

FINANCIAL AUDIT

Montana Water Pollution Control and
Drinking Water State Revolving Fund
Programs

For the Fiscal Year Ended June 30, 2013

MARCH 2014

13-25A

REPORT SUMMARY

State Revolving Fund capitalization grants provide Montana with a long term source of financing for drinking water infrastructure and water quality management activities. The grants, received from the Environmental Protection Agency, are loaned to local Montana communities for eligible projects, and loan repayments are used to make new loans. The Environmental Protection Agency requires an annual audit of the programs.

Context

The State Revolving Fund programs include the Water Pollution Control State Revolving Fund (WPCSRF) and the Drinking Water State Revolving Fund (DWSRF). These programs provide low interest loans for the planning, design, and construction of water pollution control and drinking water projects. The programs are jointly administered by the Department of Environmental Quality (DEQ) and the Department of Natural Resources and Conservation (DNRC).

Through June 30, 2013, the WPCSRF and the DWSRF programs authorized loans to public entities, in the aggregate, in excess of \$374.2 million and \$216.2 million, respectively. At June 30, 2013, the net outstanding loan balances were approximately \$184.5 million in the WPCSRF and \$123.6 million in the DWSRF.

The WPCSRF program works to maintain, restore, and enhance the chemical, physical, and biological integrity of the state's waters for the benefit of the overall environment and the protection of public health. The WPCSRF

program is funded 83.33 percent by federal Environmental Protection Agency (EPA) capitalization grants and 16.67 percent by state match.

The DWSRF program provides financial and technical assistance to help public water supplies achieve and maintain compliance with federal and state drinking water laws and standards for the protection and enhancement of Montana's public drinking water. The DWSRF program is funded 80 percent by federal EPA capitalization grants and 20 percent by state match.

Results

We focused our audit effort on reviewing the financial statements and notes. This included reviewing the financial statement preparation process, comparing the activity on the financial statements to previous years, and reviewing the notes for consistency with the financial statements and supporting documentation. We confirmed selected loan balances with loan recipients and reviewed documentation

related to the Revenue Anticipation Note issuance. We also verified program financial information reconciled to statements provided by the program's trustee bank and determined program compliance with selected, applicable state and federal laws and regulations. Our audit did not result in any recommendations. We issued an unmodified opinion on the financial statements and notes.

Recommendation Concurrence	
Concur	0
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report (13-25A) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>
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