



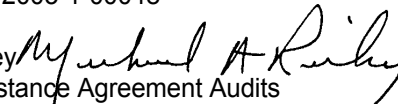
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C.

OFFICE OF  
INSPECTOR GENERAL

January 21, 2003

Memorandum

Subject: Auditor's Report for the Nevada Drinking Water State Revolving Fund  
as of June 30, 2001  
Audit Report No.2003-1-00048

From: Michael A. Rickey   
Director for Assistance Agreement Audits

To: Wayne Nastri  
Regional Administrator  
EPA, Region 9  
San Francisco, CA

Attached is a copy of the subject audit we sent to the State of Nevada. The audit contains reports on the financial statements, internal controls, and compliance requirements applicable to the Drinking Water State Revolving Fund (SRF) program in Nevada for the year ended June 30, 2001.

We issued an unqualified opinion on the financial statements and on the compliance requirements applicable to the Drinking Water SRF program. In addition, we did not note any matters involving the internal control system and operations that we consider to be material weaknesses.

Since we did not have any compliance matters or costs questioned, and we are closing the audit report on issuance.

The OIG has no objection to the release of this report to any member of the public upon request. The report contains no confidential business or proprietary information.

If you have any questions or concerns regarding this matter, please feel free to contact Paul Felz at (303) 312-6270 or Mr. William Dayton at (916) 498-6590.

Attachment



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C.

OFFICE OF  
INSPECTOR GENERAL

January 21, 2003

Mr. Alex Haartz, Deputy Administrator  
Nevada State Health Division  
Department of Human Resources  
1179 Fairview Drive, Suite 201  
Carson City, Nevada 89701-5405

Re: Final Report of Audit of Financial Statements of Nevada Drinking Water State Revolving Fund for  
the year ended June 30, 2001

Dear Mr. Haartz:

Attached please find an electronic copy of the Nevada Drinking Water State Revolving Fund audited  
financial statements of the year ended June 30, 2001.

In order to present the financial statements in accordance with generally accepted accounting principles,  
we made certain proposed adjustments to the state's financial statements, which your staff has agreed  
with.

We would like to take this opportunity to thank you and your staff for the cooperation and courtesies we  
received during our audit. Please call me at (916) 498-6590 or Mr. Paul Felz at (303) 312-6270 should  
you have any comments or questions.

Sincerely,

A handwritten signature in black ink, appearing to read "William M. Dayton".

William M. Dayton  
SRF Audit Manager

**Nevada Drinking Water State Revolving Fund**  
***Financial Statements with***  
***Independent Auditor's Report***

*June 30, 2001*

***Audit Report No. 2003-1- 00048***

Inspector General Division  
Conducting the Audit:

Western Audit Division  
San Francisco, California

Region Covered:

Region 9

Program Office Involved:

Drinking Water Unit

State Offices:

Department of Human Resources,  
Nevada State Health Division,  
Bureau of Health Protection Services

Auditors Conducting Audit:

Paul Felz  
Yeon Kim  
Darren Schorer

**Nevada Drinking Water State Revolving Fund  
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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C.

OFFICE OF  
INSPECTOR GENERAL

Independent Auditor's Report

To: Mr. Alex Haartz, Deputy Administrator  
Nevada State Health Division

We have examined the accompanying balance sheet of the Nevada Drinking Water State Revolving Fund Program (the Program) as of June 30, 2001, the related statement of revenues, expenses, and changes in retained earnings, and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

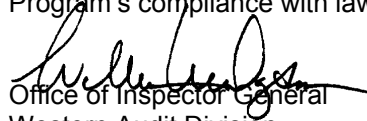
We conducted our audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Program as of June 30, 2001, and the results of its activities and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis of the combined financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

As discussed in Note 1, the financial statements referred to above are intended to present the financial position and results of operations of the Program, a component of a Special Revenue Fund of the State of Nevada. These statements are not intended to present the financial position or results of operations for the State of Nevada or the Nevada Bureau of Health Protection Services, of which the Program is a part.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 25, 2002, on our consideration of the Program's internal control structure and a report dated July 25, 2002, on the Program's compliance with laws and regulations.

  
Office of Inspector General  
Western Audit Division  
San Francisco, California  
July 25, 2002

**State of Nevada  
Drinking Water State Revolving Fund  
Balance Sheet  
June 30, 2001**

**Assets**

Current assets:	
Cash and cash equivalents	\$ 2,963,485
Loan interest receivable	204,166
Investment interest receivable	61,921
Federal grants receivable	657,141
Loans receivable – current portion	801,102
Total current assets	4,687,815
Loans receivable – long term portion	23,011,117
Unamortized cost of issuance	77,830
<b>Total assets</b>	<b>\$ 27,776,762</b>

**Liabilities and Equity**

Current liabilities:	
Accounts payable	\$ 16,020
Accrued payroll	12,886
Interest payable	170,752
Contracts payable	580,141
Total current liabilities	779,799
Long term liabilities	
Bonds payable (Note 3)	7,064,545
Arbitrage rebate payable	37,699
Total long term liabilities	7,102,244
<b>Total liabilities</b>	<b>7,882,043</b>
Equity	
EPA contributions	19,312,602
Retained earnings	582,117
<b>Total equity</b>	<b>19,894,719</b>
<b>Total liabilities and equity</b>	<b>\$ 27,776,762</b>

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

**State of Nevada  
Drinking Water State Revolving Fund  
Statement of Revenues, Expenses, and Changes  
in Retained Earnings  
Year Ended June 30, 2001**

**Revenues:**

Federal set aside receipts	\$ 1,360,174
Interest earned on investments	240,012
Interest earned on loans	463,904
Total Income	2,064,090

**Expenses:**

Set-asides:	
Administrative	221,754
State program management	515,459
Local assistance	441,140
Technical assistance	181,821
Interest on bonds	341,804
Arbitrage rebate	37,699
Amortization of cost of issuance	3,563
Total expenses	1,743,240

Net Income	320,850
Beginning retained earnings	261,267
Ending retained earnings	\$ 582,117

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



**State of Nevada  
Drinking Water State Revolving Fund  
Statement of Cash Flows  
Year Ended June 30, 2001**

<b>Cash flows from operating activities:</b>	
Cash received from EPA for set-asides	\$ 1,081,390
Interest received on investments	222,010
Interest received on loans	492,280
Principal repayments received on loans	427,551
Disbursements to loan recipients	(11,970,075)
Interest on bonds	(299,455)
Cash paid for set-aside activities	<u>(1,037,520)</u>
Net cash used for operating activities	<u>(11,083,819)</u>
 <b>Cash flows from financing activities:</b>	
Cash received from EPA for loans	9,554,667
Proceeds from sale of bonds	1,587,727
Bond issuance costs	<u>(31,545)</u>
Net cash provided by financing activities	<u>11,110,849</u>
Net Increase (decrease) in cash	27,030
Cash and cash equivalents, July 1, 2000	<u>2,936,455</u>
Cash and cash equivalents, June 30,2001	<u><u>\$ 2,963,485</u></u>
 <b>Reconciliation of operating income to net cash used for operating activities:</b>	
Operating income	\$ 320,850
 <b>Adjustments to reconcile operating income to net cash used for operating activities:</b>	
Amortization of bond premium	(3,630)
Amortization of cost of issuance	3,563
 <b>Change in assets and liabilities:</b>	
(Increase) in accrued investment interest	(18,002)
(Increase) in federal grant receivable	(270,620)
Decrease in loan interest receivable	28,376
(Increase) in loans receivable	(11,542,524)
Increase in accounts payable	314,490
Increase in interest payable on bonds	45,979
Increase in arbitrage rebate payable	<u>37,699</u>
Total Adjustments	<u>(11,404,669)</u>
Net cash (used for) operating activities	<u><u>\$ (11,083,819)</u></u>

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

**NEVADA DRINKING WATER STATE REVOLVING FUND**  
**Notes to the Financial Statements**  
**June 30, 2001**

**1. Organization of the Fund**

The Nevada Drinking Water State Revolving Fund Program (the Program) was established in 1997 pursuant to Nevada Revised Statutes 445A.200–445A.295 and the Federal Safe Drinking Water Act (SDWA). The Program was established to provide assistance to public water systems for projects that meet the eligibility requirements of the SDWA. The SDWA also allows the State to “set aside” up to 31% of the annual capitalization grants for administration of the Program (up to 4%), supplemental funding for the State’s Public Water System Supervision program (up to 10%), for technical assistance to public water systems (up to 2%), and for other technical or financial assistance to public water systems (up to 15%).

The Nevada Health Division’s (the Division) Bureau of Health Protection Services (the Bureau) manages the Program. The Bureau has developed policies and procedures for the loan and set-aside programs to meet the objectives of the State and Federal Acts and properly manage and coordinate the Program. The Bureau determines the level of funding to be contributed to the loan fund and used for loans and the amount to be set-aside for other eligible activities. The Bureau reviews loan applications for eligibility and subsequently prioritizes eligible projects with compliance-related projects addressing public health risks receiving the highest ranking. The Bureau’s staff reviews each loan applicant to determine its ability to repay the loan, its readiness to proceed with the project, its ability to complete the project, and the environmental impacts of the project. A list of prioritized loan applications is forwarded to the Board for Financing Water Projects for approval. Funding is offered to the highest-ranking projects that are ready to proceed, until all funds are used.

Beginning in 1997, the Program received annual capitalization grants from the U.S. Environmental Protection Agency (EPA). Nevada is required to provide an amount equaling 20 percent of the Federal capitalization grant as matching funds in order to receive each grant. As of June 30, 2001, EPA awarded \$34,900,900 in capitalization grants for the Program, and Nevada is required to provide \$6,980,180 as its matching share. The state match is acquired from proceeds of state match bonds issued on behalf of the Program by the State Treasurer’s Office.

The Bureau has a small professional staff dedicated solely to the administration of Program activities. The allocated portion of salaries and benefits of other employees for time spent working on Program activities, as well as indirect costs based on direct costs, are also charged to the Program. Employees charging time to the Program are covered by the State of Nevada personnel benefits plan.

The Program’s account balances and activities are included in Nevada’s Comprehensive Annual Financial Report (CAFR) as part of the Municipal Bond Bank special revenue fund, which uses the modified accrual basis of accounting. Because the Program is blended into this special revenue fund, its assets, liabilities, equity and activities are not identifiable in Nevada’s CAFR. Also, because of the different reporting methods, there may be differences between the amounts reported in these financial statements and Nevada’s CAFR.

## **2. Summary of Significant Accounting Policies**

### ***Basis of Accounting***

The Program's financial statements are presented as an enterprise fund using the accrual method of accounting whereby revenues are recorded when earned and expenses are recorded when the related liability is incurred. An enterprise fund is used since the Program's operations are similar to a financing institution where net income and capital maintenance are appropriate determinations of accountability that provide information to the EPA to assist in evaluating whether the Program is operating with the requirements of the SDWA. In preparing the Program financial statements, Nevada follows the accounting pronouncements of the Governmental Accounting Standards Board (GASB), as well as statements issued by the Financial Accounting Standards Board (FASB) before November 30, 1989, unless FASB pronouncements conflict with or contradict GASB pronouncements.

### ***Cash and Cash Equivalents***

The Nevada State Treasurer is an elected Constitutional Office and part of the Executive Branch of State government. The Treasurer is responsible for the handling of all State cash as a fiscal agent for the owning fund. The Treasurer manages an investment pool where all temporary surplus cash is invested. The investment pool has the same general characteristics as demand deposit accounts. Invested funds are considered to be cash equivalents. Management of the Program does not have control over the investment of excess cash, and the statement of cash flows considers all funds deposited with the Treasurer to be cash and cash equivalents, regardless of actual maturities of the underlying investments. Deposits with the Nevada State Treasurer are accounted for on the balance sheet as cash and cash equivalents.

### ***Loans Receivable***

Nevada operates the Program as a direct loan program, whereby the majority of loans made to water systems are funded by the Federal capitalization grant and/or match from State funds. Additional loans can be made from revolving funds that have been repaid to the Program and Program earnings. The Program's loans are evidenced by a formal loan contract between the Division and the borrower. Loan funds are disbursed to borrowers after they incur costs for the purposes of the loan, request reimbursement from the Program, and the Program receives the Federal share from EPA.

Interest rates are based on the Bond Buyer Municipal Index, which is published on a weekly basis each Friday, and currently range from 3.46 to 4.03 percent. In determining the interest rate offered to a loan recipient, the rate of interest as published by the Bond Buyer Municipal Index on the Friday preceding the date on which the recipient loan contract is executed is multiplied by a percentage, which is sixty-six and 2/3 percent (66.667%). No provision for doubtful accounts has been made as all loans are current, and management believes that all loans will be repaid according to the loan terms.

### ***Bonds Payable***

The State issues state match bonds to meet its state match obligation. Bond premiums and costs of issuance are amortized over the life of the bonds. All bonds are backed by the full faith and credit of the State of Nevada, with the Program primarily responsible for repayment.

### ***Contributed Capital***

In accordance with generally accepted accounting principles applicable for the period, funds received from EPA and Nevada for the capitalization of the Program are recorded as contributed capital rather than fund revenue.

### 3. **Cash and cash equivalents**

All monies of the Program are deposited with the Nevada State Treasurer and are considered cash and cash equivalents. The Treasurer is responsible for maintaining the cash balances in accordance with Nevada laws. Details of the investments of the State Treasurer can be obtained from the State Treasurer.

As of June 30, 2001, the Program investments with the State Treasurer totaled \$2,963,485. The Program earned \$240,012 from deposits with the Treasurer during fiscal 2001. Deposits with the Treasurer are not categorized because they are not evidenced by securities that exist in physical or book entry form.

	<u>Cost</u>	<u>Market Value</u>
Not subject to categorization:		
Consolidated cash pool	\$ 2,963,485	\$2,963,485

### 4. **Loans Receivable**

The Program makes loans to qualified public water systems for projects that meet the eligibility requirements of the SDWA. Loans have been financed by federal capitalization grants and state match contributions. As of June 30, 2001, \$19,312,602 in federal funds and \$4,927,168 in state match had been disbursed for loans. The Program made loans to the Southern Nevada Water Authority in the amount of \$22,269,695, which represents approximately 92 percent of the amounts disbursed. Effective interest rates on loans vary between 3.46 and 4.03 percent, and are generally repaid over 20 years starting six months after the project is completed. Loans receivable as of June 30, 2001, are as follows:

<u>Category</u>	<u>Loan Amount Authorized</u>	<u>July1, 2000 Balance</u>	<u>Disbursements</u>	<u>Repayments</u>	<u>June 30, 2001 Balance</u>
Funding completed	\$ 22,389,695	\$ 12,269,695	\$ 10,120,000	\$ 427,551	\$21,962,144
Funding in progress	<u>9,450,987</u>	<u>0</u>	<u>1,850,075</u>	<u>0</u>	<u>1,850,075</u>
Totals	<u>\$ 31,840,682</u>	<u>\$ 12,269,695</u>	<u>\$ 11,970,075</u>	<u>\$ 427,551</u>	<u>\$23,812,219</u>

Loans mature at various intervals through July, 2021. The scheduled principal and interest payments on completely disbursed loans maturing in subsequent years are as follows:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 801,102	\$ 773,623	\$1,574,725
2003	829,759	742,641	1,572,400
2004	859,443	712,957	1,572,400
2005	890,188	682,212	1,572,400
2006	922,034	650,366	1,572,400
Thereafter	<u>17,659,618</u>	<u>5,059,724</u>	<u>22,719,342</u>
Total	<u>\$21,962,144</u>	<u>\$ 8,621,523</u>	<u>\$ 30,583,667</u>

**5. State Match Bonds Payable**

The Series 1999B and Series 2000C bonds were issued by the State for the purpose of providing matching funds for the Program and paying costs of issuance. As of June 30, 2001, Nevada had deposited matching funds from the net proceeds of these bonds totaling \$6,986,808. The bonds are general obligations of the State to which the full faith and credit of the State is pledged. The State expects the loan payments received from the public water systems to service debt on the bonds. Interest on the bonds is payable semiannually with interest rates ranging from 5.1 percent to 5.75 percent. Principal is due annually through 2019 with optional early redemption, at the option of the State, with early redemption premiums ranging from no premium to 1 percent. Following is an analysis of changes in bonds payable for the year ended June 30, 2001:

	July 1, 2000 <u>Balance</u>	New <u>Issues</u>	<u>Retirements</u>	June 30, 2001 <u>Balance</u>
1999B Series	\$ 5,430,000	-	-	\$ 5,430,000
2000C Series	-	\$ 1,555,000	-	1,555,000
	<u>\$ 5,430,000</u>	<u>\$ 1,555,000</u>		<u>\$ 6,985,000</u>
Premium (amortization)	<u>50,448</u>	<u>32,727</u>	<u>\$ (3,630)</u>	<u>79,545</u>
Total	<u>\$ 5,480,448</u>	<u>\$ 1,587,727</u>	<u>\$ (3,630)</u>	<u>\$ 7,064,545</u>

The Program's debt service requirements to maturity, excluding unamortized premium, are as follows:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ -	\$ 396,011	\$ 396,011
2003	195,000	376,855	571,855
2004	305,000	363,167	668,167
2005	310,000	346,380	656,380
2006	320,000	329,180	649,180
Thereafter	<u>5,855,000</u>	<u>2,422,684</u>	<u>8,277,684</u>
Total	<u>\$ 6,985,000</u>	<u>\$ 4,234,277</u>	<u>\$ 11,219,277</u>

As of June 30, 2001, the status of the state match deposits were as follows:

	June 30, 2000 <u>Balance</u>	FY 2001 <u>Contribution</u>	June 30, 2001 <u>Balance</u>
Net bond proceeds	\$ 5,430,626	\$1,556,182	\$ 6,986,808
Amount Used on Loans			( 4,927,168)
Amount Available			<u>\$ 2,059,640</u>

**6. Arbitrage Rebate**

In accordance with Internal Revenue Code Section 148(f) relating to arbitrage restrictions on tax-exempt bonds, an arbitrage rebate payable in the amount of \$37,699 has been recorded for the Series 1999B and 2000C state match bond issues. The portion of the rebate due for the 1999B bonds will be due in November, 2004, and the portion due for the 2000C bonds will be due in February, 2006.

**7. Contributed Capital**

The Program is capitalized by EPA grants authorized by SDWA and matching funds provided by state match bonds. All EPA funds drawn for loans are recorded as contributed capital from EPA. All EPA funds drawn for set-asides are recorded as revenue. As of June 30, 2001, EPA had awarded capitalization grants of \$34,900,900 to Nevada, of which \$19,312,602 had been drawn for reimbursement of loan disbursements and recorded as contributed capital. An additional \$2,200,602 had been drawn for set-aside expenses since inception of the Program and recorded as revenue. Additional revenue of \$657,141 was recorded and due from EPA for set-asides as of June 30, 2001. The following summarizes the federal capitalization grants awarded, amounts drawn on each grant as of June 30, 2001, and balances available:

<u>Grants</u>		<u>Total</u>
As of June 30, 2000	\$27,143,900	
Awards July 1, 2000 through June 30, 2001	<u>\$ 7,757,000</u>	\$ 34,900,900
 <u>Cash Draws</u>		
As of June 30, 2000	\$10,868,983	
Draws July 1, 2000 through June 30, 2001	<u>\$10,644,221</u>	(\$ 21,513,204)
Total Available as of June 30, 2001		<u>\$ 13,387,696</u>

**8. Contingencies and Subsequent Events**

***Contingencies***

The Program is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to state employees while performing Program business; or acts of God. Nevada is self-insured against certain property and liability claims up to \$1,000,000 and carries excess liability insurance for any claim in excess of \$1,000,000. There have not been any claims against the Program since its inception.

***Subsequent Events***

Subsequent to year end, EPA awarded Nevada its 2001 capitalization grant for \$6,231,280. Nevada's matching share for this grant is \$1,246,256.

Independent Auditor's Report on the  
Nevada Drinking Water State Revolving Fund Program  
Internal Control Structure Based on an  
Audit of the Financial Statements  
Performed in Accordance with  
*Government Auditing Standards*



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C.

OFFICE OF  
INSPECTOR GENERAL

Mr. Alex Haartz, Deputy Administrator  
Nevada State Health Division

We have audited the financial statements of the Nevada Drinking Water State Revolving Fund Program (the Program) as of and for the year ended June 30, 2001, and have issued our report thereon dated July 25, 2002.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Program is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Program for the year ended June 30, 2001, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management of the Program and the U.S. Environmental Protection Agency. However, this report is a matter of public record and distribution is not limited.

A handwritten signature in black ink, appearing to read "William A. Anderson".

Office of Inspector General  
Western Audit Division  
San Francisco, California  
July 25, 2002



Independent Auditor's Report  
on Compliance with Requirements Applicable to the  
Nevada Drinking Water State Revolving Fund Program  
in Accordance with  
*Government Auditing Standards*



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C.

OFFICE OF  
INSPECTOR GENERAL

Mr. Alex Haartz, Deputy Administrator  
Nevada State Health Division

We have audited the financial statements of the Nevada Drinking Water State Revolving Fund Program (the Program) as of and for the year ended June 30, 2001, and have issued our report thereon dated July 25, 2002.

We have also audited the Program's compliance with specific program requirements governing allowability for specific activities, allowable types of assistance, state matching, period of availability of funds and binding commitments, cash management, program income, and subrecipient monitoring that are applicable to the Program for the year ended June 30, 2001. The management of the Program is responsible for the Program's compliance with those requirements. Our responsibility is to express an opinion on those requirements based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Program's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Program complied, in all material respects, with the specific program requirements that are applicable to the Program for the year ended June 30, 2001.

This report is intended for the information of management of the Program and the U.S. Environmental Protection Agency. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "William J. ...", written over the printed name of the Office of Inspector General.

Office of Inspector General  
Western Audit Division  
San Francisco, California  
July 25, 2002

## **Supplemental Information**

**State of Nevada  
Drinking Water State Revolving Fund  
Schedule of Set-aside Expenses  
Year Ended June 30, 2001**

	<u>Administrative</u>	<u>State Program Management</u>	<u>Technical Assistance</u>	<u>Local Assistance</u>	<u>Total</u>
Salaries and Benefits	\$ 124,836	\$ -	\$ -	\$ 59,324	\$ 184,160
Equipment	-	30,105	-	14,985	45,090
Contracts	35,639	436,138	179,666	358,379	1,009,822
Travel	4,527	20,766	-	2,191	27,483
Indirect Costs	21,901	8,816	-	-	30,717
Other Operating Costs	34,852	19,634	2,155	6,261	62,902
<b>Total</b>	<u>\$ 221,754</u>	<u>\$ 515,459</u>	<u>\$ 181,821</u>	<u>\$ 441,140</u>	<u>\$ 1,360,174</u>

## **Report Distribution**

### **EPA, Headquarters:**

Director, Grants Administration  
Agency Followup Coordinator  
Associate Administrator for Congressional  
and Intergovernmental Relations  
Associate Administrator for Communications,  
Education and Public Affairs  
Infrastructure Branch Chief  
DWSRF Coordinator  
DWSRF Audit Manager

### **EPA, Region 9:**

Regional Administrator  
Water Division Acting Director  
Associate Director for Nevada  
Manager for Drinking Water Office  
Audit Liaison  
DWSRF Coordinator

### **Other:**

Nevada Department of Human Resources, Health Division