         | 7/1/2039          | 10/22/2018         | \$2,460,281        | \$2,460,281           |   | Rehabilitation of ~40,000 LF of aging gravity sewer lines in the City's West End. Project will reduce infiltration and inflow of rainwater and reduce the potential for sewer backups and overflows   |
| 5<br><b>GSWSA</b><br>South Wastewater Transmission System Upgrade   | X1-208-18          | 381-77               | 105,000                        | 5/3/2019                               | 2.10%         | 3/1/2040          | 6/17/2019          | \$12,103,104       | \$12,103,104          |   | Installation of ~35,500 LF of force main to interconnect sections of the sewer system to address reliability and redundancy in handling sewer flows. A pump station will be constructed at the headworks of the Schwartz WWTP to intercept the influent flows from the multiple force mains.        |
| 6<br><b>James Island PSD</b><br>Pump Station 2 Diversion Force Main   | X1-209-18          | 543-15               | 9,112                          | 6/7/2019                               | 2.10%         | 10/1/2039         | 4/8/2019           | \$6,715,435        | \$6,715,435           |   | Installation of ~9450 linear feet of 14" and 16" force main to replace existing pipes that are in poor condition and have the potential to fail. To be constructed in two phases - phase 1 ~3500 LF & phase 2 ~5950 LF.   |
| 7<br><b>Lexington, Town of</b><br>I-20 Wastewater System Pump Station and Lagoon Closeout   | X1-210-18          | 740-02               | 5,588                          | 1/15/2019                              | 2.10%         | 6/1/2040          | 2/18/2019          | \$3,486,706        | \$3,486,706           |   | Elimination of the Carolina Water Service (CWS) I-20 WWTP by construction of a pump station to divert raw wastewater from the CWS collection system into the Town of Lexington's forcemain for conveyance to the City of Cayce's Regional WWTP followed by closeout of the I-20 WWTP lagoon system. |
| 8<br><b>Laurens County WSC</b><br>Whitten Center Sewer Lift Stations  | F1-16              | 540-12               | 300                            | 3/29/2018                              | ---           | ---               | 9/4/2018           | \$748,000          |                       | \$748,000                                   | Install 2 sewer lift stations and ~ 4,000 LF of force main to transport the wastewater flow from the Whitten Center to LCWSC replacing interceptor lines that are subject to overflows due to improper sizing.  |
| 9<br><b>Lyman, Town of</b><br>Startex Sewer Main Rehabilitation   | F1-17              | 462-09               | 859                            | 3/15/2019                              | ---           | ---               | 4/10/2019          | \$973,000          |                       | \$973,000                                   | Rehabilitation of the 60-90-year old collection system in the Startex Mill Village (~7319 linear feet of 8-inch sewer main and line and ~210 manholes).   |
| 10<br><b>Mount Pleasant Waterworks</b><br>Park West Forcemain Replacement   | X1-202-18          | 511-50               | 38,000                         | 8/23/2018                              | 2.10%         | 4/1/2039          | 9/4/2018           | \$3,437,285        | \$3,437,285           |   | Replace an existing force main that is aging and prone to failure.  |
| 11<br><b>Mount Pleasant Waterworks</b><br>Capacity, Management, Operations & Maintenance (CMOM) Rehabilitation /Replacement Program | X1-202-18          | 511-51               | 45,000                         | 5/24/2019                              | 2.60%         | 3/1/2040          | 6/3/2019           | \$7,000,000        | \$7,000,000           |   | Replacement or rehabilitation of ~13,000 LF of clay sewers using CIPP or open cut line replacement and rehabilitation of several hundred manholes. (?Services)  |
| 12<br><b>Mount Pleasant Waterworks</b><br>Snee Farm Stormwater Rehabilitation Project   | X1-201-17          | 511-40               | 4,400                          | 6/15/2018                              | 1.40%         | 7/1/2030          | 7/9/2018           | \$9,647,868        | \$9,647,868           |   | Survey and design stormwater rehabilitation work; replace and improve lake outfall structure; rehabilitate/replace drainage pipe for flood mitigation; restore/stabilize primary drainage canals; clean, inspect, rehabilitate/replace drainage pipe  |
| 13<br><b>ReWa</b><br>Lower Reedy Digester Capacity Evaluation and Improvements  | 1-206-18           | 370-84               | 67,000                         | 5/17/2019                              | 2.10%         | 5/1/2041          | 5/15/2019          | \$15,882,883       | \$15,882,883          |   | Assessment of existing anaerobic digester system, evaluate alternatives for reliability improvement and install the selected alternative.   |
| 14<br><b>ReWa</b><br>FY18 Gravity Sewer & Manhole Rehabilitation  | X1-205-18          | 370-97               | 75,000                         | 5/17/2019                              | 2.10%         | 7/1/2039          | 7/24/2018          | \$1,498,064        | \$1,498,064           |   | Lining existing sewers with Cured in Place Piping & lining of existing manholes with cementous material to reduce the potential for wet weather sanitary sewer overflows resulting from inflow and infiltration and limit exfiltration into the environment.  |
| 15<br><b>ReWa</b><br>Rock Creek Interceptor   | X1-211-18          | 370-99               | 17,856                         | 5/17/2019                              | 2.60%         | 3/1/2040          | 6/15/2019          | \$13,411,050       | \$13,411,050          |   | Replacement of a 24-inch sewer with a 36-inch sewer to address hydraulic issues and reduce the potential for sanitary sewer overflows.  |
| 16<br><b>Taylor's Fire and Sewer District</b><br>Mill Village Sewer Improvements  | X1-172-15          | 702-05               | 478                            | 4/15/2016                              | 2.00%         | 5/1/2037          | 7/1/2018           | \$1,975,316        | \$1,975,316           |   | Replace aging sewer collection system with a high potential of failure by installing ~5,930 linear feet of new sewer line and replacing an aerial crossing over the Enoree River  |
| <b>CW CONSTRUCTION STARTS FY 2019</b>   |                    |                      |                                |  |               |                   |                    | \$118,652,930      | \$116,931,930         | \$1,721,000                                 |   |
|   |                    |                      |                                |  |               |                   |                    |                    | \$118,652,930         |   | 16 Projects Started in FY 19  |

| TABLE 4 - CW CONSTRUCTION \$ PER CATEGORY - FY 2019   |                    |                      |                                |  |                                       |                   |                    |                    |                       |   |             |                                      |   |
|---|--------------------|----------------------|--------------------------------|--|---------------------------------------|-------------------|--------------------|--------------------|-----------------------|---|-------------|--------------------------------------|---|
| Project Description   | RIA Project Number | DHEC (SRF) Project # | Population Affected by Project | Binding Commitment (Loan Closing Date) | Interest Rate                         | Date Loan Matures | Construction Start | Total Project Cost | Total SRF Loan Amount | Amount of Principal Forgiveness APF/Subsidy | Line item # | WWT/S212 Cat. (write in line item #) | Project Description   |
| 1<br><b>Aiken, City of</b><br>Critical Stormwater Rehabilitation - Phase 1  | X1-207-18          | 549-07               | 32,604                         | 1/30/2019                              | 2.10%                                 | 11/1/2039         | 3/18/2019          | \$659,198          | \$659,198             |   | 145-1       | Grey Infrastructure                  | Repair or replace aging stormwater ponds and conveyance pipes using conventional construction and trenchless technology.  |
| 2<br><b>Dorchester County Water &amp; Sewer</b><br>Lower Dorchester WWTP Improvements   | X1-203-18          | 542-05               | 55,100                         | 9/13/2018                              | 1.90%                                 | 2/1/2040          | 4/15/2019          | \$3,654,740        | \$3,654,740           |   | 138         | Secondary Treatment                  | Improvements to the WWTP to include installation of: a clarifier mechanism, RAS pump, new tertiary filter, new sludge feed pump, polymer feed system, centrifuge and modification of sludge holding basin.  |
| 3<br><b>Fort Mill, Town of</b><br>Fort Mill WPCP Expansion - Phase 2  | 1-213-19           | 336-09               | 8,000                          | 4/11/2019                              | Blended 2.60%<br>20/30 split<br>2.80% | 7/1/2051          | 4/1/2019           | \$35,000,000       | \$35,000,000          |   | 139         | Advanced Treatment                   | Upgrade and expand the existing WPCP (Water Pollution Control Plant) from 3.0 mgd to 4.5 mgd to accommodate growth and to meet the anticipated nitrogen and phosphorus limits.  |
| 4<br><b>Georgetown, City of</b><br>West End Sewer Rehabilitation  | X1-204-18          | 412-15               | 3,218                          | 11/12/2018                             | 1.60%                                 | 7/1/2039          | 10/22/2018         | \$2,460,281        | \$2,460,281           |   | 140         | Infiltration/Inflow                  | Rehabilitation of ~40,000 LF of aging gravity sewer lines in the City's West End. Project will reduce infiltration and inflow of rainwater and reduce the potential for sewer backups and overflows   |
| 5<br><b>GSWSA</b><br>South Wastewater Transmission System Upgrade   | X1-208-18          | 381-77               | 105,000                        | 5/3/2019                               | Blended 2.10%<br>20/30 split<br>2.60% | 3/1/2050          | 6/17/2019          | \$12,103,104       | \$12,103,104          |   | 143         | New Interceptor                      | Installation of ~35,500 LF of force main to interconnect sections of the sewer system to address reliability and redundancy in handling sewer flows. A pump station will be constructed at the headworks of the Schwartz WWTP to intercept the influent flows from the multiple force mains.        |
| 6<br><b>James Island PSD</b><br>Pump Station 2 Diversion Force Main   | X1-209-18          | 543-15               | 9,112                          | 6/7/2019                               | Blended 2.10%<br>20/30 split<br>2.60% | 10/1/2049         | 4/8/2019           | \$6,715,435        | \$6,715,435           |   | 141         | Sewer System Rehab                   | Installation of ~9450 linear feet of 14" and 16" force main to replace existing pipes that are in poor condition and have the potential to fail. To be constructed in two phases - phase 1 ~3500 LF & phase 2 ~5950 LF.   |
| 7<br><b>Lexington, Town of</b><br>I-20 Wastewater System Pump Station and Lagoon Closeout   | X1-210-18          | 740-02               | 5,588                          | 1/15/2019                              | Blended 2.10%<br>20/30 split<br>2.60% | 6/1/2050          | 2/18/2019          | \$3,486,706        | \$3,486,706           |   | 138         | Secondary Treatment                  | Elimination of the Carolina Water Service (CWS) I-20 WWTP by construction of a pump station to divert raw wastewater from the CWS collection system into the Town of Lexington's forcemain for conveyance to the City of Cayce's Regional WWTP followed by closeout of the I-20 WWTP lagoon system. |
| 8<br><b>Lyman, Town of</b><br>Startex Sewer Main Rehabilitation   | F1-17              | 462-09               | 859                            | 3/15/2019                              | ----                                  | ----              | 4/10/2019          | \$973,000          |                       | \$973,000                                   | 141         | Sewer System Rehab                   | Rehabilitation of the 60-90-year old collection system in the Startex Mill Village (~7319 linear feed of 8-inch sewer main and line and ~210 manholes).   |
| 9<br><b>Mount Pleasant Waterworks</b><br>Park West Forcemain Replacement  | X1-202-18          | 511-50               | 38,000                         | 8/23/2018                              | 2.10%                                 | 4/1/2039          | 9/4/2018           | \$3,437,285        | \$3,437,285           |   | 141         | Sewer System Rehab                   | Replace an existing force main that is aging and prone to failure.  |
| 10<br><b>Mount Pleasant Waterworks</b><br>Capacity, Management, Operations & Maintenance (CMOM) Rehabilitation /Replacement Program | X1-202-18          | 511-51               | 45,000                         | 5/24/2019                              | 2.60%                                 | 3/1/2040          | 6/3/2019           | \$7,000,000        | \$7,000,000           |   | 141         | Advanced Treatment                   | Replacement or rehabilitation of ~13,000 LF of clay sewers using CIPP or open cut line replacement and rehabilitation of several hundred manholes.  |
| 11<br><b>ReWa</b><br>Lower Reedy Digester Capacity Evaluation and Improvements  | 1-206-18           | 370-84               | 67,000                         | 5/17/2019                              | 2.10%                                 | 5/1/2041          | 5/15/2019          | \$15,882,883       | \$15,882,883          |   | 141         | Sewer System Rehab                   | Assessment of existing anaerobic digester system, evaluate alternatives for reliability improvement and install the selected alternative.   |
| 12<br><b>ReWa</b><br>FY18 Gravity Sewer & Manhole Rehabilitation  | X1-205-18          | 370-97               | 75,000                         | 5/17/2019                              | 2.10%                                 | 7/1/2039          | 7/24/2018          | \$1,498,064        | \$1,498,064           |   | 141         | Sewer System Rehab                   | Lining existing sewers with Cured in Place Piping & lining of existing manholes with cementous material to reduce the potential for wet weather sanitary sewer overflows resulting from inflow and infiltration and limit exfiltration into the environment.  |
| 13<br><b>ReWa</b><br>Rock Creek Interceptor   | X1-211-18          | 370-99               | 17,856                         | 5/17/2019                              | 2.10%                                 | 1/1/2041          | 6/15/2019          | \$13,411,050       | \$13,411,050          |   | 141         | Sewer System Rehab                   | Replacement of a 24-inch sewer with a 36-inch sewer to address hydraulic issues and reduce the potential for sanitary sewer overflows.  |
| <b>CW CONSTRUCTION \$ PER CATEGORY - FY 2019</b>  |                    |                      |                                |  |                                       |                   |                    | \$106,281,746      | \$105,308,746         | \$973,000                                   |             |                                      |   |

\$106,281,746

Exhibit 2

EXHIBIT 2

STATE FY 2019  
SOURCE OF CLEAN WATER SRF FUNDS BY QUARTER  
STATE OF SOUTH CAROLINA

Figures Do Not Include Loan Fee Accounts

|   | 2018       |            | 2019       |            | TOTAL<br>FY 2019 |
|---|------------|------------|------------|------------|------------------|
|   | July-Sept  | Oct-Dec    | Jan-March  | April-June |                  |
| <b>SOURCE OF FUNDS</b>                      |            |            |            |            |                  |
| LOC Payments                                | 0          | 5,328,611  | 9,325,719  | 38,441     | 14,692,771       |
| LOC Payments - APF                          | 1,490,909  | 1,219,138  | 887,433    | 85,862     | 3,683,342        |
| <b>CASH DEPOSITS</b>                        |            |            |            |            |                  |
| State Match                                 | 2,743,400  | 0          | 0          | 0          | 2,743,400        |
| <b>INTEREST EARNINGS</b>                    |            |            |            |            |                  |
| Investments Regular                         | 1,024,944  | 2,167,981  | 1,387,655  | 2,208,711  | 6,789,291        |
| Investments ARRA                            |            |            |            |            | 0                |
| Accrued Interest During Construction (Paid) |            |            |            |            | 28,347           |
| Capitalized Interest                        |            |            |            |            | 501,893          |
| <b>LOAN REPAYMENTS</b>                      |            |            |            |            |                  |
| Principal                                   | 6,952,974  | 7,123,640  | 7,467,988  | 7,578,316  | 29,122,918       |
| Interest                                    | 2,234,639  | 2,238,469  | 2,312,623  | 2,303,630  | 9,089,361        |
| Principal - ARRA                            |            |            |            |            |                  |
| <b>TOTAL REPAYMENTS</b>                     | 9,187,613  | 9,362,109  | 9,780,611  | 9,881,946  | 38,212,279       |
| <b>TOTALS</b>                               | 14,446,866 | 18,077,839 | 21,381,418 | 12,214,960 | 66,651,323       |

| Reconciliation of Cash to Accrual for Income | Investment Interest* | Loan Interest ** | Accrued Interest During Construction        |           |
|--|----------------------|------------------|---|-----------|
|  |                      |                  | Beg. Bal. 7/1/18                            | 474,054   |
| General Ledger Balance as of 6/30/19         | 714,153              | 1,546,722        | Accrued FY 2019                             | 851,522   |
| Add: Earnings During the Year                | 6,789,291            | 9,089,361        | Total to Account for                        | 1,325,576 |
| Total to Account For                         | 7,503,444            | 10,636,083       | Accruals for FY 2019                        | 1,325,576 |
| Subtract Interest Balance as of 6/30/18      | 158,755              | 1,463,918        | Paid Interest                               | 28,347    |
| Interest Earned                              | 7,344,689            | 9,172,165        | Capitalized Interest                        | 501,893   |
|  |                      |                  | Bal. of Accruals Carried Forward to FY 2019 | 795,336   |

\*Includes ARRA (ARRA transferred to CW and closed 12/31/14)

\*\* Includes interest on note repayments and interest accrued during construction.

Exhibit 3

EXHIBIT 3

STATE FY 2019  
 CLEAN WATER SRF SELECT DISBURSEMENTS (RECON)  
 STATE OF SOUTH CAROLINA

| Reconciliation for Outstanding LOC Balance |                    |
|--|--------------------|
| Total Cap Grants Awarded & Transferred     | \$476,135,697      |
| Actual Federal Draws                       | 472,747,441        |
| Outstanding LOC Receivable                 | <u>\$3,388,256</u> |

| Overmatch Reconciliation                |                    |
|---|--------------------|
| Total Overmatch to Account For          | <u>\$0</u>         |
| LOC Cash Draws (Non ARRA)               | \$472,747,441      |
| State Deposits                          | 87,242,330         |
| Less Disbursements                      | (560,771,646)      |
| Total Overmatch                         | <u>(\$781,875)</u> |
| Percent of Total Disbursements to Draws | 84.30%             |



EXHIBIT 3

STATE FY 2019  
 CLEAN WATER SRF SELECTED DISBURSEMENTS  
 STATE OF SOUTH CAROLINA

| SELECT DISBURSEMENTS FOR FY 2019<br>CLEAN WATER SRF - STATE OF SOUTH CAROLINA | FY 13             | FY 14             | FY 15             | FY 16             | FY 17             | FY 18             | FY 19             |                   |                   |                   | Totals for Program |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
|   |                   |                   |                   |                   |                   |                   | July-Sept         | Oct - Dec         | Jan-Mar           | Apr - June        |                    |
| Select Disbursements Federal (with DHEC Admin)                                | 8,793,128         | 17,340,242        | 26,980,910        | 10,848,173        | 16,409,672        | 15,962,664        | 3,288,600         | 5,328,611         | 9,325,719         | 38,441            | 537,990,638        |
| Select Disbursements Federal - APF  | 4,553,213         | 4,509,270         | 4,079,999         | 679,842           | 1,657,166         | 1,991,846         | 1,490,909         | 1,219,138         | 887,433           | 85,862            | 22,781,008         |
| <b>FY 19 Cumulative Disbursements Federal</b>                                 |                   |                   |                   |                   |                   |                   | <b>4,779,509</b>  | <b>11,327,258</b> | <b>21,540,410</b> | <b>21,664,713</b> |                    |
| Disbursements - Recycled Funds  | 29,296,243        | 36,218,261        | 25,181,219        | 22,536,976        | 27,072,229        | 57,243,268        | 26,128,988        | 13,032,013        | 15,001,662        | 17,381,648        | 576,485,266        |
| <b>FY 19 Cumulative Recycled Funds</b>  |                   |                   |                   |                   |                   |                   | <b>26,128,988</b> | <b>39,161,001</b> | <b>54,162,663</b> | <b>71,544,311</b> |                    |
| <b>FY 19 Total Cumulative Disbursements</b>                                   |                   |                   |                   |                   |                   |                   | <b>30,908,497</b> | <b>50,488,259</b> | <b>75,703,073</b> | <b>93,209,024</b> |                    |
| Cumulative Total Disbursements  | 42,642,584        | 58,067,773        | 56,242,128        | 34,064,991        | 45,139,067        | 75,197,778        |                   |                   |                   |                   | 1,137,256,912      |
| Beginning LOC Available Balance   | 15,888,005        | 9,809,382         | 16,024,096        | 3,090,142         | 8,274,754         | 7,092,485         | 5,624,039         | 4,556,130         | 12,752,711        | 3,512,559         | -                  |
| Payments During Period  | 7,697,924         | 23,759,502        | 14,670,368        | 13,384,900        | 13,593,100        | 13,187,000        | 423,000           | 14,744,330        | 973,000           | -                 | 435,987,497        |
| Payments During Period - ARRA   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   | 40,148,200         |
| <b>FY 19 Cumulative Payments</b>  |                   |                   |                   |                   |                   |                   | <b>423,000</b>    | <b>15,167,330</b> | <b>16,140,330</b> | <b>16,140,330</b> |                    |
| <b>Total LOC Funds to Account For</b>   | <b>23,585,929</b> | <b>33,568,884</b> | <b>30,694,464</b> | <b>16,475,042</b> | <b>21,867,854</b> | <b>20,279,485</b> | <b>6,047,039</b>  | <b>19,300,460</b> | <b>13,725,711</b> | <b>3,512,559</b>  | <b>476,135,697</b> |
| Less: LOC Cash Draws in Period  | 8,252,851         | 11,971,935        | 23,524,323        | 7,520,446         | 13,118,203        | 12,663,600        | -                 | 5,328,611         | 9,325,719         | 38,441            | 409,818,233        |
| Less: LOC Cash Draws in Period - APF  | 4,553,213         | 4,509,270         | 4,079,999         | 679,842           | 1,657,166         | 1,991,846         | 1,490,909         | 1,219,138         | 887,433           | 85,862            | 22,781,008         |
| Less: LOC Cash Draws in Period - ARRA   | 970,483           | 1,063,583         |                   |                   |                   |                   | -                 | -                 | -                 | -                 | 40,148,200         |
| <b>FY 19 Cumulative Cash Draws</b>  |                   |                   |                   |                   |                   |                   | <b>1,490,909</b>  | <b>8,038,658</b>  | <b>18,251,810</b> | <b>18,376,113</b> |                    |
| <b>Ending LOC Balance</b>   | <b>9,809,382</b>  | <b>16,024,096</b> | <b>3,090,142</b>  | <b>8,274,754</b>  | <b>7,092,485</b>  | <b>5,624,039</b>  | <b>4,556,130</b>  | <b>12,752,711</b> | <b>3,512,559</b>  | <b>3,388,256</b>  | <b>3,388,256</b>   |
| State Deposits  |                   | 4,813,174         | 2,872,800         | 2,858,000         | 3,005,800         | 2,993,600         | 2,743,400         | -                 | -                 | -                 | 87,537,230         |
| <b>FY 19 Cumulative State Share</b>   |                   |                   |                   |                   |                   |                   | <b>2,743,400</b>  | <b>2,743,400</b>  | <b>2,743,400</b>  | <b>2,743,400</b>  |                    |
| <b>Draws as % of Disbursements</b>  | <b>84%</b>        | <b>92%</b>        | <b>85%</b>        | <b>71%</b>        | <b>82%</b>        | <b>82%</b>        | <b>31%</b>        | <b>100%</b>       | <b>100%</b>       | <b>100%</b>       | <b>77%</b>         |

Exhibit 4

**STATE OF SOUTH CAROLINA**  
**STATE WATER POLLUTION CONTROL REVOLVING FUND**

**UNAUDITED FINANCIAL STATEMENTS**  
**Fiscal Year 2019**  
**(July 1, 2018 through June 30, 2019)**



|  |   |
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## EXHIBIT 4

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### Introduction

The following Management's Discussion and Analysis (the **MD&A**) is designed to offer the reader of the financial statements a narrative overview and analysis of the financial activities of the State Water Pollution Control Revolving Fund (the **Fund**), the State of South Carolina's (the **State**) Clean Water State Revolving Fund program, for the fiscal year ended June 30, 2019. This section is designed to provide a summary of the Fund's financial activity, identify changes in Fund financial position, and identify individual program issues or concerns. As with other sections of this financial report, the information contained in the MD&A should be considered only a part of a greater whole. The readers of these statements should take time to read and evaluate all sections of this report, including the notes and other supplementary information provided in addition to the MD&A.

### Financial Highlights

- The primary source of funding for the Fund's activities are contributions from the U.S. Environmental Protection Agency (the **EPA**), matching contributions from the State, investment interest, loan repayments, and loan closing fees.
- For the year ended June 30, 2019, total contributions from EPA and the State increased \$1.78 million to \$17.44 million compared to total contributions of \$15.66 million for the year ended June 30, 2018.
- Cash and cash equivalents decreased \$27.73 million in FY19. The variance was primarily due to loan and principal forgiveness disbursements exceeding the amount of total contributions along with principal and interest payments received from outstanding loans.
- Loans receivable balance at June 30, 2019 and 2018 was \$522.60 million and \$461.69 million, respectively. The increase of \$60.90 million was due to an increase in loan disbursements to project sponsors.
- The Fund does not use the issuance of debt to leverage the amount of loans that can be awarded in a given fiscal year or to acquire the required state matching funds for the EPA capitalization grants awarded each year. There is no outstanding debt for the Fund.

### Overview of Financial Statements

For EPA presentation purposes, the Fund financial statements are presented as a proprietary fund that includes two separate enterprise funds. The statements provide both short-term and long-term information about the Fund's financial position, which assists the reader in assessing its economic condition at the end of the fiscal year. These statements are prepared using the accrual basis of accounting. However, the State reports the Fund as a special revenue fund in its Comprehensive Annual Financial Report (**CAFR**). Due to this difference in reporting methods, there may be differences between amounts reported in these financial statements and the State general purpose financial statements. The funds and account groups of the Fund are included in the State's CAFR and Single Audit. The financial statements presented for the EPA include the following:

## EXHIBIT 4

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### *Statement of Net Position*

The statement of net position presents information on all the Fund's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position are expected to serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating.

### *Statement of Revenues, Expenses, and Changes in Net Position*

The statement of revenues, expenses, and changes in net position present information which reflects how the Fund's net position changed during the past fiscal year. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

### *Statement of Cash Flows*

The statement of cash flows presents information showing how the Fund's cash changed as a result of current year's operating activities, noncapital financing activities, and investing activities. The statement of cash flows is prepared using the direct method which includes the reconciliation of operating income to net cash provided by or used in operating activities (indirect method) as required by GASB 34.

### *Notes to Financial Statements*

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found immediately following the financial statements.

## **Financial Analysis**

The Fund's condensed combined statements of net position consist of the following at June 30:

|                           | <u>2019</u>           | <u>2018</u>           | <u>Variance</u>      | <u>% Variance</u> |
|---------------------------|-----------------------|-----------------------|----------------------|-------------------|
| <b>ASSETS</b>             |                       |                       |                      |                   |
| Cash and Cash Equivalents | \$ 319,211,428        | \$ 346,941,499        | \$(27,730,071)       | -7.99%            |
| Loans Receivable          | 522,596,685           | 461,692,028           | 60,904,657           | 13.19%            |
| All Other Assets          | <u>3,060,942</u>      | <u>2,097,759</u>      | <u>963,183</u>       | 45.91%            |
|                           | <u>\$ 844,869,055</u> | <u>\$ 810,731,286</u> | <u>\$ 34,137,769</u> | 4.21%             |
| <b>LIABILITIES</b>        |                       |                       |                      |                   |
| Current Liabilities       | \$ 32,810             | \$ 31,789             | \$ 1,021             | 3.21%             |
| <b>NET POSITION</b>       |                       |                       |                      |                   |
| Unrestricted              | <u>844,836,245</u>    | <u>810,699,467</u>    | <u>34,136,778</u>    | 4.21%             |
|                           | <u>\$ 844,869,055</u> | <u>\$ 810,731,256</u> | <u>\$ 34,137,799</u> | 4.21%             |

## EXHIBIT 4

The \$34.14 million increase in net position reflects the continued strong growth of the Fund. Cash and cash equivalents decreased by \$27.73 million due to loan and principal forgiveness disbursements exceeding the amount of total contributions along with principal and interest payments received from outstanding loans.

For the year ended June 30, 2019, the Fund collected \$29.12 million on loans receivable, disbursed \$89.53 million in loan funding, and disbursed \$3.68 million in principal forgiveness. For the year ended June 30, 2018, the fund collected \$26.99 million in loans receivable, issued \$72.62 million in loan funding, and disbursed \$1.99 million in principal forgiveness.

The Fund's condensed combined statement of revenues, expenses, and changes in net position consist of the following at June 30:

|                                      | <u>2019</u>                  | <u>2018</u>                  | <u>Variance</u>          | <u>% Variance</u> |
|--------------------------------------|------------------------------|------------------------------|--------------------------|-------------------|
| Operating Revenues                   | \$ 10,363,921                | \$ 9,585,487                 | \$ 778,434               | 8.12%             |
| Operating Expenses                   | (1,055,330)                  | (1,014,625)                  | (40,705)                 | 4.01%             |
| Operating Income                     | <u>\$ 9,308,591</u>          | <u>\$ 8,570,862</u>          | <u>\$ 737,729</u>        | 8.61%             |
| Other Revenues                       | 7,391,986                    | 5,539,584                    | 1,852,402                | 33.44%            |
| Other Expenses                       | -                            | -                            | -                        | 0.00%             |
|                                      | <u>7,391,986</u>             | <u>5,539,584</u>             | <u>1,852,402</u>         | 33.44%            |
| Contributions                        | <u>17,436,171</u>            | <u>15,657,200</u>            | <u>1,778,971</u>         | 11.36%            |
| <b>Change in net position</b>        | <b>34,136,748</b>            | <b>29,767,646</b>            | <b>4,369,102</b>         | <b>14.68%</b>     |
| Net position, beginning of the year  | <u>810,699,497</u>           | <u>780,931,851</u>           | <u>29,767,646</u>        | 3.81%             |
| <b>Net position, end of the year</b> | <b><u>\$ 844,836,245</u></b> | <b><u>\$ 810,699,497</u></b> | <b><u>34,136,748</u></b> | <b>4.21%</b>      |

The Fund's operating revenues are earned from loan interest payments and loan closing fees assessed at the time of the initial loan.

Other revenues consist of investment earnings on cash held by the State Treasurer. The increase in other revenues is due to the rising interest rate environment and strong market conditions present through June 30, 2019.

Contributions consist of EPA capitalization grants for loans and principal forgiveness and the required state match for those EPA grants.

The Fund disbursed principal forgiveness of \$3.68 million and \$1.99 million for the years ended June 30, 2019 and 2018, respectively. The loans made with these funds were forgiven as disbursed and must be repaid only if certain loan conditions are not met by the project sponsor.

Operating expenses consist of salaries and other administrative expenses paid from the Fund's loan fee administrative fund for the operation of the Office of Local Government (OLG) which

## EXHIBIT 4

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manages the Fund and for transfers to the SC Department of Health and Environmental Control (DHEC) for their administrative expenses related to their technical and programmatic duties related to the Fund. The administrative transfer to DHEC was \$615,586 and \$582,464 for the years ended June 30, 2019 and 2018, respectively.

### **Budgetary Information**

Each fiscal year, the required state match for the upcoming estimated EPA grant is included in the State's annual appropriation budget. The amount received from the State was \$2.74 million and \$2.99 million for the years ended June 30, 2019 and 2018, respectively. The required state matching funds were disbursed in their entirety in each appropriation year.

### **Economic and Other Factors**

In fiscal year 2019, Fund program revenues continued to support new loan financing activity and administrative expenses. The Fund continues to improve its procedures and evaluate financing terms so it can be an attractive choice compared to other market options. As a result of the recent improving economic conditions, local municipalities, counties and special purpose districts have begun to invest again in their wastewater infrastructure and nonpoint source pollution control facilities. The Fund has increased loans outstanding by \$106.56 million since June 30, 2017 and disbursed \$162.15 million in loan funds during this time period.

To ensure that loans are repaid on time and in full, OLG uses a variety of analysis and surveillance measures to reduce the possibility of nonpayment. OLG monitors each loan recipient's financial condition on an annual basis ensuring that dedicated sources of revenues continue to be sufficient to meet debt service obligations. The Fund has not had a late payment (10 days past due) or loan default since its inception.

The Fund expects that next year's results will improve based on several large loans closing in the 2020 fiscal year. The Fund also continues to provide a more cost-effective way for our project sponsors to fund their wastewater infrastructure needs. The Fund has sufficient equity from loan receivables that can continue to provide loan funds far above the EPA capitalization grants received annually.

### **Requests for Information**

This report is designed to provide an overview of the Fund's finances for those with an interest in the program. Questions concerning any information found in this report or requests for additional information should be directed to the SC Rural Infrastructure Authority, Office of Local Government, 1201 Main Street, Suite 1600, Columbia, SC 29201. Information about the CWSRF is also available on the Rural Infrastructure's website at <https://ria.sc.gov/loans>.



EXHIBIT 4

**STATE OF SOUTH CAROLINA**  
**State Water Pollution Control Revolving Fund**  
**Statement of Net Position (Unaudited)**  
**June 30, 2019**

|   | <u>SRF</u>            | <u>Loan Fee<br/>Administration</u> | <u>June 30, 2019<br/>Total</u> | <u>June 30, 2018<br/>Total</u> |
|---|-----------------------|------------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                                   |                       |                                    |                                |                                |
| <b>Current Assets</b>                           |                       |                                    |                                |                                |
| Cash and Cash Equivalents                       | \$ 316,967,802        | \$ 2,243,626                       | \$ 319,211,428                 | \$346,941,499                  |
| Loan Interest Receivable                        | 2,342,058             | -                                  | 2,342,058                      | 1,937,972                      |
| Investment Interest Receivable                  | 714,153               | 4,731                              | 718,884                        | 159,787                        |
| Loans Receivable                                | 32,617,245            | -                                  | 32,617,245                     | 29,606,444                     |
| <b>Total Current Assets</b>                     | <u>\$ 352,641,258</u> | <u>\$ 2,248,357</u>                | <u>\$ 354,889,615</u>          | <u>\$378,645,702</u>           |
| <b>Noncurrent Assets</b>                        |                       |                                    |                                |                                |
| Loans Receivable, net of Current Portion        | 489,979,440           | -                                  | 489,979,440                    | 432,085,584                    |
| Capital Assets:                                 |                       |                                    |                                |                                |
| Office Equipment                                | -                     | 21,520                             | 21,520                         | 21,520                         |
| Software Development                            | -                     | 94,400                             | 94,400                         | 94,400                         |
| Less Accumulated Depreciation                   | -                     | (115,920)                          | (115,920)                      | (115,920)                      |
| Total Capital Assets (Net of Accum. Depr.)      | <u>\$ -</u>           | <u>\$ -</u>                        | <u>\$ -</u>                    | <u>\$ -</u>                    |
| <b>Total Noncurrent Assets</b>                  | <u>\$ 489,979,440</u> | <u>\$ -</u>                        | <u>\$ 489,979,440</u>          | <u>\$432,085,584</u>           |
| <b>Total Assets</b>                             | <u>\$ 842,620,698</u> | <u>\$ 2,248,357</u>                | <u>\$ 844,869,055</u>          | <u>\$810,731,286</u>           |
| <b>LIABILITIES</b>                              |                       |                                    |                                |                                |
| <b>Current Liabilities</b>                      |                       |                                    |                                |                                |
| Payroll Payable                                 | -                     | 32,810                             | 32,810                         | 31,789                         |
| <b>Total Liabilities</b>                        | <u>\$ -</u>           | <u>\$ 32,810</u>                   | <u>\$ 32,810</u>               | <u>\$ 31,789</u>               |
| <b>Net Position</b>                             |                       |                                    |                                |                                |
| Invested in Capital Assets, net of related debt | -                     | -                                  | -                              | -                              |
| Unrestricted                                    | 842,620,698           | 2,215,547                          | 844,836,245                    | 810,699,497                    |
| Total Net Position                              | <u>\$ 842,620,698</u> | <u>\$ 2,215,547</u>                | <u>\$ 844,836,245</u>          | <u>\$810,699,497</u>           |
| <b>Total Liabilities and Net Position</b>       | <u>\$ 842,620,698</u> | <u>\$ 2,248,357</u>                | <u>\$ 844,869,055</u>          | <u>\$810,731,286</u>           |

# EXHIBIT 4

**STATE OF SOUTH CAROLINA**  
**State Water Pollution Control Revolving Fund**  
**Statement of Revenues, Expenses, and Changes in Net Position (Unaudited)**  
**For the Year Ended June 30, 2019**

|   | SRF                          | Loan Fee<br>Administration | June 30, 2019<br>Total       | June 30, 2018<br>Total       |
|---|------------------------------|----------------------------|------------------------------|------------------------------|
| <b>Operating Revenues</b>                         |                              |                            |                              |                              |
| Loan Interest                                     | \$ 9,995,340                 | \$ -                       | \$ 9,995,340                 | \$ 9,208,427                 |
| Loan Fees   | -                            | 368,581                    | 368,581                      | 377,060                      |
| Total Operating Revenue                           | <u>\$ 9,995,340</u>          | <u>\$ 368,581</u>          | <u>\$ 10,363,921</u>         | <u>\$ 9,585,487</u>          |
| <b>Operating Expenses</b>                         |                              |                            |                              |                              |
| Salaries and Benefits                             | -                            | 373,816                    | 373,816                      | 363,004                      |
| Services and Supplies                             | -                            | 38,501                     | 38,501                       | 43,044                       |
| Fixed Charges                                     | -                            | 23,765                     | 23,765                       | 21,774                       |
| Travel  | -                            | 3,662                      | 3,662                        | 4,339                        |
| Administration                                    | -                            | -                          | -                            | -                            |
| Depreciation                                      | -                            | -                          | -                            | -                            |
| Transfers to DHEC - Admin                         | 615,586                      | -                          | 615,586                      | 582,464                      |
| Total Operating Expenses                          | <u>\$ 615,586</u>            | <u>\$ 439,744</u>          | <u>\$ 1,055,330</u>          | <u>\$ 1,014,625</u>          |
| <b>Operating Income (Loss)</b>                    | <u>\$ 9,379,754</u>          | <u>\$ (71,163)</u>         | <u>\$ 9,308,591</u>          | <u>\$ 8,570,862</u>          |
| <b>Nonoperating Revenue (Expense)</b>             |                              |                            |                              |                              |
| Investment Earnings                               | 7,344,689                    | 47,297                     | 7,391,986                    | 5,538,109                    |
| Other Revenue                                     | -                            | -                          | -                            | 1,475                        |
| Total Nonoperating Revenue (Expense)              | <u>\$ 7,344,689</u>          | <u>\$ 47,297</u>           | <u>\$ 7,391,986</u>          | <u>\$ 5,539,584</u>          |
| <b>Income Before Contributions</b>                | <u>\$ 16,724,443</u>         | <u>\$ (23,866)</u>         | <u>\$ 16,700,577</u>         | <u>\$ 14,110,446</u>         |
| <b>Contributions</b>                              |                              |                            |                              |                              |
| EPA Capitalization Grants Received                | 14,692,771                   | -                          | 14,692,771                   | 12,663,600                   |
| Capitalization Grant - Principal Forgiveness      | 3,683,342                    | -                          | 3,683,342                    | 1,991,846                    |
| Principal Forgiveness                             | (3,683,342)                  | -                          | (3,683,342)                  | (1,991,846)                  |
| ARRA Capitalization Grant - Principal Forgiveness | -                            | -                          | -                            | -                            |
| ARRA Principal Forgiveness                        | -                            | -                          | -                            | -                            |
| State Match Contributions                         | 2,743,400                    | -                          | 2,743,400                    | 2,993,600                    |
| Total Contributions                               | <u>\$ 17,436,171</u>         | <u>\$ -</u>                | <u>\$ 17,436,171</u>         | <u>\$ 15,657,200</u>         |
| <b>Change in Net Position</b>                     | <u>\$ 34,160,614</u>         | <u>\$ (23,866)</u>         | <u>\$ 34,136,748</u>         | <u>\$ 29,767,646</u>         |
| Transfer ARRA                                     | -                            | -                          | -                            | -                            |
| Transfer to DWSRF                                 | -                            | -                          | -                            | -                            |
| <b>Net Position, Beginning of Year</b>            | <u>808,460,084</u>           | <u>2,239,413</u>           | <u>810,699,497</u>           | <u>780,931,851</u>           |
| <b>Net Position, End of Year</b>                  | <u><u>\$ 842,620,698</u></u> | <u><u>\$ 2,215,547</u></u> | <u><u>\$ 844,836,245</u></u> | <u><u>\$ 810,699,497</u></u> |

# EXHIBIT 4

**STATE OF SOUTH CAROLINA**  
**State Water Pollution Control Revolving Fund**  
**Statement of Cash Flows (Unaudited)**  
**For the Year Ended June 30, 2019**

|   | <u>SRF</u>             | <u>Loan Fee<br/>Administration</u> | <u>June 30, 2019<br/>Total</u> | <u>June 30, 2018<br/>Total</u> |
|---|------------------------|------------------------------------|--------------------------------|--------------------------------|
| <b>Cash Flows From Operating Activities:</b>  |                        |                                    |                                |                                |
| Interest on Loans   | \$ 9,089,361           | \$ -                               | \$ 9,089,361                   | \$ 8,707,591                   |
| Loans Disbursed   | (89,525,682)           | -                                  | (89,525,682)                   | (72,623,468)                   |
| Principal Received on Loans   | 29,122,918             | -                                  | 29,122,918                     | 26,990,321                     |
| Loan Fees Received  | -                      | 368,581                            | 368,581                        | 377,060                        |
| Cash Paid to Employees and Vendors  | -                      | (438,723)                          | (438,723)                      | (422,172)                      |
| DHEC Admin Draws  | (615,586)              | -                                  | (615,586)                      | (582,464)                      |
| <b>Cash Flows Provided (Used) From Operating Activities</b>                                   | <u>\$ (51,928,989)</u> | <u>\$ (70,142)</u>                 | <u>\$ (51,999,131)</u>         | <u>\$ (37,553,132)</u>         |
| <b>Cash Flows From Noncapital Financing Activities:</b>                                       |                        |                                    |                                |                                |
| Funds Received from EPA   | 18,376,113             | -                                  | 18,376,113                     | 14,655,446                     |
| Funds Received from State of South Carolina   | 2,743,400              | -                                  | 2,743,400                      | 2,993,600                      |
| Principal Forgiveness Disbursements   | (3,683,342)            | -                                  | (3,683,342)                    | (1,991,846)                    |
| Repayment transferred to DW   | -                      | -                                  | -                              | -                              |
| <b>Cash Flows Provided By Noncapital Financing Activities</b>                                 | <u>\$ 17,436,171</u>   | <u>\$ -</u>                        | <u>\$ 17,436,171</u>           | <u>\$ 15,657,200</u>           |
| <b>Cash Flows From Investing Activities:</b>  |                        |                                    |                                |                                |
| Net Investment Income Received  | 6,789,291              | 43,598                             | 6,832,889                      | 5,701,403                      |
| Other income  | -                      | -                                  | -                              | 1,475                          |
| <b>Cash Flows Provided By Investing Activities</b>  | <u>\$ 6,789,291</u>    | <u>\$ 43,598</u>                   | <u>\$ 6,832,889</u>            | <u>\$ 5,702,878</u>            |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                                   | <u>\$ (27,703,527)</u> | <u>\$ (26,544)</u>                 | <u>\$ (27,730,071)</u>         | <u>\$ (16,193,054)</u>         |
| <b>Cash and Cash Equivalents, Beginning of Year</b>   | <u>344,671,329</u>     | <u>2,270,170</u>                   | <u>346,941,499</u>             | <u>363,134,553</u>             |
| <b>Cash and Cash Equivalents, End of Year</b>   | <u>\$ 316,967,802</u>  | <u>\$ 2,243,626</u>                | <u>\$ 319,211,428</u>          | <u>\$ 346,941,499</u>          |
| <b>Cash Flows From Operating Activities:</b>  |                        |                                    |                                |                                |
| Income From Operations  | \$ 9,379,754           | \$ (71,163)                        | \$ 9,308,591                   | \$ 8,570,862                   |
| Adjustments to reconcile income from operations to net cash required by operating activities: |                        |                                    |                                |                                |
| Depreciation Expense  | -                      | -                                  | -                              | -                              |
| Change in Assets and Liabilities:   |                        |                                    |                                |                                |
| Loans Receivable  | (60,904,657)           | -                                  | (60,904,657)                   | (45,659,333)                   |
| Loan Interest Receivable  | (404,086)              | -                                  | (404,086)                      | (474,650)                      |
| Accrued Expenses  | -                      | 1,021                              | 1,021                          | 9,989                          |
| <b>Cash Flows Provided (Used) From Operating Activities</b>                                   | <u>\$ (51,928,989)</u> | <u>\$ (70,142)</u>                 | <u>\$ (51,999,131)</u>         | <u>\$ (37,553,132)</u>         |

**1. Organization of the Fund**

The State Water Pollution Control Revolving Fund (the **Fund**) was authorized pursuant to Title VI of the Federal Water Quality Act of 1987 to replace the construction grants program. The purpose of the Fund is to provide low interest loans to municipalities, counties and special purpose districts for the purpose of constructing wastewater treatment facilities, nonpoint source pollution control facilities and estuary management plans.

The Fund was established in June of 1987, pursuant to Title 48, Chapter 6 of the Code of Laws of South Carolina, 1976, as amended. Responsibility for implementing the program was assigned to two agencies. The South Carolina Department of Health and Environmental Control (**DHEC**) was charged with the programmatic and technical aspects of the program and the South Carolina Budget and Control Board, Office of Local Government (**OLG**) was assigned responsibility for the financial and management functions of the Fund.

Effective July 15, 1992, the original legislation creating the Fund was repealed and replaced by Title 48, Chapter 5 of the Code. The law maintained the same responsibilities for DHEC and created the South Carolina Water Quality Revolving Fund Authority (the **Authority**). OLG was given responsibility for the Fund on behalf of the Authority which is comprised of the Governor, the Treasurer, the Comptroller General, the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee.

As a result of the SC Restructuring Act of 2014, effective July 1, 2015, OLG was transferred to the SC Rural Infrastructure Authority (**RIA**) and it continues to manage the financial aspects of the Fund. The State Fiscal Accountability Authority now serves as the governing body of the Authority and is comprised of the same five members. All loan documents are between the Authority and the project sponsor and all official actions are in the name of and on behalf of the Authority.

DHEC's cost of administering the program is reimbursed by the Fund. Administrative costs include the salaries and benefits of the employees. Employees are covered by the benefits available to State of South Carolina (the **State**) employees.

**2. Summary of Significant Accounting Policies**

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The following is a summary of the more significant accounting policies:

### **Reporting Entity**

The Fund is treated by the State as a special revenue fund and reported in the State's general-purpose financial statements using the modified accrual basis of accounting which may result in differences from amounts reported in these financial statements.

### **Basis of Presentation - Basis of Accounting**

For EPA presentation purposes, the activities of the Fund are reported as a proprietary fund. The proprietary fund statement of net position and statement of revenues, expenses, and changes in net position display information about the Fund. Proprietary funds distinguish operating revenues and expenses from nonoperating items. The Fund consists of two enterprise funds: a loan fund to record loan and related activity, plus DHEC administrative expenses, and a loan fee administration fund that collects loan closing fees charged to loan recipients, and pays administrative expenses of the OLG related to operation of the Fund. Operating revenues for the Fund's enterprise funds include loan interest received and loan closing fees. Operating expenses for the enterprise funds include loan administration expenses (salaries and benefits; supplies; fixed charges; travel; and depreciation) and transfers for DHEC administration fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including investment earnings.

The Fund reports the following enterprise funds:

State Revolving Fund – The state revolving fund was established to account for the financial position and results of operations relating to the issuance and collection of loans to project sponsors for clean water infrastructure in South Carolina.

Loan Administration Fee – The loan administration fee fund was established to account for the financial position and results of operations relating to OLG's administration of the Fund outside of the State Revolving Fund.

These enterprise funds are reported using the flow of economic resources measurement focus and the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred. All assets and liabilities associated with operations of the Fund are included on the statement of net position. The Fund has elected to follow the accounting pronouncements of the Governmental Accounting Standards Board (**GASB**), as well as statements issued by the Financial Accounting Standards Board on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

### **Cash and Cash Equivalents**

All monies of the Fund are deposited with the State of South Carolina Treasurer's Office (the **Treasurer**) which is responsible for maintaining these deposits in accordance with state law. The Fund considers all such deposits to be cash. Investment earnings on these

deposits are received by the Fund on a monthly basis. According to state law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the Fund, as further discussed in Note 3. Consequently, management of the Fund has no control over the investment of the excess cash. The statement of cash flows considers all funds deposited with the Treasurer to be cash or cash equivalents, regardless of actual maturities of the underlying investments.

### **Loans Receivable**

Loans are funded by federal capitalization grants, state matching funds, investment earnings and loan repayments. The monies are disbursed to borrowers on an evidence of obligation basis, and interest begins accruing when funds are disbursed. When the borrowers have incurred qualifying expenses, they can request a loan disbursement from the Fund (no more than monthly), which is recorded in the Fund accounting records. The maximum duration for principal and interest deferral is limited to the estimated date of DHEC's final permit to operate for the project or 30 months from the date of the loan agreement, whichever occurs first. The payment initiation date is the first day of the month following the end of the deferral period. The first payment is due on the first day of the third month after the month of the payment initiation date. At the end of the deferral period, the borrower can elect to add the deferral period interest to the loan amount, or they can pay it in full. The loans have maturities up to 30 years and are repaid in quarterly installments unless the Authority specifies monthly repayments for certain loans. When all or a portion of the project has a term of 30 years, a premium of 20 basis points (0.20%) is added to the applicable rate and applied to the 30-year amount for the entire 30-year term. If a portion of the project also has a term of 20 years, then separate 20-year and 30-year amortizations are merged together into a single repayment schedule. Shorter term loans are also available with the interest rate lowered by 20 basis points (0.20%) for a term of 8 to 14 years and by 40 basis points (0.40%) for a term of up to 7 years when the Standard Rate is used for the entire project.

### **Net Position**

Net position represents the difference between assets, deferred outflow of resources, liabilities and deferred inflow of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

## **3. Cash and Cash Equivalents**

All cash in the Fund is deposited with the Treasurer who is responsible for maintaining and investing the pooled cash balances in accordance with state law. The Treasurer is required to maintain a mix of investments in order to allow cash to be withdrawn at any time to meet normal operating needs. The Fund's share of the investment income from the local government investment pool (**LGIP**) is based on the average daily balance for

the period and is credited to the Fund monthly. Details of the investments can be obtained from the Treasurer’s Office.

All cash and investments in the LGIP are stated at cost, which approximates fair market value. Investments in the LGIP are not categorized because they are not evidenced by securities that exist in physical or book entry form.

|                                  | <u>Carrying<br/>Amount</u> | <u>Market<br/>Value</u> |
|----------------------------------|----------------------------|-------------------------|
| Not subject to categorization:   |                            |                         |
| Local government investment pool | \$ 319,211,428             | \$ 319,211,428          |

**4. Deposits and Investments**

The following disclosures exclude the State’s Pension Trust Funds of the South Carolina Retirement Systems and Other Post-Employment Benefit Trust Funds.

**a. Deposits**

**Deposit Policy**

The State’s deposit policy, by law, requires all banks or savings and loan associations that receive State funds deposited by the Treasurer, to secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a depository financial institution’s failure, the State will not be able to recover the value of deposits with collateral securities that are in possession of an outside party. Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. All deposits under the control of the Treasurer are fully insured or collateralized.

**b. Investments**

**Investment Policy**

The State’s investment policy, by law, authorizes investments that vary by fund, but generally include obligations of the United States and government sponsored entities, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreement, certain corporate bonds, and commercial paper. Substantially all of the State’s investments are presented at fair value. Securities are valued at the last reported sales price as provided by an independent pricing

service. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned.

### **Custodial Credit Risk**

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The State's investments that are exposed to custodial risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty. For more information about the State's investment custodial credit risk, please refer to the State's Comprehensive Annual Financial Report (CAFR).

### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. Credit risk exposure is primarily limited to debt instruments and other hybrid equity securities. The Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade debt securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer-term investment merits of the security. For more information about the State's investment credit risk, please refer to the State's CAFR.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. For more information about the State's interest rate risk, please refer to the State's CAFR.

### **Concentration of Credit Risk**

The concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments in a single issuer. The State's policy for reducing this risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. For more information about the State's concentration of credit risk, please refer to the State's CAFR.

## **5. Loans Receivable**

The Fund has made loans to qualified borrowers at interest rates ranging from 1.00% to 4.75%, depending on fiscal year, the system's population size, income levels and whether the borrower is taking over an entire non-viable wastewater system. However, due to



extreme changes in market interest rates, in FY12, the interest rate on any loan in the portfolio exceeding 2.25% was reduced to 2.25% for the remaining term of the loan.

Rates are set prior to October 1<sup>st</sup> of each year and remain in effect through July 31<sup>st</sup> of the following year. The Standard Rate for FY19 (2.60%) is based on a 40% discount to the January through August 2018 average of the Bond Buyer Revenue Bond Index, rounded to the nearest 1/10%. A Small System Rate (2.10%) is set 50 basis points (.50%) below the Standard Rate. The Hardship Rate is 1.00%. The Takeover Rate is 1.60% for any project sponsor that assumes legal ownership of an entire non-viable wastewater system serving residential customers. The Green Rate (2.10%) is set 50 basis points (.50%) below the Standard Rate. For more information, please refer to the Fund's financial policies.

The maximum loan term is 30 years and loans are repaid on a quarterly basis, unless the Authority otherwise specifies monthly payment for certain loans. When all or a portion of the project has a term of 30 years, a premium of 20 basis points (0.20%) will be added to the applicable rate and applied to the 30-year amount for the entire 30-year term. If a portion of the project also has a term of 20 years, then separate 20-year and 30-year amortizations are merged together into a single repayment schedule. Shorter term loans are also available with interest rates lowered by 20 basis points (0.20%) for a term of 8 to 14 years, and by 40 basis points (0.40%) for a term of up to 7 years and only apply to an entire project using the Standard Rate.

Details of loans receivable as of June 30, 2019 are as follows:

|                                  | <u>Cumulative<br/>June 30, 2018</u> | <u>2019<br/>Figures</u> | <u>Cumulative<br/>June 30, 2019</u> |
|----------------------------------|-------------------------------------|-------------------------|-------------------------------------|
| Loan Disbursements               | \$1,031,585,599                     | \$89,525,682            | \$1,121,111,281                     |
| Capitalized Interest             | 11,736,132                          | 501,893                 | 12,238,025                          |
| Less: Principal Repayments       | <u>(581,629,703)</u>                | <u>(29,122,918)</u>     | <u>(610,752,621)</u>                |
| Total Loans Receivable - June 30 | <u>\$ 461,692,028</u>               | <u>\$60,904,657</u>     | <u>\$ 522,596,685</u>               |

There is no provision for uncollectible accounts, as all repayments are current and program management believes all loans will be repaid according to the loan terms. There have been no loan defaults or late payments (10 days past due) in the Fund since its inception.

## 6. Capital Assets and Depreciation

Capital assets of the Fund are recorded in loan fee administration. Assets are stated at historical cost and are depreciated using the straight-line method over an estimated useful life of 4 – 10 years.

EXHIBIT 4

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|                    | <u>June 30, 2018</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2019</u> |
|--------------------|----------------------|------------------|--------------------|----------------------|
| Office Equipment   | \$ 115,921           | \$ 0             | \$ 0               | \$ 115,921           |
| Totals             | \$ 115,921           | \$ 0             | \$ 0               | \$ 115,921           |
| Less: Accumulated  |                      |                  |                    |                      |
| Depreciation       | \$ (115,921)         | \$ 0             | \$ 0               | \$ (115,921)         |
| Net Capital Assets | \$ 0                 | \$ 0             | \$ 0               | \$ 0                 |

**7. Federal Grants and State Match**

**Regular Program Funds**

The Fund is capitalized through grants from the EPA (Catalog of Federal Domestic Assistance (CFDA) 66.458, Capitalization Grants for SRF), and state match is provided equaling 20% of the federal capitalization amount. As of June 30, 2019, EPA has awarded capitalization grants of \$477,834,367 to the State, of which \$472,747,441 has been drawn for loans and administrative expenses. The State has contributed an amount equal to 20% of the federal capitalization amount, which has been provided through appropriation of State General Funds and other resources. The State has provided matching funds of \$87,537,230 through June 30, 2019.

The following summarizes the capitalization grant award, amounts drawn on each grant as of the statement of net position date, and balances available for future loans:

## EXHIBIT 4

|           | Grant Amount<br>for Loans | Grant Amount<br>for APF | Total Grant<br>Amount | Draws<br>June 30, 2018 | 2019<br>Draws | Draws<br>June 30, 2019 | Grant Funds<br>Available<br>June 30, 2019 |
|-----------|---------------------------|-------------------------|-----------------------|------------------------|---------------|------------------------|---|
| 1989-1998 | \$172,843,224             | \$ -                    | \$172,843,224         | \$172,843,224          | \$ -          | \$172,843,224          | \$ -                                      |
| 1999      | 13,796,145                | -                       | 13,796,145            | 13,796,145             | -             | 13,796,145             | -   |
| 2000      | 13,778,770                | -                       | 13,778,770            | 13,778,770             | -             | 13,778,770             | -   |
| 2001      | 13,657,446                | -                       | 13,657,446            | 13,657,446             | -             | 13,657,446             | -   |
| 2002      | 16,414,299                | -                       | 16,414,299            | 16,414,299             | -             | 16,414,299             | -   |
| 2003      | 16,336,914                | -                       | 16,336,914            | 16,336,914             | -             | 16,336,914             | -   |
| 2004      | 13,576,860                | -                       | 13,576,860            | 13,576,860             | -             | 13,576,860             | -   |
| 2005      | 11,039,292                | -                       | 11,039,292            | 11,039,292             | -             | 11,039,292             | -   |
| 2006      | 8,961,600                 | -                       | 8,961,600             | 8,961,600              | -             | 8,961,600              | -   |
| 2007      | 10,964,547                | -                       | 10,964,547            | 10,964,547             | -             | 10,964,547             | -   |
| 2008      | 6,941,600                 | -                       | 6,941,600             | 6,941,600              | -             | 6,941,600              | -   |
| 2009 (1)  | 26,786,300                | 20,303,500              | 47,089,800            | 47,089,800             | -             | 47,089,800             | -   |
| 2010      | 10,535,316                | 10,337,684              | 20,873,000            | 20,873,000             | -             | 20,873,000             | -   |
| 2011      | 10,658,863                | 4,468,137               | 15,127,000            | 15,127,000             | -             | 15,127,000             | -   |
| 2012      | 9,570,870                 | 818,000                 | 10,388,870            | 10,388,870             | -             | 10,388,870             | -   |
| 2013      | 12,710,632                | 966,368                 | 13,677,000            | 13,677,000             | -             | 13,677,000             | -   |
| 2014      | 13,260,284                | 1,103,716               | 14,364,000            | 14,364,000             | -             | 14,364,000             | -   |
| 2015      | 10,479,000                | 3,811,000               | 14,290,000            | 11,882,761             | 2,407,239     | 14,290,000             | -   |
| 2016 (2)  | 10,509,641                | 3,178,359               | 13,688,000            | 10,471,200             | 1,314,544     | 11,785,744             | 1,902,256                                 |
| 2017 (3)  | 12,187,000                | 1,396,000               | 13,583,000            | 12,187,000             | -             | 12,187,000             | 1,396,000                                 |
| 2018 (4)  | 14,654,330                | 90,000                  | 14,744,330            | -                      | 14,654,330    | 14,654,330             | 90,000                                    |
|           | \$429,662,933             | \$ 46,472,764           | \$476,135,697         | \$454,371,328          | \$ 18,376,113 | \$472,747,441          | \$ 3,388,256                              |

(1) The 2009 cap grant represents the State's normal cap grant \$6,939,600 and a separate ARRA cap grant of \$40,150,200. The ARRA funds did not require a state match.

(2) In FY19, \$38,441 was transferred from principal forgiveness to loans, changing the 2016 grant amount for loans to \$10,509,641 and principal forgiveness to \$3,178,359. As of June 30, 2019, \$1,276,103 had been drawn for principal forgiveness leaving \$1,902,256 principal forgiveness remaining.

(3) The 2017 Cap Grant includes \$12,187,000 for loans and \$1,396,000 for principal forgiveness. As of June 30, 2019, \$0 had been drawn for principal forgiveness. The final \$1,396,000 in the awarded 2017 grant amount was not available to be drawn until the first quarter of FY19.

(4) The 2018 Cap Grant includes \$14,654,330 for loans and \$1,788,670 for principal forgiveness. As of June 30, 2019, \$0 had been drawn for principal forgiveness. The final \$1,698,670 in the awarded 2018 grant amount was not available to be drawn until the first quarter of FY20 and was not included in the total grant amount column.

The 2002 cap grant was amended on September 10, 2002 and \$2,756,853 of the DWSRF cap grant was transferred to the CWSRF. The 2003 cap grant was amended on August 25, 2003 and \$2,768,271 of the DWSRF cap grant was transferred to the CWSRF. For the 2009 cap grant, South Carolina used \$20,303,500 in ARRA funding for principal forgiveness and \$26,786,300 (including \$19,844,700 in ARRA funding) for loans. The schedule above includes the amended grant amounts.

As of June 30, 2019, State matching contributions were as follows:

|  | <u>Total Match<br/>June 30, 2018</u> | <u>2019<br/>Contribution</u> | <u>Total Match<br/>June 30, 2019</u> |
|--|--------------------------------------|------------------------------|--------------------------------------|
| South Carolina State Matching Contribution | \$ 84,793,830                        | \$2,743,400                  | \$ 87,537,230                        |

The 1989 through 2018 cap grants have been fully matched by the State. A total of \$3,288,600, including \$545,200 deposited in FY18, has been deposited for the 2018 cap grant which has all been disbursed as of June 30, 2019.

**8. Loan Fees**

The Fund charges borrowers a one-time loan closing fee which is currently thirty-five hundredths of a percentage point (0.35%). These fees are deposited in the loan fee administration fund outside of the State Revolving Fund and are used to pay administrative costs incurred by OLG for the Fund. During the year ended June 30, 2019, fees totaling \$368,581 were collected.

**9. Risk Management, Commitments and Contingencies, Related Parties, and Subsequent Events**

**Risk Management**

The Fund is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to state employees while performing business for the Fund, or acts of God. The State maintains insurance for all risks of loss.

**Commitments and Contingencies**

The Fund participates in a federally assisted grant program. The program is subject to compliance audits by the grantor or their representatives. The amount of program expenditures, which may be disallowed by the granting agency cannot be predicted, although the Fund expects such amounts, if any, to be immaterial.

**Related Parties**

There are no related party transactions with or related amounts receivable from management of the Fund.

**Subsequent Events**

The Fund has evaluated all events subsequent to the statement of net position date of June 30, 2019 through September 16, 2019, which is the date these financial statements were issued, and has determined that there are no additional subsequent events that require disclosure.

Exhibit 5

# EXHIBIT 5

## STATE FY 2019 EXPENDITURES CLEAN WATER SRF ADMINISTRATIVE FUNDS STATE OF SOUTH CAROLINA

FY 2019

| CW EXPENDITURE CATEGORY | ADMINISTRATIVE |
|-------------------------|----------------|
| SALARIES                | \$319,436.67   |
| FRINGE BENEFITS         | \$125,962.68   |
| TRAVEL                  | \$0.00         |
| FIXED CHARGES           | \$0.00         |
| EQUIPMENT               | \$0.00         |
| SUPPLIES                | \$1,665.90     |
| CONTRACTUAL             | \$0.00         |
| ENERGY                  | \$0.00         |
| NON CAP EQUIP           | \$0.00         |
| OTHER (EQC Div Rate)    | \$53,505.41    |
| TOTAL DIRECT COST       | \$500,570.66   |
| INDIRECT COST           | \$68,647.00    |
| TOTAL COST              | \$569,217.66   |

Attachment 1



**Rural Infrastructure Authority**  
Office of Local Government  
SRF  
1201 Main Street, Suite 1600  
Columbia, SC 29201

**MEMORANDUM**

**To:** File

**From:** James Absher  
Office of Local Government

**Date:** September 16, 2019

**Subject:** Financial Information for Clean Water State Revolving Fund - FY19

|  |                   |
|--|-------------------|
| <b>1 Total Federal Funds Drawn</b>                           | <b>18,376,113</b> |
| Regular Program  | 18,376,113        |
| ARRA   | 0                 |
| <br>   |                   |
| <b>2 Total State Funds Transferred</b>                       | <b>2,743,400</b>  |
| <br>   |                   |
| <b>3 Total Disbursements (includes DHEC Admin)</b>           | <b>93,209,024</b> |
| Regular Cap Grant Funds                                      | 21,664,713        |
| ARRA Cap Grant Funds   | 0                 |
| Recycled Funds   | 71,544,311        |
| <br>   |                   |
| <b>4 Accrued Interest During Construction as of 6/30/18</b>  | <b>474,054</b>    |
| Accrued For FY19   | 851,522           |
| Total to Account For   | 1,325,576         |
| Accrued Interest Paid FY19                                   | 28,347            |
| Interest Capitalized During FY19                             | 501,893           |
| Accrued Interest During Construction Earned in FY19          | 795,336           |
| <br>   |                   |
| <b>5 Loan Interest Receivable at 6/30/19</b>                 | <b>1,546,722</b>  |
| Loan Interest Received in FY 19                              | 9,089,361         |
| Total to Account For   | 10,636,083        |
| Loan Interest Balance at 6/30/18                             | 1,463,918         |
| Loan Interest Earned in FY19                                 | 9,172,165         |
| <br>   |                   |
| <b>6 Cash Received from loans during FY19</b>                | <b>45,029,917</b> |
| Loan Principal - Regular Loan                                | 29,122,918        |
| Loan Principal - ARRA Loan                                   | 0                 |
| Loan Interest - Regular Loan                                 | 9,089,361         |
| Paid Accrued Interest  | 28,347            |
| Investment Earnings - Regular Loan                           | 6,789,291         |
| Investment Earnings - ARRA Loan                              | 0                 |
| <br>   |                   |
| <b>7 Current Portion of Loans Outstanding - Regular Loan</b> | <b>32,617,245</b> |
| Current Portion of Loans Outstanding - ARRA Loan             | 0                 |
| <br>   |                   |
| <b>8 Federal LOC Payments for FY 2019</b>                    | <b>16,140,330</b> |

Attachment 1

TOTAL CLEAN WATER CAP GRANTS WITH QUARTERLY PAYMENT SCHEDULE  
CAP GRANTS by Federal Fiscal Year

| DATE                       | 2014                | 2016                | 2016                | 2017                | 2018                | TOTALS FOR ALL CAP GRANTS |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------------|
| <b>11/01/88 - 09/30/14</b> |                     |                     |                     |                     |                     | <b>\$405,466,367</b>      |
| 10/01/14 - 12/31/14        | \$13,864,000        |                     |                     |                     |                     | \$13,864,000              |
| 01/01/15 - 03/31/15        |                     |                     |                     |                     |                     | \$0                       |
| 04/01/15 - 06/30/15        | \$500,000           |                     |                     |                     |                     | \$500,000                 |
| 07/01/15 - 09/30/15        |                     | \$12,531,900        |                     |                     |                     | \$12,531,900              |
| 10/01/15 - 12/31/15        |                     |                     |                     |                     |                     | \$0                       |
| 01/01/16 - 03/31/16        |                     | \$423,000           |                     |                     |                     | \$423,000                 |
| 04/01/16 - 06/30/16        |                     | \$430,000           |                     |                     |                     | \$430,000                 |
| 07/01/16 - 09/30/16        |                     |                     |                     |                     |                     | \$0                       |
| 10/01/16 - 12/31/16        |                     | \$905,100           | \$10,471,200        |                     |                     | \$11,376,300              |
| 01/01/17 - 03/31/17        |                     |                     | \$1,216,800         |                     |                     | \$1,216,800               |
| 04/01/17 - 06/30/17        |                     |                     | \$1,000,000         |                     |                     | \$1,000,000               |
| 07/01/17 - 09/30/17        |                     |                     | \$1,000,000         |                     |                     | \$1,000,000               |
| 10/01/17 - 12/31/17        |                     |                     |                     | \$12,187,000        |                     | \$12,187,000              |
| 01/01/18 - 03/31/18        |                     |                     |                     |                     |                     | \$0                       |
| 04/01/18 - 06/30/18        |                     |                     |                     |                     |                     | \$0                       |
| 07/01/18 - 09/30/18        |                     |                     |                     | \$423,000           |                     | \$423,000                 |
| 10/01/18 - 12/31/18        |                     |                     |                     |                     | \$14,744,330        | \$14,744,330              |
| 01/01/19 - 03/31/19        |                     |                     |                     | \$973,000           |                     | \$973,000                 |
| 04/01/19 - 06/30/19        |                     |                     |                     |                     |                     | \$0                       |
| 07/01/19 - 09/30/19        |                     |                     |                     |                     |                     | \$0                       |
| 10/01/19 - 12/31/19        |                     |                     |                     |                     | \$1,698,670         | \$1,698,670               |
| 01/01/20 - 03/31/20        |                     |                     |                     |                     |                     |                           |
| <b>Totals</b>              | <b>\$14,364,000</b> | <b>\$14,290,000</b> | <b>\$13,688,000</b> | <b>\$13,583,000</b> | <b>\$16,443,000</b> | <b>\$477,834,367</b>      |

Attachment 2



## Interest Rates for FY 2019

### Clean Water SRF and Drinking Water SRF

|       |                   |  |
|-------|-------------------|--|
| 2.60% | Standard Rate     | Applies to all borrowers with population greater than 10,000 and Median Household Income (MHI) greater than State MHI (\$45,483).  |
| 2.10% | Small System Rate | <p>Incentive rate for small systems meeting the following criteria:</p> <ul style="list-style-type: none"> <li>▪ Borrower population less than 10,000.</li> <li>▪ Borrower MHI less than State MHI.</li> </ul> <p>Optional extension of term to useful life, up to 30 years.</p>   |
| 1.00% | Hardship Rate     | <p>Available to systems that meet <u>all</u> of the following criteria:</p> <ul style="list-style-type: none"> <li>▪ Borrower population less than 10,000.</li> <li>▪ Borrower MHI less than 80% of State MHI.</li> <li>▪ Extension of term to useful life, up to 30 years, required.</li> <li>▪ Sewer LOE* at least 1.50% for CWSRF.</li> </ul> <p style="text-align: center;"><i>or</i></p> <ul style="list-style-type: none"> <li>▪ Water LOE* at least 1.30% for DWSRF.</li> </ul> |
| 2.10% | Green Rate        | Applies to costs meeting EPA Green criteria up to 25% of total project costs, with balance at Standard Rate. Eligibility limited to borrowers without a credit rating on utility system.   |
| 1.60% | Takeover Rate     | Takeover of entire non-viable wastewater system serving residential customers, or non-viable community water system, regardless of population size or MHI.   |

### Clean Water SRF – Additional Rate Category

|       |                      |   |
|-------|----------------------|---|
| 2.10% | Nonpoint Source Rate | Available for up to \$4 million of eligible project when at least 50% of the costs are used on best management practices. |
|-------|----------------------|---|

\* Level of Effort (LOE) is annual cost of service based on 5,000 gallons monthly usage divided by system MHI.

**Refer to FY 2019 Loan Policies for additional provisions that govern interest rates.**

#### For Further Information:

Trish Comp ♦ (803) 737-3808 ♦ [tcomp@ria.sc.gov](mailto:tcomp@ria.sc.gov)



Attachment 3



June 25, 2018

The Honorable Trey Glenn  
Regional Administrator  
U.S. Environmental Protection Agency, Region IV  
61 Forsyth Street, S.W.  
Atlanta, GA 30303

Re: Certification of FY 2018 Clean Water State Revolving Fund Capitalization Grant

Dear Mr. Glenn:

As the designee of the South Carolina Attorney General, I am providing the certification required by 40 CFR §35.3110(d)(2). The certification requires confirmation that the legislation establishing the South Carolina Clean Water State Revolving Fund (CWSRF) and the powers it confers are consistent with state law, and that the State of South Carolina may legally bind itself to the terms of the capitalization grant agreement.

I have reviewed the legislation and provide the following certification.

*Legislation Establishing CWSRFs Consistent with State Law*

I certify that South Carolina Code Annotated §§ 48-5-10 through 180, entitled “The South Carolina Water Quality Revolving Fund Authority Act” (the “Act”) authorizes the South Carolina Department of Health and Environmental Control (the “Department”) to perform those functions required by 40 CFR §35.3110. Since its initial promulgation in 1992 Act No. 513, the Act has been amended five times by the South Carolina General Assembly. *See* 1994 Act No. 305; 1997 Act No. 41; 2005 Act No. 164; 2010 Act No. 185; 2014 Act No. 121. The amendments to the Act do not alter or impair the authority granted to the Department. I have found no court determinations which affect this certification.

*Authority Conferred by State Revolving Fund Legislation is Consistent with State Law*

It is my opinion, and I hereby certify, that the powers conferred by South Carolina Code Annotated §§ 48-5-10 through 180, as amended, are consistent with South Carolina statutory and constitutional law.

*Ability of the State to Bind Itself to Terms of the Grant*

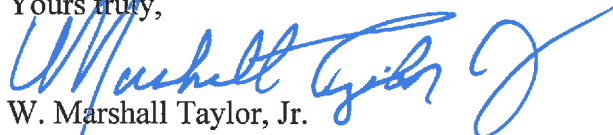
In regard to whether the State may legally bind itself to the terms of the grant agreement, the Act provides that “[t]here is created the South Carolina Water Quality Revolving Fund Authority. The authority is a public instrumentality of this State and the exercise by it of a power conferred in this chapter is the performance of an essential public function.” S.C. Code Ann. §48-5-30 (Supp. 2017). The Authority is composed of members of the State Fiscal Accountability Authority and is a “public body corporate” of the State. S.C. Code Ann. §48-5-40(1) (2008). In the exercise of its powers and functions, the Authority has the power to “enter into agreements with a department, agency, or instrumentality of the United States or of this State for the purpose of planning and providing for the financing of projects.” S.C. Code Ann. §48-5-40(13) (2008).

Similarly, the Department has the authority to “enter into binding agreements with the agency as necessary to effect the implementation of [the Act].” S.C. Code Ann. §48-5-60(6) (Supp. 2017). “Agency” is defined to mean the United States Environmental Protection Agency. S.C. Code Ann. §48-5-20(1) (2008).

I therefore certify that the State of South Carolina may legally bind itself through the Authority and the Department to the terms of the capitalization grant agreement, which awards funds to South Carolina for the purpose of operating the South Carolina CWSRF.

Please let me know should you have any questions or require any further information.

Yours truly,

  
W. Marshall Taylor, Jr.  
General Counsel

cc: Charles M. Gorman, P.G.



June 25, 2018

The Honorable Trey Glenn  
Regional Administrator  
U.S. Environmental Protection Agency, Region IV  
61 Forsyth Street, S.W.  
Atlanta, GA 30303

Re: Certification of equivalent State qualification-based requirements for Revolving Fund A/E contracts

Dear Mr. Glenn,

As required by 33 U.S.C.A § 1382(b)(14), "a contract to be carried out using funds directly made available by a capitalization grant under this subchapter for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or architectural related services shall be negotiated in the same manner as a contract for architectural and engineering services is negotiated under chapter 11 of Title 40 or an equivalent State qualifications-based requirement." Pursuant to EPA's interpretive guidance memorandum of January 6, 2015, a certification from the Governor or Attorney General is required when a State applies equivalent state standards for such contracts rather than applying 40 U.S.C. §1101 *et seq.* directly.

As the designee of the Attorney General of South Carolina for certifications required pursuant to 40 CFR §35.3110(d)(2) and 40 CFR §35.3545(d), pursuant to a letter from South Carolina Attorney General Alan Wilson dated May 16, 2014, I am hereby providing this certification that South Carolina's procurement process for the above-referenced contracts is equivalent to the requirements for such contracts under 40 U.S.C. §1101. Specifically, a public announcement of the solicitation or "Request for Qualifications" is required pursuant to S.C. Code Ann. §11-35-3023. The remaining requirements – discussion with at least three firms, selection of three most qualified firms, contract negotiation with the most qualified firm – are required pursuant to S.C. Code Ann. § 11-35-3220. Thus, the South Carolina procurement policy for A/E contracts satisfies the requirements of 33 U.S.C.A § 1382(b)(14).

Yours truly,



W. Marshall Taylor, Jr.  
General Counsel

cc: Charles M. Gorman, P.G.





May 16, 2014

ALAN WILSON  
ATTORNEY GENERAL

W. Marshall Taylor, Esquire  
General Counsel  
SC Department of Health  
and Environmental Control  
2600 Bull Street  
Columbia, South Carolina 29201

Re: South Carolina Attorney General Designation of the General Counsel of the South Carolina Department of Health and Environmental Control to provide certification

Dear Mr. Taylor:

Pursuant to our recent discussion, I am issuing this designation for certifications required to be made on behalf of the South Carolina Department of Health and Environmental Control.

40 CFR §35.3110(d)(2) requires certification that the legislation establishing the South Carolina Clean Water State Revolving Fund and the powers it confers are consistent with state law, and that the State of South Carolina may legally bind itself to the terms of the capitalization grant agreement and otherwise manage the program.

40 CFR §35.3545(d) requires such certification regarding the South Carolina Drinking Water State Revolving Fund.

I hereby designate you, as the General Counsel of the South Carolina Department of Health and Environmental Control, and anyone who may succeed you as the General Counsel, to provide such certification pursuant to 40 CFR §35.3110(d)(2) and 40 CFR §35.3545(d).

Yours very truly,

Alan Wilson  
Attorney General

Attachment 4

Attachment 4

SOUTH CAROLINA CLEAN WATER SRF PROJECTS  
FEDERAL FY 2018  
EQUIVALENCY PROJECT LISTING

**Attachment 4 - Clean Water Equivalency Projects**

| Sponsor & Project Name   | DHEC (SRF) Project # | RIA Project Number | Service Population | Binding Commitment (Loan Closing Date) | Interest Rate | Date Loan Matures | Construction Start | Total Project Cost  | Total SRF Loan Amount | Total Amount of APF Additional Loan Subsidy | Project Description  |
|--|----------------------|--------------------|--------------------|--|---------------|-------------------|--------------------|---------------------|-----------------------|---|--|
| <b>Renewable Water Resources</b><br>Reedy River Basin Sewer Tunnel   | 370-85               | 1-195-17           | 55,000             | 12/4/2017                              | 1.90%         | 4/1/2030          | 11/6/2017          | \$42,392,434        | \$42,392,434          |   | Construct an underground tunnel to convey wet weather peak flows to prevent SSOs due to lack of capacity in the existing parallel sewer. |
| <b>CWSRF Equivalency Projects -- Total Amount Credited to FY 2018 Capitalization Grant of \$16,443,000</b> |                      |                    |                    |  |               |                   |                    | <b>\$42,392,434</b> | <b>\$42,392,434</b>   | <b>\$0</b>                                  |  |