

FINANCIAL AUDIT

Montana Water Pollution Control and
Drinking Water State Revolving Fund
Programs

For the Fiscal Year Ended June 30, 2017

MARCH 2018

17-25A

REPORT SUMMARY

The Montana State Revolving Fund programs provide low interest loans for the planning, design, and construction of water pollution control and drinking water projects for communities around the state. The loans receivable balances were approximately \$270 million in the Water Pollution Control State Revolving Fund program and \$141.4 million in the Drinking Water State Revolving Fund program. The audit did not result in any recommendations.

Context

The State Revolving Fund programs include the Water Pollution Control State Revolving Fund (WPCSRF) and the Drinking Water State Revolving Fund (DWSRF). The programs are jointly administered by the Department of Environmental Quality and the Department of Natural Resources and Conservation. An annual audit of these programs is required by the Environmental Protection Agency (EPA).

Loan agreements offered by the programs allow up to 30 years for repayment and all repayments of interest and principal must remain in the revolving funds. Therefore, as loans are repaid, funds are recycled to be made available for additional projects.

In addition to the recycled funds, the programs are funded by federal capitalization grants from the EPA which require a state match of funds. The state match is provided by the issuance of debt in the form of General Obligation Bonds, Revenue Anticipation Notes, and Bond Anticipation Notes.

There is a loan forgiveness component to the EPA's federal capitalization grant awards. During fiscal year 2017, the programs forgave approximately \$1.4 million in loans in the WPCSRF and approximately \$3.4 million in loans for the DWSRF programs. A portion of the loans is forgiven when the public entity meets certain requirements established by the EPA.

At June 30, 2017, the loans receivable balances were approximately \$270 million in the WPCSRF and \$141.4 million in the DWSRF. The associated state match requirement for the WPCSRF and DWSRF programs are approximately \$36 million and \$49 million, respectively, and the state has voluntarily matched additional funds of approximately \$62.8 million and over \$6.9 million, respectively. These additional funds are used to meet the needs of public entities in Montana. These amounts are cumulative over the life of the programs.

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Results

We reviewed the presentation of the financial statements and note disclosures to determine whether the information was supported by the underlying accounting records. We determined the accuracy of loan balances for loans receivable. We evaluated agency controls over information provided by the trustee bank. We determined program compliance with selected, applicable state laws and federal regulations.

This audit did not result in any audit recommendations, and we issued an unmodified opinion on the financial statements for the fiscal year ended June 30, 2017. This means the reader can rely on the information presented in the financial statements.

For a complete copy of the report (17-25A) 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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