



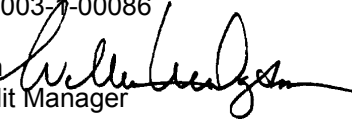
**ENVIRONMENTAL PROTECTION AGENCY**  
WASHINGTON, D.C

OFFICE OF  
INSPECTOR GENERAL

March 26, 2003

Memorandum

Subject: Auditor's Report for the New Hampshire Clean Water State Revolving Fund Program (the Program) as of June 30, 2002  
Audit Report No.2003-1-00086

From: William M. Dayton   
National SRF Audit Manager

To: Robert W. Varney  
Regional Administrator  
EPA, Region 1  
Boston, MA

Attached is a copy of the subject audit we sent to the State of New Hampshire. The audit contains reports on the financial statements, internal controls, and compliance requirements applicable to the Clean Water State Revolving Fund (SRF) program in New Hampshire for the year ended June 30, 2002.

We issued an unqualified opinion on the financial statements and on the compliance requirements applicable to the Clean 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 me at (916) 498-6590 or Ms. Jan Lister at (415) 947-4532.

Attachment



**ENVIRONMENTAL PROTECTION AGENCY**  
WASHINGTON, D.C

OFFICE OF  
INSPECTOR GENERAL

March 26, 2003

Mr. Robert Monaco, Acting Commissioner  
New Hampshire Department of Environmental Services  
6 Hazen Drive  
Concord, NH 03301

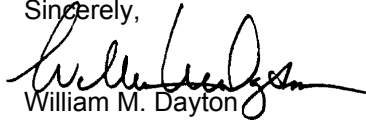
Re: Audit Reports of the Financial Statements of the New Hampshire Clean Water State Revolving Fund Program for the year ended June 30, 2002

Dear Mr. Monaco:

Enclosed please find an electronic copy of the audited financial statements for the New Hampshire Clean Water and Drinking Water State Revolving Fund Programs for the year ended June 30, 2002. We made certain adjustments and reclassifications, to which you have agreed, in order to have the financial statements follow EPA's current reporting guidelines, which are accordance with generally accepted accounting principles

We would like to thank you and your staff for the cooperation and courtesies we received during our audit. Please feel free to call me at (916) 498-6590 or Ms. Jan Lister at (415) 947-4532 should you have any comments or questions.

Sincerely,

  
William M. Dayton  
National SRF Audit Manager



**OIG**  
OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

## **Audit Report**

# **New Hampshire Clean Water State Revolving Fund Program**

**Financial Statements with  
Independent Auditor's Report, June 30, 2002**

**Audit Report Number 2003-1-00086**

**Issued March 26, 2003**



*Windsor-Cornish Bridge, Cornish, New Hampshire*

**New Hampshire Clean Water State Revolving Fund  
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**ENVIRONMENTAL PROTECTION AGENCY**  
WASHINGTON, D.C

OFFICE OF  
INSPECTOR GENERAL

Independent Auditor's Report

To: Mr. Robert Monaco, Acting Commissioner  
New Hampshire Department of Environmental Services

We have examined the accompanying balance sheet of the New Hampshire Clean Water State Revolving Fund Program (the Program) as of June 30, 2002, the related statement of revenues, expenses, and changes in net assets, 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.

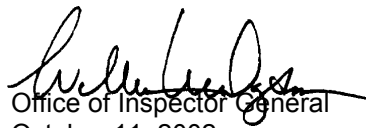
We conducted our audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance 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, 2002, 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 New Hampshire. These statements are not intended to present the financial position or results of operations for the State of New Hampshire or the New Hampshire Department of Environmental Services, of which the Program is a part. Certain supplementary information referred to as Management Discussion and Analysis, although not a required part of the basic financial statements, has been omitted for this program-specific financial presentation.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2002, on our consideration of the Program's internal control structure and a report dated October 11, 2002, on the Program's compliance with laws and regulations.

  
Office of Inspector General  
October 11, 2002

**New Hampshire Department of Environmental Resources  
Clean Water State Revolving Fund  
Combining Balance Sheet  
June 30, 2002**

Assets	<u>SRF</u>	<u>Management</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 34,120,661	\$ 1,662,888	\$ 35,783,549
Current receivables:			
Interest	2,832,121		2,832,121
Due from other funds	4,092	690	4,782
Current portion of loans receivable	<u>11,690,754</u>		<u>11,690,754</u>
Total current receivables	<u>14,526,967</u>	<u>690</u>	<u>14,527,657</u>
Total current assets	48,647,628	1,663,578	50,311,206
Noncurrent assets:			
Loans receivable, net of current portion	<u>148,979,280</u>		<u>148,979,280</u>
Total noncurrent assets	<u>148,979,280</u>		<u>148,979,280</u>
Total assets	<u><u>197,626,908</u></u>	<u><u>1,663,578</u></u>	<u><u>199,290,486</u></u>
Liabilities and Net Assets:			
Current liabilities:			
Accounts payable	31,940		31,940
Accrued payroll	1,748	3,573	5,321
Unearned interest payable	448		448
Loans payable-current	<u>1,591,358</u>		<u>1,591,358</u>
Total current liabilities	1,625,494	3,573	1,629,067
Total liabilities	<u>1,625,494</u>	<u>3,573</u>	<u>1,629,067</u>
Net assets:			
Unrestricted	<u>196,001,414</u>	<u>1,660,005</u>	<u>197,661,419</u>
Total liabilities and fund balance	<u><u>\$ 197,626,908</u></u>	<u><u>\$ 1,663,578</u></u>	<u><u>\$ 199,290,486</u></u>

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

**New Hampshire Department of Environmental Resources  
Clean Water State Revolving Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
For the year ended June 30, 2002**

	<u>SRF</u>	<u>Management</u>	<u>Total</u>
Operating revenues:			
Loan interest	\$ 3,646,682		\$ 3,646,682
Investment earnings	817,905		817,905
Management fees	<u>                    </u>	<u>\$ 1,225,115</u>	<u>1,225,115</u>
Total operating revenues	4,464,587	1,225,115	5,689,702
Operating expenses:			
Administrative costs	<u>608,674</u>	<u>815,187</u>	<u>1,423,861</u>
Operating income	3,855,913	409,928	4,265,841
Capital contributions:			
Federal grants	9,939,954		9,939,954
State contributions	<u>1,987,992</u>	<u>                    </u>	<u>1,987,992</u>
Total capital contributions	<u>11,927,946</u>	<u>                    </u>	<u>11,927,946</u>
Change in net assets	15,783,859	409,928	16,193,787
Net assets, beginning of year	<u>180,217,555</u>	<u>1,250,077</u>	<u>181,467,632</u>
Net assets, end of year	<u>\$ 196,001,414</u>	<u>\$ 1,660,005</u>	<u>\$ 197,661,419</u>

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

**New Hampshire Department of Environmental Resources  
Clean Water State Revolving Fund  
Statement of Cash Flows  
For the year ended June 30, 2002**

Cash flows from operating activities	
Cash received from borrowers	\$ 14,439,479
Cash payments to borrowers	(22,926,616)
Management fees	1,225,115
Interest on investments	923,555
Payments to suppliers and employees	<u>(1,441,279)</u>
Cash used in operations	(7,779,746)
Cash flows from capital and related financing activities:	
Environmental Protection Agency	9,939,954
State of New Hampshire	<u>1,987,992</u>
Net cash used in capital and related financing activities:	<u>11,927,946</u>
Net cash provided by operating activities	4,148,200
Cash and cash equivalents, beginning of year	<u>31,635,348</u>
Cash and cash equivalents, end of year	<u><u>\$ 35,783,548</u></u>
Cash flows from operating activities:	
Operating income	\$ 4,265,841
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in current receivables	256,231
Increase (decrease) in current liabilities	309,767
Disbursements on loans	(23,640,502)
Loan principal repayments	<u>11,028,917</u>
Net cash provided by operating activities	<u><u>\$ (7,779,746)</u></u>

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



**New Hampshire Department of Environmental Resources  
Clean Water State Revolving Fund  
Notes to Financial Statements**

**1. Organization of the Fund**

The New Hampshire Clean Water State Revolving Fund Program (the Program) was established pursuant to Title VI of the Federal Water Quality Act of 1987 (the Act). The Act established the State Revolving Fund (SRF) program to replace the construction grants program. The purpose of the SRF is to provide low interest loans to local governments for the purpose of constructing wastewater treatment facilities, implementing nonpoint source management plans and estuary management plans. The loan repayment period ranges from five to twenty years, and all repayments, including interest and principal, must be credited to the Program.

The Program was capitalized by a series of grants from the U.S. Environmental Protection Agency (EPA) starting in 1989. States are required to provide an additional 20 percent of the Federal capitalization grant amount as matching funds in order to receive the grant from EPA. As of June 30, 2002, EPA awarded \$199,605,292 in capitalization grants to the State, and the State is required to provide \$39,921,058 to the Program as its matching share. The state match is provided by state general funds.

The SRF program is administered by the State of New Hampshire's Department of Environmental Services (NHDES), and consists of a loan fund (SRF) to record loan and related activity and an administrative fund (Management) that collects fees and pays some of the operating costs of the program, and are collectively referred to as the Program. The Department's primary responsibilities for the SRF include obtaining capitalization grants from the Environmental Protection Agency (EPA), soliciting potential interested parties for loans, negotiating loan agreements with local communities, reviewing and approving payment requests from loan recipients, monitoring the loan repayments, and conducting inspection and engineering reviews to ensure compliance with all applicable laws, regulations, and program requirements.

The program does not have any full time employees. Instead, the NHDES charges the Program for time spent on SRF activities by its employees and the Program reimburses NHDES for such costs the following month. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the program. Employees are covered by the benefits available to State of New Hampshire employees. The fund is also charged indirect costs through a cost allocation plan agreement between NHDES and U.S. EPA, which is renewed annually.

The Program's financial statements, footnotes, and related schedules are presented for the U.S. Environmental Protection Agency. The Program is included in the State of New Hampshire's general-purpose financial statements as a special revenue fund, which uses the modified accrual basis of accounting. Due to differences in reporting methods, there may be differences between the amounts reported in these financial statements and the general-purpose financial statements.

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

The financial statements for the Program are presented as an enterprise fund. As such, the Program is accounted for using the flow of economic resources measurement focus and is maintained on 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 the operations of the Program are included on the balance sheet. The State 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 (FASB) on

**New Hampshire Department of Environmental Resources  
Clean Water State Revolving Fund  
Notes to Financial Statements**

**2. Summary of Significant Accounting Policies (continued)**

or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

***Cash and Cash Equivalents***

All monies of the Program are deposited with the New Hampshire State Treasurer's Office, which is responsible for maintaining these deposits in accordance with New Hampshire State law. The Program considers all such deposits to be cash. The Program on a monthly basis receives investment interest earnings on these deposits. According to State law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the Program, as further discussed in Note 3. Consequently, management of the Program does not have any 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 capitalization grants from EPA, State matching funds and fund earnings. Loan funds are advanced to local agencies on a cost reimbursement basis, and interest begins accruing when funds are disbursed. After construction is completed, the local agency can elect to add the construction period interest to the loan amount, or they can pay it in total with the first loan repayment. Loans are amortized over periods of five, ten, fifteen or twenty years, and repayment of the loans must begin within one year of construction completion. There is no provision for uncollectible accounts, as all repayments are current, and management believes all loans will be repaid according to the loan terms.

***Contributed Capital***

In accordance with generally accepted accounting principles (GAAP), funds received from EPA and the State of New Hampshire for the capitalization of the Program are recorded under equity as contributed capital.

***Management Fees***

The Program charges a one percent management fee on all completely disbursed loans with outstanding balances. Proceeds from these management fees are available to fund administration of the CWSRF and other eligible related water quality control costs. The CWSRF collected \$1,225,115 in management fees during the year ended June 30, 2002.

**3. Cash and Cash Equivalents**

All monies in the Program are deposited with the State Treasurer who is responsible for maintaining and investing the pooled funds in accordance with New Hampshire State law. The Treasurer is required to maintain a mix of investments in order to allow funds to be withdrawn at any time to meet normal operating needs. The Program's share of the investment income from

**New Hampshire Department of Environmental Resources  
Clean Water State Revolving Fund  
Notes to Financial Statements**

**3. Cash and Cash Equivalents (continued)**

the local government investment pool is based on the average daily balance for the period and is credited to the Program monthly. The short term investments of SRF funds are made with certificates of deposit and discounted notes which mature within six to nine months. Details of the investments can be obtained from the State Treasurer's Office.

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

	<u>SRF</u>	<u>Management</u>	<u>Total</u>
Not subject to categorization:			
Local government investment pool	\$ 9,120,661	\$ 1,662,888	\$ 10,783,549
Subject to categorization:			
Certificates of Deposits and Notes	<u>25,000,000</u>		<u>25,000,000</u>
Total	<u>\$ 34,120,661</u>	<u>\$ 1,662,888</u>	<u>\$ 35,783,549</u>

**4. Loans Receivable**

The Program makes loans to qualified local agencies at interest rates ranging from .1875 percent to 4.128 percent. Interest rates are initially set in the original loan agreement, and then when the project is completed a supplemental loan agreement fixes the final interest rate to be charged at the lower of the original loan agreement or prevailing market rate, according to the following formula:

<u>Loan Term</u>	<u>Interest Rate</u>
5 years	25% of market minus 1%
10 years	50% of market minus 1%
15 years	75% of market minus 1%
20 years	80% of market minus 1%

***Details of loans receivable as of June 30, 2002 are as follows:***

	<u>Loan Authorized</u>	<u>Remaining Commitment</u>	<u>Outstanding Balance</u>
Completed projects	\$ 159,560,131	\$ 0	\$119,642,013
Projects in progress	<u>110,925,371</u>	<u>69,897,350</u>	<u>41,028,021</u>
Totals	<u>\$ 270,485,502</u>	<u>\$69,897,350</u>	\$160,670,034
Less amounts due within one year			<u>11,690,754</u>
Loans receivable, June 30, 2002			<u>\$148,979,280</u>

**New Hampshire Department of Environmental Resources  
Clean Water State Revolving Fund  
Notes to Financial Statements**

**4. Loans Receivable (continued)**

***Details of loans receivable by category:***

NHDES has three categories of loans receivable: wastewater, landfills and repayments. The wastewater loans are for sewer and wastewater treatment projects. The landfill loans provide financial assistance for municipalities to close unlined landfills as well as the construction of transfer stations and recycling facilities directly related to the specific landfill closure projects. The repayment loans are loans made from revolving funds for either wastewater or landfill closure loans. The balances of these loan categories as of June 30, 2002 are as follows:

	Loans by Category
Wastewater projects	\$ 101,450,702
Landfill projects	36,274,615
Repayment projects (revolving loans)	22,944,717
	\$ 160,670,034

***Scheduled minimum repayments:***

Loans mature at various intervals through January 1, 2022. The scheduled minimum principal repayments on loans for completed projects in subsequent years as of June 30, 2002 are as follows:

Years	Principal	Interest	Total
2003	\$ 11,690,755	\$ 3,267,883	\$ 14,958,638
2004	11,494,605	3,029,934	14,524,539
2005	10,485,030	2,791,083	13,276,113
2006	9,832,816	2,556,990	12,389,806
2007	7,983,304	2,329,570	10,312,874
2008 - 2012	37,110,875	8,298,458	45,409,333
2013 - 2017	26,815,305	3,335,293	30,150,598
2018 - 2022	11,560,501	518,821	12,079,322
Total minimum repayments	126,973,191	\$ 26,128,032	\$153,101,223
Projects in process	33,696,843		
Loans Receivable as of 6/30/02	\$160,670,034		

***Loans to Major Local Agencies:***

As of June 30, 2002, loans had been made to seven local agencies that with balances exceeding \$5 million. The outstanding balances of these loans represent approximately 76 percent of total loans receivable, as detailed in the following schedule:

**New Hampshire Department of Environmental Resources  
Clean Water State Revolving Fund  
Notes to Financial Statements**

**4. Loans Receivable (continued)**

<u>Borrower</u>	<u>Original Loan Amount</u>	<u>Outstanding Balance</u>
City of Claremont	\$ 11,450,000	\$ 5,502,943
Town of Hampton	15,386,677	9,062,305
City of Manchester	90,232,000	46,113,406
City of Nashua	35,673,449	27,184,186
Pease Development Authority	6,600,000	5,786,106
City of Portsmouth	22,747,000	11,676,768
City of Rochester	<u>19,500,000</u>	<u>18,270,935</u>
Total loans to major agencies	\$ 201,589,126	\$ 123,596,649
All other agencies	<u>99,761,087</u>	<u>37,073,385</u>
Loans receivable, June 30, 2002	<u>\$ 301,350,213</u>	<u>\$ 160,670,034</u>

**5. Contributed Capital**

The Program is capitalized by annual grants through the EPA. The State of New Hampshire must also contribute an amount equal to 20 percent of the federal capitalization amount. New Hampshire's matching contribution has been provided through the appropriation of State resources. As of June 30, 2002, EPA has awarded capitalization grants of \$199,605,292 to the State, of which \$147,432,898 has been drawn for loans and administrative expenses. The State has provided match funds of \$39,921,058.

The following summarizes the capitalization grant award, amounts drawn on each grant as of the balance sheet date, and balances available for future loans and administrative expenses:

<u>Grant Year</u>	<u>Grant Amount</u>	<u>Draws , June 30, 2001</u>	<u>2002 Draws</u>	<u>Draws, June 30, 2002</u>	<u>Available June 30, 2002</u>
1989-1994	\$ 91,234,104	\$ 91,234,104		\$ 91,234,104	0
1995	12,834,171	12,834,171		12,834,171	0
1996	20,162,543	20,162,543		20,162,543	0
1997	6,191,100	6,191,100		6,191,100	0
1998	15,456,773	7,071,026	\$ 8,385,747	15,456,773	0
1999	13,698,723	0	1,554,207	1,554,207	\$ 12,144,516
2000	13,412,223	0	0	0	13,412,223
2001	13,293,027	0	0	0	13,293,027
2002	<u>13,322,628</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,322,628</u>
Totals	<u>\$ 199,605,292</u>	<u>\$ 137,492,944</u>	<u>\$ 9,939,954</u>	<u>\$ 147,432,898</u>	<u>\$ 52,172,394</u>

**New Hampshire Department of Environmental Resources  
Clean Water State Revolving Fund  
Notes to Financial Statements**

**5. Contributed Capital (continued)**

As of June 30, 2001 and 2002, State matching contributions were as follows:

	<u>June 30, 2001</u>	<u>Contribution</u>	<u>June 30, 2002</u>
State Matching Contribution	<u>\$ 27,498,584</u>	<u>\$ 1,987,992</u>	<u>\$ 29,486,576</u>

**6. Administrative Costs and Management Fee Revenue**

The Clean Water Act provides for states to use up to four percent of the capitalization grants for administrative costs. The program also charges borrowers a one percent administrative fee on loans in repayment, based on the unpaid balance of the loan. These fees are deposited into a separate fund and are to be used to pay additional program administrative costs and other water quality related costs.

As of June 30, 2002, total management fees and expenses were as follows

	<u>Fees Earned</u>	<u>Expenditures</u>	<u>Funds Remaining</u>
FY 1997	\$ 227,395	\$ 138,619	\$ 88,776
FY 1998	523,836	277,972	245,864
FY 1999	570,120	324,457	245,663
FY 2000	658,775	430,811	227,964
FY 2001	838,128	396,318	441,810
FY 2002	<u>1,225,115</u>	<u>815,187</u>	<u>409,928</u>
Total	<u>\$ 4,043,369</u>	<u>\$ 2,383,364</u>	<u>\$ 1,660,005</u>

Total administrative costs charged to the Program are as follows:

	<u>SRF Administrative Costs</u>	<u>Management Administrative Costs</u>	<u>Total Administration Costs</u>
FY 1997	\$ 423,393	\$ 138,619	\$ 562,012
FY 1998	430,684	277,972	708,656
FY 1999	448,855	324,457	773,312
FY 2000	530,344	430,811	961,155
FY 2001	566,000	396,318	962,318
FY 2002	<u>608,674</u>	<u>815,187</u>	<u>1,423,861</u>
Total	<u>\$ 3,007,950</u>	<u>\$ 2,383,364</u>	<u>\$ 5,391,314</u>

**New Hampshire Department of Environmental Resources  
Clean Water State Revolving Fund  
Notes to Financial Statements**

**7. Contingencies, Related Parties, and Subsequent Events**

***Contingencies***

The Program is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to state employees while performing Program business, or acts of God. The State maintains insurance for all risks of loss, which is included in the indirect costs allocated to the Program.

According to NHDES management and legal counsel, there are no other loss contingencies, which require disclosure or accrual under the Statement of Financial Accounting Standards No. 5.

***Related Parties***

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

***Subsequent Events***

The Program entered into or adjusted 14 binding commitments totaling \$17,282,639 between July 1, 2002 and February 5, 2003. There were no other subsequent events following fiscal year-end requiring disclosure in these financial statements

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





**ENVIRONMENTAL PROTECTION AGENCY**  
WASHINGTON, D.C

OFFICE OF  
INSPECTOR GENERAL

Mr. Robert Monaco, Acting Commissioner  
New Hampshire Department of Environmental Services

We have audited the financial statements of the New Hampshire Clean Water State Revolving Fund Program (the Program) as of and for the year ended June 30, 2002, and have issued our report thereon dated October 11, 2002.

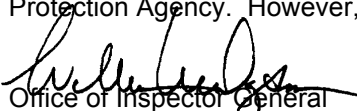
We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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, 2002, 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.

  
Office of Inspector General  
October 11, 2002

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



**ENVIRONMENTAL PROTECTION AGENCY**  
WASHINGTON, D.C

OFFICE OF  
INSPECTOR GENERAL

Mr. Robert Monaco, Acting Commissioner  
Department of Environmental Services

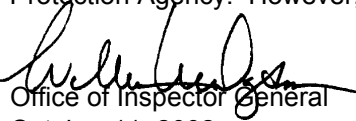
We have audited the financial statements of the New Hampshire Clean Water State Revolving Fund Program (the Program) as of and for the year ended June 30, 2002, and have issued our report thereon dated October 11, 2002.

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, 2002. 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, 2002.

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.

  
Office of Inspector General  
October 11, 2002

## **Supplemental Information**

**STATE REVOLVING FUND PROGRAM  
WASTEWATER/LANDFILL LOANS  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF LOAN ACTIVITY AND BINDING COMMITMENTS**

Borrower	Project #	Original Loan Commitment	Disbursements	Deobligations	Construction Interest	Loan Commitment Used	Principal Payments Received	Loans Outstanding June 30, 2002	Remaining Loan Commitment June 30, 2002
<b>Wastewater:</b>									
Derry	CS330194-05	\$ 1,100,000	\$ 1,073,713	\$ 26,287	\$ 1,738	\$ 1,075,451	\$ 359,930	715,521	\$ -
Derry	CS330194-06	1,562,000	1,239,058	322,942	5,656	1,244,714	437,705	807,009	-
Durham	CS330161-05	3,445,300	3,355,101	90,199	10,917	3,366,018	1,784,484	1,581,534	-
Newmarket	CS330162-04	650,000	644,102	5,898	7,971	652,073	591,941	60,132	-
Manchester	CS330192-11&12	20,500,000	20,500,000	-	340,577	20,840,577	5,459,828	15,380,749	-
Hampton	CS330195-02	2,700,000	2,686,719	13,281	25,769	2,712,488	966,121	1,746,367	-
Claremont	CS330114-06	3,000,000	2,494,242	505,758	-	2,494,242	762,990	1,731,252	-
Manchester	CS330192-13	7,700,000	1,553,000	6,147,000	8,537	1,561,537	1,561,537	-	-
Bedford	CS330136-03	550,000	489,731	60,269	-	489,731	293,839	195,893	-
Londonderry	CS330213-02	2,000,000	2,000,000	-	-	2,000,000	1,334,902	665,098	-
Merrimack	CS330215-06	4,950,000	4,698,226	251,774	27,324	4,725,550	1,196,128	3,529,422	-
Manchester	CS330192-14	1,080,000	969,907	110,093	9,348	979,255	979,255	-	-
Pembroke	CS330105-02	3,265,000	3,123,046	141,954	32,901	3,155,947	1,051,983	2,103,965	-
Exeter	CS330130-07	550,000	363,752	186,248	339	364,091	244,875	119,215	-
Sunapee	CS330224-03	514,700	468,105	46,595	1,672	469,777	315,957	153,820	-
Claremont	CS330114-08	2,500,000	1,101,881	1,398,119	4,108	1,105,989	331,797	774,192	-
Durham	CS330161-06	272,000	256,983	15,017	2,642	259,625	121,478	138,147	-
Cheshire Cty	CS330094-02	456,000	402,723	53,277	-	402,723	402,723	-	-
Hampton	CS330195-04	1,402,900	1,373,161	29,739	-	1,373,161	205,974	1,167,187	-
Farmington	CS330095-02	300,000	300,000	-	-	300,000	180,000	120,000	-
Rochester	CS330122-04	19,500,000	18,795,447	704,553	240,931	19,036,378	765,443	18,270,935	-
Ashland	CS330064-02	600,000	600,000	-	1,726	601,726	478,011	123,715	-
Pease Dev. Auth.	CS330325-01	6,600,000	6,398,294	201,706	188,542	6,586,836	800,730	5,786,106	-
Greenville VD	CS330108-02	170,000	129,931	40,069	242	130,173	130,173	-	-
Greenville VD	CS330108-03	1,600,000	1,594,182	5,818	-	1,594,182	1,594,182	-	-
Hooksett	CS330187-02	344,285	337,448	6,837	-	337,448	202,469	134,979	-
Portsmouth	CS330106-03	5,200,000	4,881,392	-	-	4,881,392	-	5,200,000	318,608
Manchester	CS330192-18	3,066,000	3,007,746	58,254	8,522	3,016,268	1,788,356	1,227,912	-
Manchester	CS330192-16	7,895,000	7,746,573	148,427	95,866	7,842,439	1,568,488	6,273,951	-
Jaffrey	CS330238-04	400,000	233,960	166,040	5,557	239,517	47,903	191,614	-
Newmarket	CS330162-05	2,200,000	1,892,398	-	-	1,892,398	-	2,200,000	307,602
Colebrook	CS330144-03	600,000	471,210	128,790	-	471,210	471,210	-	-
Manchester	CS330192-20	7,533,000	3,804,722	3,728,278	40,584	3,845,306	769,061	3,076,245	-
Nashua	CS330158-13	9,700,000	9,225,408	474,592	-	9,225,408	461,270	8,764,138	-
Whitefield	CS330168-04	172,000	172,000	-	-	172,000	8,600	163,400	-
Manchester	CS330192-21	2,497,000	2,171,253	325,747	4,483	2,175,736	435,147	1,740,589	-
Sullivan Cnty	CS330159-02	1,835,000	1,804,243	30,757	7,294	1,811,537	353,804	1,457,733	-
Carroll Cty	CS330177-03	152,500	152,500	-	-	152,500	15,250	137,250	-
Portsmouth	CS330106-05	9,600,000	3,175,987	-	-	3,175,987	-	9,600,000	6,424,013
Manchester	CS330192-22	5,850,000	2,467,304	-	-	2,467,304	-	5,850,000	3,382,696
Manchester	CS330192-23	2,500,000	2,476,894	23,106	23,106	2,500,000	-	2,500,000	-
Ashland	CS330064-04	968,800	783,181	185,619	-	783,181	783,181	-	-
Exeter	CS330130-08	2,190,000	1,999,306	190,694	5,498	2,004,804	35,629	1,969,175	-
Charlestown	CS330135-03	1,500,000	242,472	1,257,528	-	242,472	242,472	-	-
Manchester	CS330192-24	5,070,000	3,148,655	-	-	3,148,655	-	5,070,000	1,921,345
Newport	CS330169-05	30,000	23,500	-	-	23,500	-	30,000	6,500
Concord	CS330157-05	4,600,000	560,349	-	-	560,349	-	4,600,000	4,039,651
Manchester	CS330192-25	4,560,000	772,864	-	-	772,864	-	4,560,000	3,787,136
Somersworth	CS330163-04	10,000,000	745,653	-	-	745,653	-	10,000,000	9,254,347
Exeter	CS330130-09	589,700	432,480	-	-	432,480	-	589,700	157,220
Jaffrey	CS330238-05	3,750,000	410,746	-	-	410,746	-	3,750,000	3,339,254
Woodstock	CS330071-01	410,650	132,128	-	-	132,128	-	410,650	278,522
Hooksett	CS330187-03	246,000	-	-	-	-	-	246,000	246,000
<b>Total Wastewater Loans:</b>		<b>180,427,835</b>	<b>129,883,678</b>	<b>17,081,263</b>	<b>1,101,851</b>	<b>130,985,529</b>	<b>29,534,827</b>	<b>134,913,596</b>	<b>33,462,894</b>
<b>Landfills:</b>									
Dover	CS330200-05	7,500,000	1,250,654	6,249,346	20,703	1,271,357	254,271	1,017,086	-
Conway	CS330227-02	1,990,000	1,813,225	176,775	2,183	1,815,408	1,090,178	725,230	-
Winchester	CS330140-05	703,970	697,441	6,529	-	697,441	185,984	511,457	-
Manchester	CS330192-17	13,850,000	8,052,943	-	-	8,052,943	-	13,850,000	5,797,057
Hampton	CS330195-03	4,986,000	4,161,955	824,045	17,730	4,179,685	730,111	3,449,574	-
Portsmouth	CS330106-02	6,752,000	3,564,316	3,187,684	41,458	3,605,774	540,866	3,064,908	-
Newington	CS330182-02	664,000	365,220	298,780	4,219	369,439	39,460	329,979	-
Peterborough	CS330081-02	682,000	663,047	18,953	-	663,047	468,603	194,444	-
North Hampton	CS330329-01	511,000	271,056	239,944	3,082	274,138	41,121	233,017	-
Nashua	CS330158-11	3,680,949	3,655,656	25,293	20,306	3,675,962	735,192	2,940,770	-
Hopkinton	CS330165-04	1,975,000	1,848,055	126,945	11,328	1,859,383	332,122	1,527,260	-

**STATE REVOLVING FUND PROGRAM  
WASTEWATER/LANDFILL LOANS  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF LOAN ACTIVITY AND BINDING COMMITMENTS**

Borrower	Project #	Original Loan Commitment	Disbursements	Deobligations	Construction Interest	Loan Commitment Used	Principal Payments Received	Loans Outstanding June 30, 2002	Remaining Loan Commitment June 30, 2002
Ashland	CS330064-03	800,000	618,869	181,131	2,396	621,265	493,738	127,527	-
Chester	CS330330-01	1,107,000	1,066,276	40,724		1,066,276	393,564	672,712	-
Troy	CS330190-04	1,187,500	1,187,500	-		1,187,500	37,996	1,149,504	-
Lebanon	CS330092-02	2,444,161	2,220,387	223,774	13,047	2,233,434	1,340,060	893,373	-
Nashua	CS330158-12	8,800,000	8,684,012	115,988	105,050	8,789,062	439,453	8,349,609	-
Lisbon	CS330137-02	850,000	324,465	525,535		324,465	64,893	259,572	-
Boscawen	CS330090-02	980,000	916,724	63,276	1,048	917,772	275,332	642,440	-
Hampton	CS330195-05	147,777	147,777	-		147,777	29,556	118,221	-
Portsmouth	CS330106-04	1,195,000	651,447	543,553	883	652,330	97,850	554,481	-
Walpole	CS330180-03	900,000	819,265	80,735		819,265	81,927	737,339	-
Newington	CS330182-03	122,000	64,354	57,646		64,354	6,874	57,480	-
Sutton	CS330172-01	258,000	177,299	80,705	4	177,299	32,211	145,088	-
North Hampton	CS330329-02	90,000	48,429	41,571		48,429	4,843	43,586	-
Sanbornton	CS330355-01	450,000	450,000	-		450,000	-	450,000	-
Hillsborough	CS330120-03	1,348,500	27,013	-		27,013	-	1,348,500	1,321,487
<b>Total Landfill Loans</b>		<b>63,974,857</b>	<b>43,747,384</b>	<b>13,108,930</b>	<b>243,437</b>	<b>43,990,821</b>	<b>7,716,206</b>	<b>43,393,158</b>	<b>7,118,543</b>
<b>Repayments:</b>									
Washington	CS330321-01	250,000	73,703	176,297	721	74,424	59,539	14,885	-
Nashua	CS330158-10	492,500	381,907	110,593	6,505	388,412	388,412	-	-
Berlin	CS330111-03	1,568,500	1,133,583	434,917	479	1,134,062	283,516	850,546	-
Gilford	CS330184-03	175,000	135,767	39,233		135,767	27,153	108,613	-
Bedford	CS330136-04	2,000,000	2,000,000	-		2,000,000	300,000	1,700,000	-
Highland VD	CS330335-01	421,000	395,832	25,168		395,832	340,945	54,887	-
Manchester	CS330192-19	2,422,000	2,110,906	311,094	2,981	2,113,887	845,555	1,268,332	-
Haverhill	CS330248-01	650,000	626,877	23,123	4,984	631,861	42,370	589,491	-
Hampton	CS330195-06	1,400,000	664,952	735,048		664,952	66,495	598,457	-
New Durham	CS330340-01	558,000	557,996	4		557,996	111,599	446,397	-
Hampton	CS330195-07	4,750,000	1,982,499	-		1,982,499	-	4,750,000	2,767,501
Swanzey	CS330191-03	750,000	750,000	-		750,000	37,500	712,500	-
Goffstown	CS330113-05	2,640,000	2,460,000	180,000		2,460,000	164,000	2,296,000	-
Gilmanton	CS330345-01	750,000	483,077	-		483,077	-	750,000	266,923
Nashua	CS330158-15	8,000,000	6,075,918	-		6,075,918	-	8,000,000	1,924,082
Durham	CS330161-07	950,000	390,321	-		390,321	-	950,000	559,679
Claremont	CS330114-09	5,950,000	2,997,498	-		2,997,498	-	5,950,000	2,952,502
Nashua	CS330158-16	1,397,500	576,293	-		576,293	-	1,397,500	821,207
Nashua	CS330158-17	1,144,000	472,987	-		472,987	-	1,144,000	671,013
Nashua	CS330158-18	1,694,000	1,393	-		1,393	-	1,694,000	1,692,607
Nashua	CS330158-19	476,300	1,393	-		1,393	-	476,300	474,907
Nashua	CS330158-20	152,900	291	-		291	-	152,900	152,609
Nashua	CS330158-21	135,300	1,393	-		1,393	-	135,300	133,907
Plymouth Village	CS330132-04	1,577,170	20,710	-		20,710	-	1,577,170	1,556,460
Plymouth	CS330350-01	1,235,000	173,811	-		173,811	-	1,235,000	1,061,189
Gilford	CS330184-04	2,600,000	792,967	-		792,967	-	2,600,000	1,807,033
Manchester	CS330192-26	5,709,000	203,861	-		203,861	-	5,709,000	5,505,139
Pittsfield	CS330124-02	964,851	126,850	-		126,850	-	964,851	838,001
Newport	CS330169-06	348,000	3,344	-		3,344	-	348,000	344,656
Stratford	CS330172-04	111,500	-	-		-	-	111,500	111,500
Littleton	CS330129-04	1,470,000	-	-		-	-	1,470,000	1,470,000
Milton	CS330166-03	1,100,000	-	-		-	-	1,100,000	1,100,000
Strafford	CS330360-01	410,000	-	-		-	-	410,000	410,000
Lebanon	CS330092-03	2,695,000	-	-		-	-	2,695,000	2,695,000
<b>Total Repayment Loans:</b>		<b>56,947,521</b>	<b>25,596,131</b>	<b>2,035,476</b>	<b>15,670</b>	<b>25,611,801</b>	<b>2,667,085</b>	<b>52,260,630</b>	<b>29,315,913</b>
<b>Total Loans</b>		<b>\$ 301,350,213</b>	<b>\$ 199,227,194</b>	<b>\$ 32,225,669</b>	<b>\$ 1,360,958</b>	<b>\$ 200,588,151</b>	<b>\$ 39,918,117</b>	<b>230,567,384</b>	<b>\$ 69,897,350</b>
<b>Less remaining commitment, June 30, 2002</b>								<b>69,897,350</b>	
<b>Loans receivable, June 30, 2002</b>								<b>\$ 160,670,034</b>	

## **Report Distribution**

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