



State of Nevada
Drinking Water State Revolving Fund
State Fiscal Year 2007

Annual Report



Kingsbury General Improvement District

Division of Environmental Protection

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List of Acronyms

BSDW = Bureau of Safe Drinking Water
BWPC = Bureau of Water Pollution Control
CWSRF = Clean Water State Revolving Fund
DBE = Disadvantaged Business Enterprise
DWPA = Drinking Water Protection Area
DWSRF = Drinking Water State Revolving Fund
EPA = Environmental Protection Agency
FTE = Full time equivalent
FFY = Federal Fiscal Year
GID = General Improvement District
GIS = Geographic Information System
INC = Infrastructure for Nevada Communities
IUP = Intended Use Plan
MBE = Minority-owned Business Enterprise
MHI = Median Household Income
NAC = Nevada Administrative Code
NDEP = Nevada Division of Environmental Protection
NIMS = National Information Management System
NRS = Nevada Revised Statute
OFA = Office of Financial Assistance
OSGWA = Other Sensitive Groundwater Areas
PCS = Potential Contaminant Sources
PWSS = Public Water System Supervision
SDWA = Safe Drinking Water Act
SDWIS = Safe Drinking Water Information System
SFY = State Fiscal Year
SWA = Source Water Assessment
SWAP = Source Water Assessment Plan
SWP = Source Water Protection
TCR = Total Coliform Rule
UNR = University of Nevada Reno
UNR-CE = University of Nevada Reno, Cooperative Extension
WHPA = Wellhead Protection Area
WHPP = Wellhead Protection Program
WBE = Women-owned Business Enterprise

Nevada Drinking Water State Revolving Fund

Annual Report

I. INTRODUCTION

The State of Nevada, through the Department of Conservation and Natural Resources, Nevada Division of Environmental Protection (NDEP), is pleased to present the Annual Report on the Drinking Water State Revolving Fund (DWSRF) for State Fiscal Year (SFY) 2007, the year from July 1, 2006 through June 30, 2007. During SFY 2007, the Division of Environmental Protection administered the DWSRF through the authority granted by the Nevada Legislature (see Nevada Revised Statutes 445A.200 to 445A.295, inclusive; Web URL: <http://www.leg.state.nv.us/NRS/NRS-445A.html>). In this report, the terminology “Division” refers to the Division of Environmental Protection, unless otherwise specified.

NDEP provides this comprehensive report to the public and to the U.S. Environmental Protection Agency (USEPA), Region IX, to detail the activities undertaken during SFY 2007 to reach the goals and objectives set forth in the 2007 Intended Use Plan (IUP) developed and filed with a capitalization grant application.

This Annual Report documents the status of the program by describing the progress made toward long-term and short-term program goals, the sources (e.g., federal grants, state matching funds) and uses of all funds (e.g., loans), financial status of the DWSRF, and compliance with federal requirements for the DWSRF. It also addresses conditions of the Division’s Operating Agreement with the USEPA. This report should provide the necessary information for the USEPA to evaluate Nevada’s progress in implementing the DWSRF in conformance with the goals and objectives of the Safe Drinking Water Act, as amended in 1996 (SDWA).

NDEP presents the Annual Report in five major sections. This Section is the introduction. Section II provides a summary of progress made toward reaching long-term and short-term goals of the program. Section III provides an overview of financial conditions of the program. Section IV reports details on loan and set-aside activities. Finally, Section V reports on the Division’s compliance with provisions of the Capitalization Grant Assistance Agreement and the Operating Agreement, as amended.

II. GOALS AND ACCOMPLISHMENTS

Both long-term and short-term goals are identified in the 2007 Intended Use Plan. The long-term goals provide the framework that guides management decisions for the DWSRF program. The short-term goals support the implementation of the long-term goals and are activities initiated, and in some cases, completed within a year. Goals, which were developed for the DWSRF as a whole, are discussed in Section A. Goals developed for each set-aside are discussed in Sections B through D.

A. Progress toward Sustainable Infrastructure

EPA has launched the Sustainable Infrastructure Initiative to promote sustainable practices that will help reduce the potential gap between funding needs and spending at the local and national level. To help water utilities operate more sustainably now and in the long-term, EPA has identified the following four priority areas: better management practices, efficient water use, full-cost pricing of water and a watershed approach to protection. Much of the activity associated with the Sustainable Infrastructure Initiative involves large utilities. However, a number of the set-aside activities in Nevada support the sustainable infrastructure concepts in small systems and are noted in the text below.

B. Progress toward DWSRF Long Term Goals (2007 IUP, Section III.B & C)

Long-Term Goal 1: Ensure that DWSRF funds are available in perpetuity to all Nevada public water systems to provide to their customers water that is safe and pleasant to drink all of the time.

Progress toward Goal 1: All loans are backed by the full faith and credit of the loan recipient. To date, all loan repayments have been made on schedule. The interest rate established provides a nominal “cushion” of funds in case a loan were to default. Loans to publicly owned entities require that the loan applicant submit a bond for the loan to the State Treasurer through a rigorous debt analysis and bonding process required by the Local Government Securities Law (NRS 350.500 to 350.720, inclusive). The private systems, at a minimum, provide a dedicated interest-bearing reserve account equal to the annual loan repayment and provide additional security as necessary.

Long-Term Goal 2: Address the most serious risk to human health and comply with the requirements of the Safe Drinking Water Act.

Progress toward Goal 2: The project priority list includes projects ranked in four primary categories according to the public health need that the project was intended to address in accordance with regulations adopted by the State Environmental Commission. The category that has first access to loan funds includes projects that are designed to address acute public health risks. The second category that has access to loan funds is projects that address chronic health concerns. The third category is for infrastructure replacement or rehabilitation projects, and the fourth is for refinancing. The ranking of projects is described in NAC 445A.67569; it is also generally described in Section V of each IUP. The final priority list resulting from this process is reviewed at public workshops and then submitted to the Board for Financing Water Projects for review and approval. Revisions to the list follow this same process.

Set-aside funding has provided a number of opportunities to facilitate public water system compliance with the Safe Drinking Water Act and drinking water regulations. Third party contractors have been utilized to provide small public water systems with

technical assistance to improve their technical, managerial and financial capabilities and improve operator knowledge through various training.

Long-Term Goal 3: *Assist systems most in need, on a per household basis, according to State-determined affordability criteria.*

Progress toward Goal 3: Communities with lower than average median household incomes are given an advantage to access below-market interest rate loans. The ranking on the priority list takes into account the median household income (MHI) in the area served by a water system. Projects in communities with a lower MHI are ranked higher than an equivalent project in a community with a higher MHI.

Long-Term Goal 4: *Coordinate with other funding agencies through the Infrastructure for Nevada’s Communities (INC) Committee.*

Progress toward Goal 4: The Infrastructure for Nevada’s Communities Committee meets quarterly. This Committee is an excellent forum where all of the funding agencies come together to discuss activities and coordinate efforts to assist communities in need of assistance. If a system seeks funding instead of, or supplementary to, a loan, DWSRF program staff work cooperatively with other state and federal agencies to assist the system in obtaining either grant or loan funds from available sources. In 2006, INC developed a joint pre-application that will be used by all funding agencies. The intent of the joint pre-application is to streamline the funding application process for the applicant. After receiving a completed joint pre-application, a subcommittee of INC, Nevada Water and Wastewater Review Committee, reviews the pre-application and suggests the most appropriate funding source(s) to the applicant for their need.

Short-Term Goal: *Make drinking water in Nevada more affordable by providing approximately \$19,678,335 in Federal, State and repayment funds as loans to water systems in Nevada at or below market interest rates.*

Progress toward Goal: The following table lists loans that were initiated in SFY07.

Water System	Loan Amount	Project Description
Three T Water Company	\$268,000	Filtration, storage
Round Hill GID	\$1,100,000	Extend lake intake
City of Winnemucca	\$1,600,000	Storage, transmission, booster pump
City of Fallon	\$1,750,000	Storage

B. Progress toward Goals for Program Administration (4% Set-Aside, 2007 IUP, Section IV.A)

The long-term goal of the program administration set-aside is to effectively manage a self-sustaining DWSRF Loan Program and ensure that funds are available in

perpetuity. The following short-term goals and accomplishments support this long-term goal.

Short-Term Goal 1: Effectively and efficiently manage the day-to-day operation of the DWSRF.

Progress toward Goal 1: The Nevada Division of Environmental Protection manages the day-to-day operation DWSRF. During SFY06, NDEP formed the Office of Financial Assistance (OFA). All programs that provide financial assistance for drinking water and wastewater are housed in OFA. One of the purposes of forming OFA is to improve the coordination and collaboration of NDEP's funding programs. The majority of funds from the 4% set-aside paid salaries and associated expenses of personnel administering the DWSRF program. The State is not currently charging fees to supplement available set-aside funds. Administration of the DWSRF has required the work of 2.5 FTEs. Personnel working under the PWSS grant have provided additional assistance.

During SFY 2007, Nevada completed the following administrative activities:

- Solicited pre-applications from public water systems, held workshops on project priority list and revisions to the priority list
- Project selection and development of IUP and set-aside plans including solicitation of public comment on IUP
- Participated in infrastructure funding coordination group (Infrastructure for Nevada Communities)
- Prepared capitalization grant applications and associated workplans and budgets
- Review of documents associated with loan application including environmental documentation
- Evaluate loan applicant's ability to repay loan, readiness to proceed and complete the project
- Prepare loan contract documents, cash draw requests
- Maintain accounting systems
- Financial monitoring of sub-recipients
- Manage set-aside work plans, activities, reporting and budgeting

Short-Term Goal 2: Develop administrative fees.

Progress toward Goal 2: NDEP did not develop an administrative fee for DWSRF in SFY07. The Nevada statute requires that the State Environmental Commission adopt regulations establishing the amount of the fee to be collected.

C. Progress Toward Goals for Technical Assistance for Small Public Water Systems Serving 10,000 or Fewer Persons (2% Set-Aside, 2007 IUP, Section IV.B)

The long-term goal of the 2% Set-Aside is to offer assistance to all of Nevada's small water systems.

***Short-Term Goal 1:** Provide technical assistance to small systems in Nevada including assistance with compliance issues, sampling plans, cross connection control and emergency response plans.*

***Progress toward Goal 1:** The 2% Set-Aside has been used to fund a third party contractor, Farr West Engineering, to provide technical assistance to small water systems. The following types of assistance have been provided:*

- Development of technical, managerial and financial capabilities
- Find and obtain funding for infrastructure improvements in addition to loans from the DWSRF
- Assistance with planning of projects and application for loans and grants
- Assistance in developing rate structure and rate increases
- Compliance with federal and state drinking water regulations and requirements including arsenic exemption requests
- Assistance with consolidation
- Asset management
- Addressing short-term non-compliance problems, sampling and monitoring issues
- Disinfection by-products compliance requirements
- Financial analysis and rate studies
- Operator training and Board workshops
- Arsenic treatment costs and point of use guidelines
- Utility budgets

For SFY07, technical assistance was provided to the following systems:

Lyon County Utilities
Beatty
Hawthorne
Indian Hills GID
Yerington
Silver Springs Mutual Water Company
Lovelock Meadows
Douglas County
Gerlach GID
Silver Springs Mobile Home Park
Dayton Mobile Home Park

Sierra Estates GID
Calville Bay
Grand Terrace GID
Lander County – Austin
Walker Lake GID
Imlay

Small systems have some of the most pressing needs in Nevada. The programs designed by the assistance providers have presented a unique opportunity for small water systems to improve their technical, managerial and financial capabilities. In particular, some small water systems now better understand their financial situation and are able to apply and qualify for financial assistance (either a loan or grant).

Short-Term Goal 2: *Provide technical assistance to loan applicants by applying technical, managerial, or financial capability criteria.*

Progress toward Goal 2: Many systems provided in-depth technical assistance are on the DWSRF Priority List.

Short-Term Goal 3: *Provide managerial assistance including budget, water rates and staffing needs.*

Progress toward Goal 3: Farr West provided technical assistance to water utilities throughout Nevada related to budget development and implementation. The budgets for all publicly operated community water systems serving 50,000 persons or less were analyzed. The focus of the analysis was to provide financial benchmarks as a foundation for comparative analysis. The results of the analysis were presented to the Board for Financing Water Projects.

Farr West also provided assistance to several communities on rate analysis and rate increases. This assistance promotes the Sustainable Infrastructure Initiative priority area of “Full Cost Pricing”.

Short-Term Goal 4: *Assist small water systems with arsenic compliance issues.*

Progress toward Goal 4: Farr West has assisted several systems in evaluating options for compliance with the new arsenic standard. In addition, Farr West began development of an arsenic database which should help utilities make informed decisions regarding which treatment technologies to pilot test or install.

D. Progress Toward Goals for State Program Management (10% Set-Aside, 2007 IUP, Section IV.C)

The 10% set-aside activities cover four different areas: Public Water System Supervision Program, Underground Injection Control Program, Capacity Development and Operator Certification.

1. Public Water System Supervision Program (PWSS)

The DWSRF 10% set-aside funds are used to enhance and improve the PWSS program. The long-term goal includes

- Develop and maintain a long-term data system for use in managing Nevada PWSS
- Integrate Safe Drinking Water Information System (SDWIS) with other state databases
- Supplement and enhance the PWSS program.

Short-Term Goal 1: Input data for all parameters into SDWIS.

Progress toward Goal 1: Funds from this set-aside have been used to continue development and deployment of an information management system to manage the plethora of data generated for public water systems in Nevada. NDEP has engaged Global Environmental Consulting to assist with the development and deployment of the Safe Drinking Water Information System (SDWIS). Data is input to SDWIS on a regular basis. NDEP utilizes SDWIS to track total coliform rule (TCR) quarterly monitoring, schedule maintenance and to produce reminder cards on an on-going basis. Non-TCR (chemistry) sample data for current compliance cycle is being entered continuously as it is received. SDWIS is being used to determine quarterly and annual compliance on non-TCR schedules.

Short-Term Goal 2: Refine development of various SDWIS modules to assist PWSS program implementation.

Progress toward Goal 2: A sanitary survey module with the capability to record deficiencies or observations collected from sanitary surveys has been developed. In addition, a sanitary survey field tool for tablet PC use has been developed. The sanitary survey tool will preload data from the Site Visit module in SDWIS after the initial survey data is collected and entered into the Site Visit module. Inventory data, violation data and sample data can be preloaded prior to the first survey.

Short-Term Goal 3: Purchase necessary computer equipment.

Progress toward Goal 3: Computer equipment has been purchased as needed.

Short-Term Goal 4: Provide PWS staff training; conduct public workshops and rule adoption.

Progress toward Goal 4: Staff have attended various training sessions and conferences sponsored by USEPA and others including ones for the arsenic rule. Public workshops are held through out the rule making process. EPA has promulgated a variety of new rules that the state must adopt through the rule making process to maintain primacy.

Short-Term Goal 6: Maintain operator certification program.

Progress toward Goal 6: See discussion under item 4, Operator Certification Program, on page 10.

Short-Term Goal 5: Implement capacity development strategy.

Progress toward Goal 5: The capacity development strategy is being implemented through technical assistance and training activities funded by the 2% and 15% set-asides. This goal, under the 10% set-aside, is intended for the development of the State Program. See section 2, Capacity Development below for additional details.

2. Capacity Development

The long-term goal of capacity development effort under the 10% set-aside is to implement Nevada's Capacity Development Strategy including evaluating water systems capacity utilizing objective criteria and assisting water systems with technical, managerial and financial capability.

Short-Term Goal 1: Measure success of capacity development efforts.

Progress toward Goal 1: Many water systems throughout Nevada have increased their capacity through the efforts of the technical assistance program. Over the past year, there has been an emphasis on increasing financial capacity including water rate studies and asset management.

Short-Term Goal 2: Evaluate water systems technical, managerial and financial capacity.

Progress toward Goal 2: The technical, managerial and financial capacity of all water systems applying for a DWSRF loan is evaluated. In addition, a financial evaluation of all past loan recipients is done annually. Periodically, a statewide effort is undertaken to evaluate all water systems that were willing to participate. The last comprehensive evaluation of all systems was conducted in 2003. In SFY07, planning began for the next comprehensive evaluation scheduled for SFY08.

Short-Term Goal 3: Manage Nevada's Capacity Development Program.

Progress toward Goal 3: The database structure was significantly improved in SFY07 in preparation for the comprehensive data collection scheduled for SFY08.

Short-Term Goal 4: Continue to evaluate the Capacity Development Strategy.

Progress toward Goal 4: The Strategy will be evaluated after the next round of statewide capacity evaluations in SFY08. During capacity evaluation interviews, feedback from water systems on the capacity development program will be obtained.

E. Progress toward Goals for Local Assistance Activities (15% Set-Aside, 2007 IUP, Section IV.D)

1. Loans for Source Water Protection Program

Nevada did not set aside any funds for loans to be made under this program. These loans would include loans for the acquisition of land or easements, for local, voluntary source water protection, or for source water petition programs.

2. Provide Funding to Public Water Systems to Provide Technical or Financial Assistance under the Capacity Development Strategy

The focus of capacity development under the 15% set-aside is in the implementation of the Capacity Development Strategy. Technical assistance providers under contract offer assistance on a variety of issues. The long-term goal is to provide assistance and training to improve water system's technical, managerial and financial capacity. Technical assistance providers under contract offer assistance on a variety of issues.

Short-Term Goal 1: *Edit, publish and mail quarterly newsletter "Water Lines".*

Progress toward Goal 1: *Water Lines*, which is published quarterly, provides communication, education and outreach to all public water systems in Nevada.

Short-Term Goal 2: *Provide training to operators and Boards.*

Progress toward Goal 2: In addition to the ongoing UNR video conference training, 6 operator training courses and 4 management and financial training courses were held in SFY 2007. The management and financial training courses are consistent with Sustainable Infrastructure Initiative concept of "Better Management".

Short-Term Goal 3: *Assist with the consolidation of water systems for the purpose of eliminating water systems with technical, managerial, financial or compliance issues.*

Progress toward Goal 3: Assistance was provided to two mobile home parks that are interested in consolidating with local municipal water system.

Short-Term Goal 4: *Provide technical assistance to enhance technical, managerial and financial capabilities of water systems.*

Progress toward Goal 4: Farr West Engineering has provided training and technical assistance in areas of compliance, operator training, board roles and responsibilities, budget development, evaluation of operations, preparation of manuals, identifying funding opportunities and rate setting. Many of these areas of assistance and training support the Sustainable Infrastructure Initiative. For example, Farr West Engineering has prepared Conservation Plans for a number of communities. Preparation of a Conservation Plan is the first step in improving water efficiency which is one of the pillars of the Sustainable Infrastructure Initiative.

Short-Term Goal 5: Assist water systems with evaluating and implementing asset management.

Progress toward Goal 5: Comprehensive asset evaluations were conducted for Alamo, Beatty and Indian Springs. The effort of conducting asset evaluations proved to be very beneficial for the utilities and will be continued in the future.

Short-Term Goal 6: Conduct financial management training.

Progress toward Goal 6: Financial planning training curriculum was designed in a collaborative effort between Farr West Engineering and the Nevada Rural Water Association. Three sessions utilizing this curriculum were offered in SFY07. The intent of the Financial Planning training is to provide participants with a solid understanding of the key components of financial planning including the following.

- Elements of an effective budget
- Capital improvement planning and financing
- Rate structure options for the small water system
- How to calculate capacity fees
- The process for raising rates
- Asset management
- Demonstration of financial tools

In addition to training on the above topics, practical approaches and useful tools are provided and demonstrated. This training curriculum promotes the Sustainable Infrastructure Initiative priority areas of “Better Management” and “Full Cost Pricing”.

3. State Source Water Protection Program

The State Source Water Protection Program is composed of the Wellhead Protection Program and the Source Water Assessment Program (SWAP) mandated under the 1996 Amendments of the Safe Drinking Water Act, and other protection activities defined by the program. The long-term goal of the source water protection program is to identify and reduce the risk posed by potential water pollution sources, coordinate water protection activities throughout the

state, and provide outreach to local communities on strategies to protect their local water resources by preventing contamination of ground and surface water. The goals of the source water protection program are consistent with the Sustainable Infrastructure Initiative priority area of “Watershed Approach”.

3a. Wellhead Protection Program

The DWSRF funds are utilized to fund the Wellhead Protection Program (WHPP) assisting with the development and implementation of community WHPPs and coordinating with other agencies having related programs. WHPP grants to public water systems and communities are used to promote a variety of wellhead protection plan development and implementation projects, including the inventory, evaluation and potential closure of high risk abandoned wells and individual septic systems that warrant possible funding through this program. The long-term goal of the wellhead protection program is to implement the comprehensive Source Water Protection Program by providing outreach and assistance to local communities on strategies to protect their local water resources by preventing contamination of ground water, identifying and reducing the risk posed by potential water pollution sources. Utilizing information gathered in the assessment program to implement the vulnerability assessment and monitoring waiver programs is also a long term goal.

***Short-Term Goal 1:** Enhance State program and develop strategies, including coordination efforts, for protecting public water systems and ground water resources.*

***Progress toward Goal 1:** NDEP is in the process of developing a more comprehensive source water protection program to enhance protection of drinking water sources through increased coordination among communities and regulatory agencies, data management and public education. An integral part of the source water program is the establishment of Drinking Water Protection Areas. The goal of designating these areas is to provide protection from contaminant releases in order to maintain drinking water standards while minimizing the cost of treatment.*

***Short-Term Goal 2:** Encourage local communities and tribes to participate in the State’s procurement process to fund wellhead protection activities.*

***Progress toward Goal 2:** A Request for proposals for WHPP grants is prepared and distributed to all community, non-transient/non-community and Native American Tribes in Nevada annually. The map on the following page shows wellhead protection plans throughout the state. In addition to the grant program, NDEP provides GIS data on Wellhead Protection Areas (WHPA) to local communities.*

Short-Term Goal 3: Provide grant assistance to interested public water systems to develop and implement wellhead protection plans; manage contracts and review and approve plans.

Progress toward Goal 3: In SFY07, \$84,366 in funding was awarded to water systems for development of WHPPs and \$118,420 was awarded to communities with a WHPP in place for implementation activities.

Short-Term Goal 4: Encourage and assist with the development of source water and wellhead protection ordinances at the local level.

Progress toward Goal 4: NDEP provided assistance including GIS data on WHPAs to various local governments to assist in land use planning and WHP ordinance development.

Short-Term Goal 5: Develop Drinking Water Protection Areas for all public water wells in Nevada.

Progress toward Goal 5: GIS coverages of Drinking Water Protection Areas (DWPAs) for all public water systems have been completed and posted on internal NDEP website. Internal guidance for using DWPAs and WHPs i-Map GIS has been developed.

Short-Term Goal 6: Develop technical guidance for water pollution prevention activities

Progress toward Goal 6: “Guidance for the Development and Application of Drinking Water Protection Areas for Public Drinking Water Sources in Nevada” is being developed. This guidance will include management strategies to be used for state regulations, local ordinance development and education/outreach efforts.

Short-Term Goal 7: Develop educational outreach materials for source water and wellhead protections, and enhance NDEP SWP website.

Progress toward Goal 7: The following outreach and educational material have been updated and posted on the website.

- State of Nevada Wellhead Protection Program Guide
- Local Authority for Ground Water and Wellhead protection
- Nevada Wellhead Protection Factsheet
- Nevada Potential Contaminant Sources List
- Potential Contaminant Sources Inventory Form
- Domestic Septic System Factsheet
- Domestic Animal Waste Management Factsheet
- Ground Water Protection Public Education Material Factsheet
- Abandoning Unused Water Wells Factsheet

- Home Heating Oil Tanks Factsheet
- Financial Assistance for Local Wellhead Protection Program Factsheet
- Suggested Management Approach for Potential Contaminant Sources Guide
- Safer Alternatives to Hazardous House Hold Products Guide
- Wellhead Protection and Nevada Regulations for Protection of Ground Water Factsheet

Short-Term Goal 8: Provide ground and source water protection public and stakeholder outreach and education through distribution of published materials and presentation

Progress toward Goal 8: Source water protection is promoted as opportunities arise including presentations at Nevada Rural Water Association Annual Conference and Nevada Water Resources Association Nitrate Workshop. GIS data on WHPAs and educational materials are provided to local governments.

Short-Term Goal 9: Develop and enhance other data management tools and efforts for source water protection activities.

Progress toward Goal 9: NDEP has developed and is continually adding to the GIS database of ground water quality. Wellhead protection areas are routinely uploaded into GIS. GIS coverages for nitrate data from the groundwater database were updated. DWPA's were made available on NDEP internal GIS Website for staff use in permit writing and compliance enforcement.

3b. Vulnerability Assessment and Protection Program

The Source Water Assessment and Protection Program is a requirement under the 1996 Amendments to the Safe Drinking Water Act. Source water assessments delineate the boundaries of the areas providing source water for public water systems and identify potential sources of contaminants. Source water assessment is ongoing in Nevada through the vulnerability assessment and protection program.

Short-Term Goal 1: BWPC and BSDW will collaborate to define future data needs and source water protection program activities.

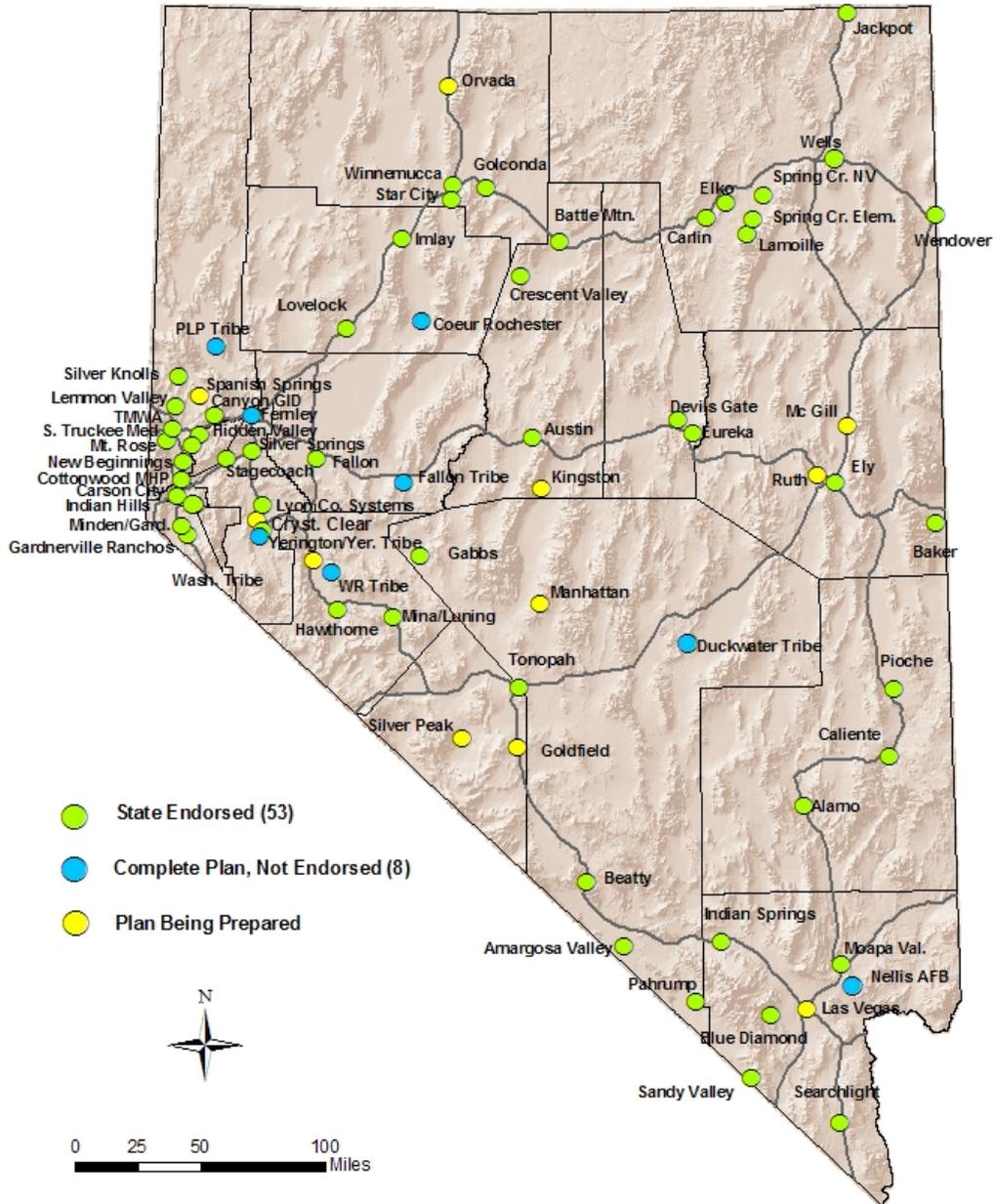
Progress toward Goal 1: Internal discussions about data security issues were held. A draft security agreement was developed.

Short-Term Goal 2: Provide as needed updated SWAP summaries to water systems for inclusion in Consumer Confidence Reports.

Progress toward Goal 2: SWAP summaries were provided to PWS for inclusion in Consumer Confidence Reports.

Nevada Wellhead Protection Plans

April 2007



Short-Term Goal 3: Provide new source water delineations and field contaminant source updates as needed.

Progress toward Goal 3: Reorganization of the Bureau of Safe Drinking Water in 2008 will free up staff resources to complete new source water delineations and field contaminant source updates. During SFY07, staff resources were not available to make progress on this goal.

Short-Term Goal 4: Evaluate water quality, risk, time of travel, susceptibility and other relevant information to determine source vulnerability.

Progress toward Goal 4: Work on new protection database module connected to SDWIS is ongoing.

Short-Term Goal 5: Update groundwater monitoring schedules and waivers.

Progress toward Goal 5: Groundwater monitoring schedules have been issued for new PWS. Reorganization of the Bureau of Safe Drinking Water in 2008 will free up staff resources to update groundwater monitoring schedules and waivers.

Short-Term Goal 6: Encourage water systems to engage in source water protection efforts.

Progress toward Goal 6: Source water protection is promoted as opportunities arise.

III. FINANCIAL SUMMARY

The following discussion provides additional details on the financial management activities in the DWSRF.

A. Financial Statements

Financial statements (unaudited) for the DWSRF are attached to this report as Appendix A and cover the operation of the DWSRF during SFY 2007 with comparative figures for SFY 2006. Details of accounting policies, loans receivable, and bonds payable and other financial activity are found in the notes to those financial statements. The DWSRF is an “enterprise fund” and therefore the financial statements are prepared on an accrual basis in accordance with pronouncements of the Governmental Accounting Standards Board (GASB), as well as the Financial Accounting Standards Board (FASB).

The Office of the Inspector General (OIG) through United States Environmental Protection Agency (USEPA) conducted the most recent audit of the 2004 financial statements.

B. Status of Loans

A loan commitment of funds from the DWSRF is made when the Board for Financing Water Projects approves a recommendation from NDEP for a loan commitment. A loan contract, which establishes the terms and conditions of the loan, is then negotiated between NDEP and the loan applicant. Once the contract is signed, the funds can be drawn down from the ASAP system with appropriate justification of expenditures. Committed funds that remain undrawn without reason are deobligated.

As of June 30, 2007, the Drinking Water program has nine active projects that are paying interest on the amount drawn to date and 12 completed projects that are fully drawn and repaying both interest and principal in regular semi-annual payments. Net funds committed with approved loan contracts, as of June 30, 2007 were \$88,343,353.

Appendix B outlines the existing loans by recipient, date of contract, amount of the loan commitment and the interest rate. This appendix also lists the amount that each recipient has drawn, the amount repaid, and the remaining balance of the loan commitment.

C. Loan Disbursements/Cash Draw Proportionality

Seven federal grants totaling \$83,564,500 have been awarded to the Program since its inception. The Program carries six general obligation bonds, which provide the required 20% match of \$16,712,900, which is \$1,722,596 greater than the match required. The additional match was used to match the federal grant award received in early July 2007.

As of June 30, 2007, the State has \$3,676,214 of matching funds available on deposit in the revolving loan fund, to be used against subsequent draws.

Nevada has disbursed or is obligated by an executed loan contract to make loan disbursements in the amount of \$90,526,115 as of June 30, 2007. The disbursements to date consist of \$14,759,282 of state funds and \$57,488,720 of federal funds, a ratio of 20.43% and 79.57%, respectively from inception.

Loan Disbursements for 2007 are listed in the table on the next page.

Date	Borrower	Total Loan Request	Reloan funds	SFY 2007		G/L 9733	G/L 9734
				Federal	State	Public	Private
				From Grant award FS99996005		0.00	
7/5/2006	Washoe #8	1,332,139.60		1,057,154.02	274,985.58	1,332,139.60	
7/6/2006	KGID #12	39,961.37		31,712.38	8,248.99	39,961.37	
7/25/2006	Douglas County #3	128,344.96	128,344.96	0.00	0.00	128,344.96	
7/25/2006	KGID#13	176,767.10		140,278.13	36,488.97	176,767.10	
8/17/2006	SVGID#2	1,631,572.63		1,286,572.63	345,000.00	1,631,572.63	
8/31/2006	Douglas County #4	26,888.07	26,888.07	0.00	0.00	26,888.07	
9/12/2006	Round Hill GID #1	60,130.19		47,707.29	12,422.90	60,130.19	
10/3/2006	TMWA #4	1,630,083.09		1,293,307.92	336,775.17	1,630,083.09	
10/10/2006	KGID #14	297,155.53		235,763.20	61,392.33	297,155.53	
10/17/2006	Douglas County #5	21,883.18	21,883.18	0.00	0.00	21,883.18	
10/26/2006	TMWA final	571,780.25		453,650.45	118,129.80	571,780.25	
11/21/2006	Round Hill GID #2	61,381.23		48,699.87	12,681.36	61,381.23	
12/7/2006	Three T Water Company #1	30,671.25		30,671.25	0.00	0	30,671.25
12/21/2006	Steamboat Spgs Water	18,020.55		18,020.55	0.00	0	18,020.55
12/21/2006	KGID #15	379,677.63		301,236.23	78,441.40	379,677.63	
1/10/2007	Douglas Cnty #6	13,728.47	13,728.47	0.00	0.00	0.00	
1/26/2007	KGID #16	117,774.73		93,442.47	24,332.26	117,774.73	
3/5/2007	Three T Water Company #2	1,948.82		1,948.82		0.00	1,948.82
3/6/2007	Douglas County #7	8,925.19	8,925.19	0.00	0.00	8,925.19	
3/14/2007	Round Hill GID #3	44,807.01	44,807.01	0.00	0.00	44,807.01	0.00
5/3/2007	KGID #17	80,782.76		80,782.76	0.00	80,782.76	
5/7/2007	Douglas Cnty #8	12,166.28	12,166.28			12,166.28	
5/10/2007	Three T-#3	5,693.80		5,693.80			5,693.80
5/10/2007	Three T#4	93,485.84		93,485.84			93,485.84
5/23/2007	Virgin Valley #11	523,876.64		523,876.64	0.00	523,876.64	
6/11/2007	Fallon, City of #1	175,000.00	175,000.00	0.00	0.00	175,000.00	
6/11/2007	Winnemucca, City of #1	160,000.00	160,000.00	0.00	0.00	160,000.00	
6/29/2007	Round Hill GID #4	7,537.23	7,537.23			7,537.23	
6/14/2007	Three T - #5	24,000.34		24,000.34			24,000.34
6/14/2007	Three T - #6	12,017.99		12,017.99			12,017.99
6/29/2007	Round Hill GID #5	82,920.38	82,920.38			82,920.38	
6/29/2007	Round Hill GID #6	302,208.01	302,208.01			302,208.01	
				0.00	0.00	0.00	
Totals		8,073,330.12	984,408.78	5,780,022.58	1,308,898.76	7,873,763.06	185,838.59
						3,003,629	
SFY00		12,269,695.00		9,757,935.00	2,511,760.00		
SFY01		12,687,312.72		10,128,113.29	2,559,199.43		
SFY02		4,584,870.22		3,676,513.84	908,356.38		
SFY03		5,176,506.46		4,185,239.70	991,266.76		
SFY04		6,450,955.42		5,206,788.42	1,244,167.00		
SFY05		7,324,655.06		5,544,764.26	1,779,890.80		
SFY06		16,950,920.83	285,834.95	13,209,342.57	3,455,743.31		
SFY07		8,073,330.12	984,408.78	5,780,022.58	1,308,898.76		
Cumulative Draws		73,518,245.83	1,270,243.73	57,488,719.66	14,759,282.44		
FED/ST Actual Proportionality		100.00%		0.7957	0.2043		

D. Set-Aside Disbursements

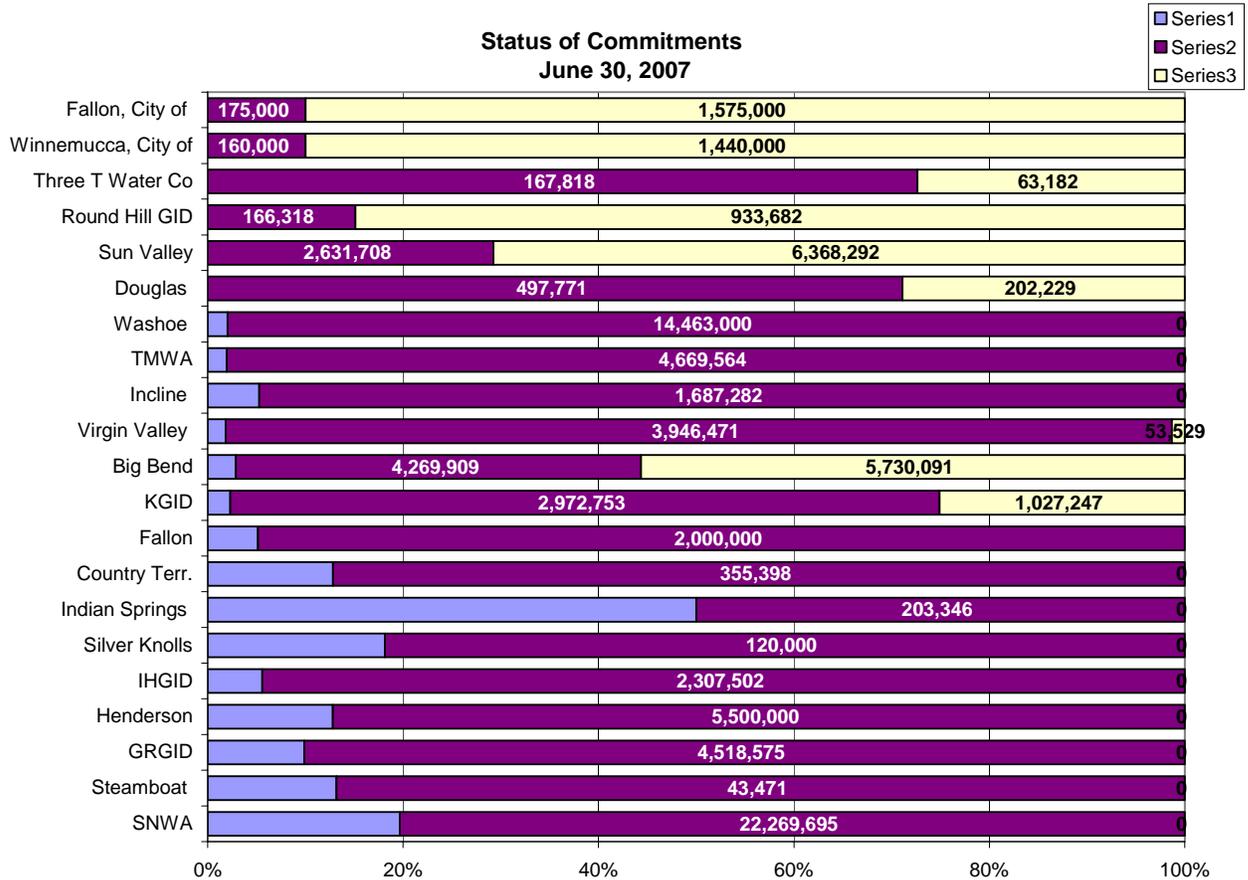
Nevada has disbursed \$15,092,650 in set-aside funds since the DWSRF program's inception. Appendix C includes a chart, which shows grant amounts expended with remaining balances available by grant year.

E. Annual Repayment/Aging of Accounts

The DWSRF received \$4,246,114 in scheduled loan repayments during SFY07. In SFY08 the Program is scheduled to receive loan repayments of \$4,890,846. A schedule of repayments on completed projects for the next twenty years is contained in the notes to the financial statements.

F. Loan Portfolio Analysis

Appendix B outlines the details of each loan by date of contract execution, date and amount of the commitment, interest rate, draws to date, remaining commitment and balance due. Sixteen of the approved contracts are to municipal governments and five of the approved contracts are to private entities.



In accordance with statutory and regulatory requirements of the State of Nevada, the municipal governments secure the loan with a revenue bond issued to the State Treasurer. The private systems, at a minimum, provide a dedicated interest-bearing reserve account equal to the annual loan repayment and provide additional security as necessary.

G. Investments Revenues

The DWSRF had \$15,542,547 in cash and cash equivalents on the balance sheet as of June 30, 2007. The balance is held at the Office of the State Treasurer, where it is invested in compliance with state law and investment practices. NDEP monitors the DWSRF cash balance to confirm that the Treasurer credits interest to the Program. Rates are adjusted quarterly, and ranged from 4.25% to 5.18% for SFY 2007. Balances held with the Treasurer are available on demand.

H. DWSRF National Information Management System (DWSRF NIMS)

The National Information Management System (NIMS) report was filed in August 2007. The information provided in that report will differ from that presented in the financial statements because the NIMS data is prepared on the cash basis, with information available through early August, while the financial statements are prepared on the full accrual basis, with information available through the close of the year. More information on NIMS is on the web at <http://www.epa.gov/safewater/dwsrf/dwnims.html>.

IV. DWSRF FUNDING SOURCES AND USES

In this section, NDEP provides a detailed discussion of the DWSRF assistance activities during SFY 2007. Details of the sources of funding in the DWSRF program, the status of loan activities, and the statuses of set-aside activities are discussed. Refer to Appendix A for the complete financial statements.

A. Sources of DWSRF Funding

The net funding provided for the DWSRF program from inception through June 30 2007 totaled \$110,399,890. This includes \$83,564,500 from capitalization grants, \$16,712,900 from state matching contributions (required 20% match for grants), and \$10,122,490 in interest earned (\$2,012,795 in investment interest and \$8,109,695 in loan interest), less \$5,896,070 of expenditures for state match bond debt service.

1. Capitalization Grants

NDEP did not receive a capitalization grant award from EPA in SFY07.

2. 20% State Match

The most recent bond sale was in November of 2006, when the State Treasurer issued general obligation bonds on behalf of the Program (referenced as NEVDRK 2006G), which yielded net proceeds for matching in the amount of \$3,344,122. The funds deposited to the Program's accounts provide the required state match for the 2006 and 2007 grants.

3. One to One State Match—10% Set-Aside Program

The 10% set-aside required the state provide 1:1 match for \$572,091 of federal funds. This match was provided from two sources. The first source comes from the State expenditure for the 1993 Public Water System Supervision (PWSS) program as allowed by the Safe Drinking Water Act. This historical amount is \$238,129. The second source is annual permit fees NDEP collects for water system operation, operator certification, lab certification or plan reviews.

4. Interest Earnings

Interest revenue from cash deposits held with the State Treasurer was \$448,458. Interest revenue from outstanding loans for SFY07 was \$1,968,178.

B. Uses of DWSRF Funds

From inception to SFY 2007, the DWSRF program made \$98,520,342 in loan commitments to public water systems. During SFY07, the program incurred \$1,637,512 in set-aside program expenses. This set-aside assistance included program administration expenses (\$290,940), state program management expenses (\$572,091), technical assistance to small systems expenses (\$88,202) and other local assistance expenditures (\$686,279).

1. Loan Assistance Status

The Division made cash draws of \$5,780,023 on behalf of projects during SFY07. The loan terms for the projects are for 20 years with an interest rate of 2.81% to 4.03%.

2. Binding Commitments

In SFY07, the Board for Financing Water Projects approved four binding loan commitments for a total of \$6,618,600. As of June 30, 2007, a total of \$98,520,342 had been committed to water projects either by binding commitment. Of this amount approximately \$5 million has been deobligated due to projects being completed under budget. See Appendix B for detailed information on loans.

3. Project Bypass

NDEP bypassed a number of projects on the 2007 Project Priority List. The projects that were bypassed were provided notice and an opportunity to object as required by NAC 445A.67573. Since NDEP has determined which projects are ready to proceed before considering bypassing, projects being bypassed have not objected to being bypassed.

4. Small Systems

The SDWA requires that a state use a minimum of 15% of the loan fund to provide assistance to small systems (population less than 10,000) to the extent such funds can be obligated for eligible projects. On the 2007 Priority List, 93% of the systems are "small systems." All of the loan commitments in SFY 2007 were to a "small systems". Overall, 68% of loans representing 48 % of the loan funds have been committed to small systems.

Through the 2% technical assistance set-aside, assistance has been provided to several small systems to assist them qualifying for future funding.

5. Disadvantaged Community Systems

Federal regulations allow a state to take up to 30% of the capitalization grant to provide loan subsidies to disadvantaged communities either through reduced or zero interest or principal forgiveness or combination of these. In order to provide loan subsidies, the subsidies must first be described in the IUP.

The Nevada Administrative Code defines a disadvantaged community as an area served by a public water system in which the average income per household is less than 80 percent cent of the state median household income. The 2007 IUP identified minimum criteria to qualify for a disadvantage program are as follows.

1. Meet the definition of a disadvantaged community.
2. Project must address a health concern.
3. Water system must serve fewer than 10,000 people.
4. Water rates must be greater than or equal to 1.5% of water system MHI.

Priority will be given to projects that result in consolidation of water systems and hence result in the elimination of a water system that is lacking technical, managerial and financial capacity.

During SFY07, the Board for Financing Water Projects approved a 0% interest loan commitment to the Three T Water Company under the disadvantaged program.

6. Set-Aside Activity Status

The tables in Appendix C show how federal funds from the Capitalization Grants were distributed between each set-aside program. The set-aside accomplishments and activities are described in Section II Goals and Accomplishments.

V. COMPLIANCE WITH OPERATING AGREEMENT AND GRANT CONDITIONS

A. Operating Agreement—Assurances

Nevada has complied with the conditions of the DWSRF Operating Agreement. An amendment to the original Operating Agreement was submitted to USEPA on July 7, 1999 and approved (with an amendment) on September 30, 1999. After the program transferred from the Health Division to the Division of Environmental Protection, Nevada revised the Operating Agreement and submitted the draft to USEPA. With the formation of the Office of Financial Assistance, NDEP will be evaluating combining the DWSRF and CWSRF into one SRF Operating Agreement.

NDEP has met and continues to be in compliance with the following Assurances as described in the Operating Agreement:

1. State Instrumentality and Authority to Establish the State's DWSRF Program

Authority to establish Nevada's DWSRF program was initially accomplished with the passage of SB 302 in the 1997 Legislature. Furthermore, AB 134 adopted by the 1999 Legislature clarified that the Health Division has the authority to implement the SDWA's capacity development and operator certification requirements. These statutes are codified in NRS 445A.200 to 445A.295, inclusive and can be found at the following Internet URL: <http://www.leg.state.nv.us/NRS/NRS-445A.html>. The 2003 Legislature transferred

the DWSRF from the Health Division to NDEP. The 2005 Legislature transferred the Public Water System Supervision (PWSS) program, including capacity development and operator certification, from the Health Division to NDEP.

2. State Compliance with Applicable State Laws and Procedures

To the best of its knowledge, NDEP has complied with applicable state laws and procedures in providing notice, holding workshops and hearings and providing opportunities for public water systems to comment and participate in the development of the DWSRF program.

3. State Technical Capability

The DWSRF staff has the technical capability to develop and administer the DWSRF program.

4. Acceptance of Capitalization Grant Funds in Accordance with a Payment Schedule

NDEP has accepted capitalization grant funds in accordance with the payment schedule acknowledged in P4.a, Programmatic Conditions, 2006 USEPA Assistance Agreement (June 16, 2006). NDEP did not receive a Capitalization Grant during SFY07.

5. Depositing of All Capitalization Grant Funds into the Account for the Revolving Fund or the Account for Set-Aside Programs

All capitalization grant funds have been deposited into either the account for the revolving fund or the account for set-aside programs.

6. State Matching Funds (20% for DWSRF Account)

NDEP has worked with the State Treasurer to ensure that proceeds from the sale of state general obligation bonds (to provide the required 20% state match) were deposited into the account for the revolving fund.

7. Depositing of All Proceeds Back into the Fund

Fifteen loan recipients are repaying the principal for their loans. Principal payments in the amount of \$2,277,936 and interest payments in the amount of \$1,968,178 were received and deposited into the fund during SFY 2007.

8. State Dollar-for-Dollar Match for Section 1452(g) (2) Set-Asides

The 10% set-aside required the state provide 1:1 match for \$572,091 of federal funds. This match was provided from two sources. The first source comes from the State expenditure for the 1993 Public Water System Supervision (PWSS) program as allowed by the Safe Drinking Water Act. This historical amount is \$238,129. The second source is annual permit fees NDEP collects for water system operation, operator certification, lab certification or plan reviews.

9. Utilization of Generally Accepted Accounting Principles

NDEP utilizes Generally Accepted Accounting Principles (GAAP).

10. Annual DWSRF Audit in Accordance with Generally Accepted Government Auditing Standards

During SFY08, NDEP will contract with a private accounting firm to audit two years of financial statements including SFY07.

11. Policies and Procedures to Assure Borrowers have Dedicated Source of Repayment or Demonstration of Adequate Security

Policies, procedures and regulations are in place to require adequate security for loans or dedicated source for repayment by the borrower of the loan. The State Board of Finance has adopted policies developed by the State Treasurer and the NDEP has worked with the State Treasurer and loan applicants to ensure that this policy is followed.

12. Efficient, Expeditious and Timely Expenditure of Funds

As of June 30, 2007, the Board for Financing Water Projects had committed all but \$1,450,000 to projects.

13. Funds to be used in Accordance with Intended Use Plan

Funds have been used in accordance with the IUP dated October 2006.

14. Annual Report

This document is the Annual Report.

15. State Compliance with all Federal Cross-Cutting Authorities

NDEP has attempted to comply with all federal crosscutting authorities.

B. Operating Agreement—State Requirements

NDEP has attempted to comply with the following Requirements as described in the Operating Agreement:

1. 40 CFR Part 31 Assurances

NDEP has, or is intending, to meet the requirements of 40 CFR Part 31, Uniform Administrative Requirements for Grant and Cooperative Agreements to State and Local Governments.

2. Review of Technical, Managerial and Financial Capability of Assistance Recipients

The regulations developed for the DWSRF program (NAC 445A.6571 to 445A.67644, inclusive) provide for the review of the technical, managerial and financial capability of potential loan assistance recipients. All loan recipients receive a technical, managerial and financial capability review. In addition, the approved capacity development strategy and technical assistance program serves to assist public water systems in improving their capacity.

3. Preparation of an Intended Use Plan

NDEP has prepared an IUP for each capitalization grant applied for thus far. The project priority list is part of the IUP and may be amended from time to time.

4. Development and Submittal of a Project Priority Ranking System

The Project Priority Ranking System is described generally in the IUP and codified in NAC 445A.67569. In SFY07, the State Board for Financing Water Projects approved the Year 2007 Project Priority List on March 14, 2007.

5. Environmental Review

The environmental review process is codified in NAC 445A.6758 to 445A.67612, inclusive. It has been reviewed by USEPA, generally follows the provisions of the National Environmental Protection Act and applies to all projects. Binding commitments on DWSRF projects are made only after NDEP has conducted an environmental review, and a determination is made and distributed.

6. Entering into Binding Commitments with Assistance Recipients

Recommendations by NDEP for loan commitments must be submitted to, and approved by the Board for Financing Water Projects after all of the conditions of a loan application are fulfilled, including the environmental review process. Once the Board approval is obtained, a loan contract is negotiated between NDEP and the loan applicant. The State Treasurer reviews terms and conditions of the loan agreement. Local governmental entities must also issue securities in the form of a bond to the State Treasurer in accordance with Nevada's Local Government Securities Law (NRS 350.500 to 350.720, inclusive). These local securities must be issued to the State Treasurer at the time the loan closes. Upon final signature by the loan applicant and NDEP Administrator, and having satisfied loan security, the loan applicant may have access to the funds, provided all other requirements are met.

7. State/Recipient Compliance with Applicable Federal Cross-Cutting Authorities

The loan contract requires that loan recipients comply with applicable federal crosscutting authorities. The state is required to comply with applicable federal crosscutting authorities by the assistance and operating agreements it signs with USEPA and by applicable federal regulations.

C. USEPA Assistance Agreement--Terms and Conditions

The Administrative Terms and Conditions listed below are from the FFY06 grant award which is the grant that covered SFY07.

1. NDEP agrees that indirect costs authorized in this award will be charged in accordance with the Negotiated Indirect Cost Rate Agreement.

Indirect costs are in accord with the Negotiated Indirect Cost Rate Agreement(s), as negotiated from time to time.

2. The recipient shall comply with the Single Audit Act and the reporting requirements set forth in OMB Circular A-133.

The Program maintained compliance with the Single Audit Act during SFY07.

3. NDEP agrees to complete and submit to the Grants Management Office, PMD-7, a MBE/WBE Utilization Report, within 30 days after the end of the Federal fiscal year, i.e. by October 30 of each calendar year.

The report was completed and filed October 30, 2007.

4. USEPA Program for Utilization of Small, Minority and Women's Business Enterprises

Following is a discussion pertaining to each subparagraph of this Assurance.

a) Fair share

The "fair share" goals of MBE: 6.28% and WBE: 15.51 % negotiated with EPA by the state in FY1999 are still in effect. In SFY06, out of the funds disbursed, WBE made up 1.8% of the procurement and less than 1% of the loan funds. No MBE utilization was reported in SFY07.

b) Ensure availability of "fair share" objectives

Affirmative steps to achieve MBE/WBE goals are included in the DWSRF regulations and are required of all loans and grant recipients. To the fullest extent possible, given NDEP's limited resources, prime contractors are made aware of these steps.

c) Fair share objectives in bid documents

Contractors are made aware of the six affirmative steps and the "fair share" goals are included in the loan contract documents.

d) Follow the six affirmative steps

Loan recipients are made aware of the six affirmative steps.

e) Notify EPA in advance of any race and/or gender conscious action plans

NDEP did not initiate any race and/or gender conscious action during SFY07.

f) Apply main State agency fair share objective

See answer to "a" through "e" above.

5. Hotel & Motel Fire Safety Act

As best it can determine, NDEP held its DWSRF meetings and conferences in buildings that comply with this Act.

6. Use of Recycled Paper

This report is printed on recycled paper.

7. Identification of in-kind in expenditures Financial Status Report

DWSRF did not have any in-kind expenditure in SFY07.

8. All nonfederal in-kind costs and contributions, as well as third-party in-kind contributions, counting towards satisfying a cost sharing or matching requirement must be verifiable from records.

DWSRF did not have any in-kind expenditure in SFY07.

9. Limit salary paid to contractors to maximum daily rate for Level IV of the Executive Schedule. Subagreements with firms or individuals for services which are awarded using the procurement requirements in 40 BRF Parts 30 or 31, as applicable, are not affected by this limitation unless the terms of the contract provide the recipient with responsibility for the selection, direction, and control of the individuals who will be providing services under the contract at an hourly or daily rate of compensation.

Salaries paid to contractors did not exceed the rate for GS-18.

10. Lobbying and Litigation Certification

None of the funds have been used to engage in the lobbying of the federal government or litigation against the U.S.

11. Comply with Title 40 CFR Part 34, New Restrictions on Lobbying. Include the language of this provision in award documents for all sub awards exceeding \$100,000 and require that sub recipients submit certification and disclosure forms.

All NDEP contracts for services include a condition that the contractor comply with Title 40 CFR Part 34, Lobbying. Loan contracts do not specifically reference Title 40 CFR Part 34 but do include a condition that the recipient agrees to comply with and require its contractors and subcontractors to comply with all applicable federal, state and local laws, regulations and requirements.

12. Comply with Subpart C of 40 CFR Part 32, entitled “Responsibilities of Participants Regarding Transactions”.

NDEP contracts require that the contractor comply with 40 CFR Part 32.

13. The recipient will follow their own procurement policies and procedures provided that the policies and procedures conform with EPA regulations 40 CFR Part 31.26 or 30.44 (as applicable).

NDEP procurement policies and procedures conform with CFR Part 31.26.

14. - 16. Not applicable to SRF.

17. The recipient shall track expenditures and identify drawdowns separately for DWSRF projects and each set-aside program in accordance with the site/project codes identified under “fiscal” on page 2 of the Assistance

Agreement. Each request for cash draws for DWSRF will be separate from cash draws for other EPA funded programs.

NDEP tracks DWSRF projects and set-asides separately.

18. Submit interim and final Financial Status Reports by September 30.

Financial Status Reports have been submitted.

The Programmatic Terms and Conditions listed below are from the FFY06 grant award.

1. The recipient is required to implement the following on an annual basis:

- **enter relevant financial and program information into the Drinking Water National Information Management System (DWNIMS)**

NDEP entered information into DWNIMS by the deadline established by EPA.

- **submit an annual report by December 30 on State accomplishments in meeting the goals and objectives of the IUP and grant agreement; and**

This document is the Annual Report.

- **conduct an audit to assure adequate financial management of the program**

The financial management of the Program is audited every year.

2. Any purchases of equipment that are more than \$5,000 per unit must receive prior approval from the EPA Project Officer.

Purchases of equipment that are more than \$5,000 per unity have been received prior EPA approval.

3. The recipient will abide by all terms, provisions, assurances and conditions in the Operating Agreement (OA). Changes to the OA are to be negotiated prior to submittal of the annual capitalization grant application

As discussed in section V.B of this report, NDEP has complied with the terms of the Operating Agreement.

4. The recipient will plan its SRF binding commitments, final loan agreements and disbursements on a schedule that meets or exceeds the minimum SRF program pace for efficient, timely and expeditious expenditures of the funds.

D. EPA Strategic Plan Information

The Nevada DWSRF program supports the National USEPA Strategic Plan Goal 2 (Clean and Safe Water), Objective 1 (Protect Human Health), Sub-objective 1 (Water Safe to Drink) listed below. Specifically, Nevada established and is managing the revolving loan fund to make low cost loans and other types of assistance to water systems to finance the cost of infrastructure projects to achieve or maintain compliance with Safe Drinking Water Act requirements. Nevada DWSRF activities support USEPA Program Reporting Code (PRC) 201B81E. Every summer, Nevada and USEPA negotiate Nevada's Strategic Plan commitments for the federal fiscal year starting October 1.

STRATEGIC PLAN GOAL 2: Clean and Safe Water

STRATEGIC PLAN OBJECTIVE 2.1: PROTECT HUMAN HEALTH –

Protect human health by reducing exposure to contaminants in drinking water (including protecting source waters), in fish and shellfish, and in recreational waters.

STRATEGIC PLAN SUBOBJECTIVE 2.1.1: WATER SAFE TO DRINK –

By 2008, 95% of the population served by community water systems will receive drinking water that meets all applicable health-based drinking water standards through effective treatment and source water protection.

Details of Nevada’s DWSRF activities supporting the National USEPA Strategic Plan are included in the tables below.

<i>Loan Recipient</i>	Three T Water Company		
<i>System #</i>	NV0000214	<i>Population Served</i>	41
<i>Type of Assistance</i>	DWSRF Loan	<i>Interest Rate</i>	0%
<i>Project Description</i>	Filtration, storage	<i>Loan Amount</i>	\$268,000

<i>Loan Recipient</i>	Round Hill General Improvement District		
<i>System #</i>	NV0000260	<i>Population Served</i>	1,000
<i>Type of Assistance</i>	DWSRF Loan	<i>Interest Rate</i>	2.94%
<i>Project Description</i>	Extend Lake Intake	<i>Loan Amount</i>	\$1,100,000

<i>Loan Recipient</i>	City of Winnemucca		
<i>System #</i>	NV0000248	<i>Population Served</i>	8,643
<i>Type of Assistance</i>	DWSRF Loan	<i>Interest Rate</i>	2.93%
<i>Project Description</i>	Storage, transmission, booster pump	<i>Loan Amount</i>	\$1,600,000

<i>Loan Recipient</i>	City of Fallon		
<i>System #</i>	NV0000045	<i>Population Served</i>	8,500
<i>Type of Assistance</i>	DWSRF Loan	<i>Interest Rate</i>	2.93%
<i>Project Description</i>	Storage	<i>Loan Amount</i>	\$1,750,000

Appendix A

**Unaudited Financial Statements
for the
State of Nevada
Drinking Water State Revolving Fund
For the Period
July 1, 2006 through June 30, 2007**

The accompanying statement of net assets of the Nevada Drinking Water State Revolving Fund Program (Program) as of June 30, 2007, the related statement of revenues, expenses, and changes in net assets, and the statement of cash flows for the fiscal year then ended have been prepared by the Program's financial management. These financial statements are the sole responsibility of the Program's management and are meant to provide the reader with information regarding the current financial status, as well as the results of operations of the Program, over the fiscal year ended June 30, 2007.

These financial statements were prepared by the Program's financial management in accordance with current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board (GASB). Management of the Program is solely responsible for the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures.

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, 2007, and the results of its activities and its cash flows for the year then ended in conformity with general accepted accounting principles in the United States. These financial statements are not audited and as such, have not been subjected to examination by an outside "independent auditor".

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 an Enterprise 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 Division of Environmental Protection, of which the Program is a part.

Supervisor, Drinking Water State Revolving Fund
Carson City, Nevada
Friday, December 28, 2007

State of Nevada
Drinking Water State Revolving Fund
Statement of Net Assets
As of June 30, 2007

	Assets	
	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	15,542,547	10,550,199
Loan interest receivable	1,064,837	976,769
Investment interest receivable	177,633	115,152
Due from other funds	811,648	0
Federal grants receivable	827,716	690,745
Loans receivable-current portion	2,949,953	2,185,910
Total current assets	21,374,334	14,518,775
Loans receivable-long term portion	62,332,090	57,300,738
Unamortized cost of bond issuance	274,419	229,719
Equipment, net of depreciation	0	5,464
Total Assets	\$ 83,980,843	\$72,054,696
Liabilities and Net Assets		
Current liabilities:		
Due to fund #101	358,350	357,753
Accounts payable	1,647,380	323,427
Accrued payroll	16,015	9,565
Accrued interest	285,571	235,594
Construction costs payable	392,666	0
Current portion of bonds payable	930,000	765,000
Total current liabilities	3,629,982	1,691,339
Long term liabilities:		
Bonds payable	15,395,831	12,904,377
Arbitrage rebate payable	10,993	
Total long term liabilities	15,406,824	12,904,377
Total liabilities	19,036,806	14,595,716
Net assets:		
Invested in capital assets	0	5,464
Restricted for revolving loans	64,944,037	57,453,516
Total net assets	64,944,037	57,458,980
Total liabilities and net assets	\$ 83,980,843	\$72,054,696

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

State of Nevada
Drinking Water State Revolving Fund
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007

	<u>2007</u>	<u>2006</u>
Revenues:		
Interest earned on loans	2,056,246	1,738,834
Federal set-aside revenues	1,634,503	1,906,763
Interest earned on investments	322,882	448,734
	4,013,631	4,094,331
Expenses:		
Set-asides:		
Administrative	290,941	291,984
State program management	572,091	694,634
Local assistance	683,269	793,753
Technical assistance	88,202	139,305
Debt service on bonds	635,266	592,423
Arbitrage rebate expense	10,993	
Depreciation expense	5,464	5,865
Amortization of cost of issuance	22,372	20,382
	2,308,598	2,538,346
Operating income	1,705,033	1,555,985
Non-operating income:		
EPA capitalization grant	5,780,023	13,209,343
Change in net assets	7,485,056	14,765,328
Net assets, beginning of year	57,458,981	42,693,653
	\$ 64,944,037	\$ 57,458,981

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

State of Nevada
Drinking Water State Revolving Fund
Statement of Cash Flows
For the Year Ended June 30, 2007

Cash flows from operating activities:

	<u>2007</u>	<u>2006</u>
Principal received on loans	2,277,936	1,699,804
Interest received on loans	1,968,178	1,482,525
Interest received on investments	260,401	362,336
EPA Grants for set-aside activities	685,884	838,797
Disbursements to loan recipients	(7,680,665)	(17,208,012)
Cash paid for set-asides	(1,627,456)	(2,097,958)
Transfer from general fund for set-asides	1,323,953	1,539,445
Net cash used by operating activities:	(2,791,769)	(13,383,063)

Cash flows from noncapital financing activities:

Grants from EPA for loans	5,780,023	13,413,447
Bond proceeds	3,344,123	4,335
Payment to escrow agent for refunded debt		
Bond principal redemption	(765,000)	(600,000)
Interest payments on bonds	(575,029)	(526,090)
Arbitrage Expense	0	0
Net cash provided by noncapital financing activities:	7,784,117	12,291,692

Net increase in cash	4,992,348	(1,091,371)
Cash and cash equivalents, beginning of year	10,550,199	11,641,572
Cash and cash equivalents, end of year	15,542,547	10,550,199

Reconciliation of operating income to net cash used for operating activities

Operating Income	1,705,033	1,555,985
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Adjustments to reconcile operating income to net cash used by operating activities:

Depreciation and amortization	27,835	26,247
Interest on bonds	635,266	592,423

Change in assets and liabilities:

(Increase) in loan interest receivable	(88,068)	(256,309)
(Increase) Decrease in investment interest receivable	(62,481)	(86,399)
(Increase) in loans receivable	(5,795,394)	(15,251,116)
(Increase) Decrease in set-aside grants receivable	(136,971)	148,052
(Decrease) Increase in Due to other funds	512,306	323,427
(Decrease) Increase in accounts payable	596	(174,935)
(Decrease) Increase in accrued payroll	6,450	(3,347)
Increase (Decrease) in construction costs payable	392,666	(257,091)
Increase (Decrease) in arbitrage rebate payable	10,993	
Total adjustments	(4,496,802)	(14,939,048)
Net cash used by operating activities	(2,791,769)	(13,383,063)

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

Note 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 Nevada's 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 small public water systems (up to 2%), and for other technical or financial assistance to public water systems (up to 15%).

The Program is administered by the State of Nevada's Department of Conservation and Natural Resources, Division of Environmental Protection (NDEP), which has developed policies and procedures for the loan and set-aside programs to meet the objectives of the State and Federal Acts and to properly manage and coordinate the Program. The Division 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 Division reviews loan applications for eligibility and subsequently prioritizes eligible projects with those compliance-related projects addressing public health risks receiving the highest ranking. The Division'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 available 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, 2007, EPA had awarded \$83,564,500 in capitalization grants for the Program, and Nevada is required to provide \$16,712,900 as its matching share. The match has been funded from proceeds of state match bonds issued on behalf of the Program by the State Treasurer's Office.

The Division has a small professional staff dedicated solely to performing services for Program activities. The allocated portion of salaries and benefits of employees for time spent working on Program activities, as well as indirect costs based on payroll costs, are charged to the Program. Employees charging time to the Program are covered by the State of Nevada Public Employee's Benefit Plan.

The Program financial statements, footnotes, and related schedules are presented for the U.S. Environmental Protection Agency. The Program's account balances and activities are included in Nevada's Comprehensive Annual Financial Report (CAFR) as part of the Water Projects Loan Fund, a major enterprise fund which uses the accrual basis of accounting. Because the Program is blended with other water pollution control programs, 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.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The program presents its financial statements as an enterprise fund. This method follows the accrual method of accounting, whereby revenues are recorded as earned and expenses are recorded when the 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 in evaluating whether the Program is operating within the requirements of the Safe Drinking Water Act. All assets and liabilities associated with the operations of the Program are included in the balance sheet. Assets are depreciated over the useful life of the asset, using the straight-line method. In preparing the Program's 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 Officer and part of the Executive Branch of the State government. The Treasurer is responsible for the handling of all State cash as a fiscal agent for the 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, and 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. Investment interest earnings on these deposits are received by the program on a quarterly basis.

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 from state matching 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 NDEP and the borrower. Loan funds are disbursed to borrowers after they incur costs for the purposes of the loan. Federal grant funds are distributed to the State when the disbursement is made to the borrower.

Interest rates are based on the 20 year Bond Buyer Municipal Index for water systems that use a General Obligation bond to secure the loan and on the 25-year Bond Buyer Municipal index for all others. Rates currently range from 2.81 to 4.03 percent. In determining the interest rate that is offered to a loan recipient, the rate of interest as published by the Bond Buyer Municipal Index on the Friday preceding the date that the loan contract is executed is multiplied by a set percentage, which is currently sixty-six percent (66%).

Bonds Payable

The State issues state match bonds to meet its state match obligation. Bond premiums, discounts and cost 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.

Note 2. Summary of Significant Accounting Policies (continued)

Contributed Capital

In accordance with generally accepted accounting principles applicable for the reported periods, funds received from EPA for the capitalization of the revolving loan fund are recorded as contributed capital rather than as fund revenue and are recognized when all eligibility requirements have been met.

Note 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 and investing the pooled cash balances in accordance with Nevada laws. 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 is based on the average daily balance for the period and is credited to the Program quarterly. Details of the investments can be obtained from the State Treasurer's Office.

All cash and investments are stated at fair market value. Investments held by the State Treasurer's Office are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Not subject to categorization:

Consolidated cash pool:	Carrying <u>amount</u>	Market <u>Value</u>
	\$ 15,437,236	\$15,542,547

Note 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, 2007, \$57,488,720 in federal funds and \$14,759,282 in state match had been disbursed for loans. Effective interest rates on loans vary between 2.81 and 4.03 percent. Loan maturities are 20 years. Semi-annual payments are due January 1 and July 1, beginning within six months after the project is completed, or three years after the first loan draw is paid. The loan contract requires the public entities to issue local bonds to secure the loan amount which the State has pledged as collateral for bonds payable.

Loans receivable as of June 30, 2007 are as follows:

	Authorized Loan Amounts	June 30, 2006 Balance	Amount Disbursed	Principal Repaid	Outstanding Balance
Completed Projects	62,145,114	52,627,543	3,552,024	2,108,201	54,071,365
Projects in Progress	28,381,000	6,859,106	4,128,641	169,735	10,818,012
Total	<u>90,526,114</u>	<u>59,486,649</u>	<u>7,680,665</u>	<u>2,277,936</u>	<u>\$64,889,378</u>
					2,857,864
					Non-Current loans receivable, June 30, 2007
					\$62,031,514

Note 4. Loans Receivable – continued

Loans mature at various intervals through July, 2027. The scheduled principal and interest payments on completed projects maturing in subsequent years are as follows:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	2,857,864	2,032,982	4,890,846
2009	3,044,525	2,000,168	5,044,693
2010	3,219,508	1,899,133	5,118,641
2011	3,334,379	1,791,599	5,125,978
2012	3,445,594	1,680,377	5,125,971
2013-2017	19,032,214	6,597,450	25,629,664
2018-2022	20,287,359	3,243,456	23,530,815
2023-2027	9,415,151	501,442	9,916,593
2028-2032	<u>252,784</u>	<u>6,520</u>	<u>259,303</u>
	<u>64,889,378</u>	<u>19,753,127</u>	<u>84,642,504</u>

Note 5. Bonds Payable

The State issues bonds to provide the required matching funds. As of June 30, 2007, Nevada had deposited matching funds from the net proceeds of these bonds totaling \$18,435,496. The bonds are general obligations of the State to which the full faith and credit of the State is pledged. The State expects that the loan interest payments received from public water systems will be in excess of the requirements necessary to service debt on the bonds. Interest on the bonds is payable semiannually with rates ranging from 2.0% to 5.75%. Principal is due annually through 2021 with optional early redemption, at the option of the State, with early redemption premiums ranging from 0 to 1 percent.

Note 5. Bonds Payable – continued

Details of bonds payable as of June 30, 2007 are as follows:

	Beginning Balance	2007 issues	2007 retirements/ refundings	Year-end balance
September 1, 1999, 1999B General Obligation bonds, interest of 5.1% to 5.75% due semi-annually, principal due annually through 2020.	1,000,000		230,000	770,000
December 1, 2000 2000C General Obligation bond, interest of 5.25% to 5.375% due semi-annually, principal due annually through 2018.	500,000		100,000	400,000
September 1, 2001, 2001C General Obligation bonds, interest of 5.1% to 5.75% due semi-annually, principal due annually through 2020.	1,360,000		100,000	1,260,000
November 1, 2003 2003J General Obligation bonds, interest of 2.00% to 4.25% due semi-annually, principal due annually through 2019	2,940,000		185,000	2,755,000
April 6, 2005, 2005E General Obligation match and refunding bonds, interest of 3.5% to 4.3%, due semi-annually, principal due annually through 2021	8,085,000		150,000	7,935,000
November 29, 2006 2006G General Obligation bonds, interest of 4.5% to 5.0% due semi-annually, principal due annually through 2027		3,305,000		3,305,000
	13,885,000	3,305,000		16,425,000

Due within one year:	930,000
Bond premiums	193,419
Deferred amount on refunding	(292,588)
Total bonds payable-Long term	\$ 15,395,831

Note 5. Bonds Payable – continued

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	930,000	665,408	1,595,408
2009	985,000	624,101	1,609,101
2010	1,025,000	580,483	1,605,483
2011	1,050,000	537,914	1,587,914
2012	1,085,000	497,258	1,582,258
2013-2017	6,000,000	1,796,030	7,796,030
2018-2022	4,225,000	569,880	4,794,880
2023-2027	1,125,000	131,063	1,256,063
Totals	<u>\$ 16,425,000</u>	<u>\$ 5,402,137</u>	<u>\$ 21,827,137</u>

Note 6. Set-aside Expenses

Set-aside costs were incurred mainly for the following activities:

- a) Administrative costs (4% set-aside): Costs incurred for salaries and associated expenses of administering the Program.
- b) State Program Management (10% set-aside): Costs incurred for two functions; enhancement of Public Water System Supervision (PWSS) and implementation of Nevada's capacity development strategy.
- c) Technical Assistance (2% set-aside): Costs incurred for technical assistance to small water systems that serve a population of 10,000 or less.
- d) Local Assistance (15% set-aside): Costs incurred for funding technical or financial assistance to public water systems for capacity development strategy and enhancement of the Wellhead Protection and Source Water Protection Programs.

Note 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, 2007, EPA had awarded to Nevada \$66,137,485 in capitalization grants for loans of which \$57,488,720 had been drawn and recorded as contributed capital. EPA awarded to Nevada an additional \$17,427,015 in capitalization grants for set asides, of which \$15,092,649 has been drawn for set-aside expenses since inception of the Program and recorded as revenue.

Note 7. Contributed Capital -- continued

The following summarizes the federal capitalization grant balances:

Year of Allotment	Grant Amount	Cumulative draws as of June 30, 2006	2007 draws	Cumulative draws as of June 30, 2007	Grant funds available June 30, 2007
1998	12,558,800	12,558,800		12,558,800	-
1999	14,585,100	14,585,100		14,585,100	-
2001	7,757,000	7,757,000		7,757,000	-
2002	15,841,600	15,841,600		15,841,600	-
2003	8,004,100	7,943,985	60,115	8,004,100	-
2005	16,588,600	6,477,349	6,906,973	13,384,322	3,204,278
2006	8,229,300	-	450,447	450,447	7,778,853
Totals	83,564,500	65,163,834	7,417,535	72,581,369	10,983,131
By Function:					
Set-asides	17,427,015	13,455,137	1,637,512	15,092,649	
Loans	66,137,485	51,708,697	5,780,023	57,488,720	

Note 8. Interfund Transfers

All administrative costs of the Program are initially paid by the Agency's General Fund accounts. EPA grants directly reimburse the General Fund accounts for 83.33% of the costs, and the remaining balance is paid from the SRF fund through quarterly interfund transfers. Amounts due to other funds represent administrative costs incurred by general fund accounts for Program expenditures which are payable at year end.

Note 9. Contingencies, Subsequent Events and Other Matters

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.

Related Parties

There are no related party transactions with or related to amounts receivable from management of the Nevada Drinking Water State Revolving Fund.

Note 9. Contingencies, Subsequent Events and Other Matters – continued

Subsequent Events

On July 3, 2007 the EPA awarded an \$8,229,000 grant to the Drinking Water State Revolving Fund.

This financial report is designed to provide a general overview of the State of Nevada's Drinking Water State Revolving Fund Program's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Drinking Water SRF, 901 South Stewart St., Carson City, NV 89701

Appendix B
Approved Loans

Loan Portfolio

Loan Recipient	Interest Rate	Date of Commitment	Date of Loan Contract	Obligation	Total Disbursements	Remaining Obligations	Repayments	Loan Balance
Southern Nevada Water Authority 1	3.61		8/19/99	12,269,695	12,269,695	-	3,340,501	8,929,194
Southern Nevada Water Authority 2	3.46		4/19/01	10,000,000	10,000,000	-	2,106,109	7,893,891
Steamboat Springs Water Works (Private)	4.00		6/15/00	50,752	43,471	-	6,592	36,879
Gardnerville Ranchos GID1	3.86		8/17/00	3,256,735	3,256,735	-	406,099	2,850,636
Gardnerville Ranchos GID2	3.58	6/26/03	8/19/03	1,261,840	1,261,840	-	89,811	1,172,029
City of Henderson	3.65		8/11/00	5,500,000	5,500,000	-	806,625	4,693,375
Indian Hills GID1	3.86		9/1/00	608,065	608,065	-	75,823	532,242
Indian Hills GID2	3.46	9/18/03	10/1/03	1,699,437	1,699,437	-	60,156	1,639,281
Silver Knolls Mutual Water Co. (Private)	4.03		8/11/00	120,000	120,000	-	26,582	93,418
Indian Springs Sewage Co. (Private)	3.45		11/30/01	203,346	203,346	-	203,346	-
Country Terrace Mobile Home Park (Private)	3.61	6/26/02	8/2/02	355,398	355,398	-	52,310	303,088
City of Fallon	3.33	6/26/02	10/24/02	2,000,000	2,000,000	-	108,542	1,891,458
Kingsbury GID	3.19	12/5/02	3/28/03	4,000,000	2,972,753	1,027,247	94,746	2,878,007
Big Bend Water District1	3.19	12/5/02	4/28/03	4,000,000	4,000,000	-	295,941	3,704,059
Virgin Valley Water District	3.43	3/18/03	11/24/03	4,000,000	3,946,471	53,529	74,989	3,871,482
Incline Village GID	3.08	7/20/04	9/14/04	1,687,282	1,687,282	-	93,901	1,593,381
Big Bend Water District2	3.20	7/20/04	8/2/04	6,000,000	269,909	5,730,091	-	269,909
Washoe County	2.81	1/27/05	6/14/05	14,463,000	14,463,000	-	300,732	14,162,268
Truckee Meadows Water Authority	3.21	4/27/05	6/9/05	4,669,565	4,669,564	-	93,399	4,576,165
Douglas County-Sheridan Acres	2.99	11/3/05	12/21/05	700,000	497,771	202,229	-	497,771
Sun Valley GID	3.02	5/3/06	6/2/06	9,000,000	2,631,708	6,368,292	-	2,631,708
Round Hill GID	2.94	1/25/06	10/6/06	1,100,000	166,318	933,682	-	166,318
Three T Water Co	0.00	8/23/06	11/16/06	231,000	167,818	63,182	-	167,818
Winnemucca, City of	2.93	1/22/07	6/21/07	1,600,000	160,000	1,440,000	-	160,000
Fallon, City of	2.93	3/14/07	6/21/07	1,750,000	175,000	1,575,000	-	175,000
Totals June 30, 2007:				90,526,115	73,125,582	17,393,252	8,236,204	64,889,377

Appendix C

**Schedule of Grant Amounts Expended with Remaining
Balances Available by Grant Year**

For the Period

July 1, 2006 through June 30, 2007

	Loans	10% State Programs (Cash)	10% State Programs (In Kind)	4% Admin.	2% Small Systems	15% Local Assistance	Totals
2000 Grant							
Grant Award Amounts	6,209,147.00	742,433.00	0.00	310,280.00	155,140.00	340,000.00	7,757,000.00
Grant Expenditures	6,209,147.00	742,433.00	0.00	310,280.00	155,140.00	340,000.00	7,757,000.00
Balances Remaining	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2001/2002 Grant							
Grant Award Amounts	12,431,042.00	1,584,160.00	0.00	633,664.00	316,832.00	875,902.00	15,841,600.00
Grant Expenditures	12,431,042.00	1,584,160.00	0.00	633,664.00	316,832.00	875,902.00	15,841,600.00
Balances Remaining	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2003 Grant							
Grant Award Amounts	5,522,829.00	800,410.00	0.00	320,164.00	160,082.00	1,200,615.00	8,004,100.00
Grant Expenditures	5,522,829.00	800,410.00		320,164.00	160,082.00	1,200,615.00	8,004,100.00
Balances Remaining	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2004/2005 Grant							
Grant Award Amounts**	14,318,812.00	813,924.00	0.00	663,544.00	331,772.00	460,548.00	16,588,600.00
Grant Expenditures	11,883,815.65	713,097.80		230,825.68	96,035.18	460,548.00	13,384,322.31
Balances Remaining	2,434,996.35	100,826.20	0.00	432,718.32	235,736.82	0.00	3,204,277.69
2006 Grant							
Grant Award Amounts	6,213,769.00	642,027.00	0.00	329,172.00	164,586.00	879,746.00	8,229,300.00
Grant Expenditures	0.00	0.00		0.00	0.00	450,447.48	450,447.48
Balances Remaining	6,213,769.00	642,027.00	0.00	329,172.00	164,586.00	429,298.52	7,778,852.52
Total Grant Balances*	8,648,765.35	742,853.20	0.00	761,890.32	400,322.82	429,298.52	10,983,130.21
Total Expended*	57,488,719.65	5,573,458.80	222,443.00	2,580,689.68	1,243,399.18	5,472,659.48	72,581,369.79
Life-to-Date Grants*	66,137,485.00	6,316,321.00	222,443.00	3,342,580.00	1,643,722.00	5,901,958.00	83,564,500.00

* Balances include previous grants that are not detailed on this sheet.

Funding by Source

Match Bond Proceeds	5,430,867.59	1,556,182.08	1,566,161.82	3,252,493.49	3,285,668.87	3,344,122.59		18,435,496.44	
	1997 Grant	1998-1999 Grant	2000 Grant	2001 Grant	2003 Grant	2004-05 Grant	2006 Grant	Reloan funds	Total
Federal	12,558,800	14,585,100	7,757,000	15,841,600	8,004,100	16,588,600	8,229,300		83,564,500
Match Required	2,511,760	2,917,020	1,551,400	3,168,320	1,600,820	3,317,720	1,645,860		16,712,900
Excess match provided		2,088	4,782	-	49,515	(32,051)	1,698,263		1,722,596
Reloan funds provided								12,483,659	12,483,659
Subtotal	15,070,560	17,504,208	9,313,182	19,009,920	9,654,435	19,874,269	11,573,423		101,999,996
Less Set-Asides	(2,750,113)	(2,951,901)	(1,547,853)	(3,410,558)	(2,481,271)	(4,269,788)	(2,015,531)		(19,427,015)
Available for Loans	12,320,447	14,552,307	7,765,329	15,599,362	7,173,164	15,604,481	9,557,892	13,468,068	96,041,049
Paid with federal funds - Loans	(9,808,687)	(11,633,199)	(6,209,147)	(12,431,042)	(5,522,829)	(6,103,793)	(5,780,023)		(57,488,720)
Paid with match funds - Loans	(2,511,760)	(2,919,108)	(1,556,182)	(3,168,320)	(1,650,335)	(1,644,679)	(1,308,899)		(14,759,283)
Paid with Reloan funds								(984,409)	(984,409)
Loan funds available	-	-	-	\$0	\$0	\$7,856,009	\$2,468,970	12,483,659	22,808,638
Set-Aside Awards	2,750,113	2,951,901	1,547,853	3,410,558	2,481,271	4,269,788	2,015,531		19,427,015
Set-aside expenditures	2,750,113	2,951,901	1,547,853	3,410,558	2,481,271	1,500,507	450,447		15,092,650
Set-aside funds available	-	-	-	\$0	\$0	\$2,769,281	\$1,565,084		4,334,365

Appendix D

Year 2007 Project Priority List

Year 2007 Priority List--Drinking Water State Revolving Fund Loan Pre-Applications

Rank	Water System	Total Points	Arsenic Factor	Adjst. Total	State MHI/ PWS MHI	Revised Points	Owner-ship of System	County	ID#	Pop. Served	Number of Svc. Conn.	Project Description	Amount
Class I--Acute Health Risks													
none													
Class II--Chronic Health Risks													
1	Ember Mobile Manor	10	1.0	10	5.57	55.73	Private	CH	NV0004002	35	23	Consolidation, arsenic compliance	\$180,000
2	Jackpot	10			1.46	14.62	Public	EL	NV0000088	1,240	456	new well, chlorination, storage, distribution, uranium compliance	\$3,405,000
3	Crystal Clear Water Company	10	0.9	9	1.38	12.45	Public	LY	NV0000361	170	90	Arsenic compliance, well, storage, distribution	\$1,170,000
4	Fallon	10	1.0	10	1.24	12.41	Public	CH	NV0000045	8,500	3,161	Storage -- part of arsenic treatment	\$1,750,000
5	Goldfield	10	0.9	9	1.35	12.17	Public	ES	NV0000072	500	217	Arsenic compliance	\$630,000
6	Manhattan	10	1.0	10	1.17	11.72	Public	NY	NV0000165	40	50	Arsenic compliance, new well, transmission, storage, SCADA	\$1,210,000
7	Five Star MHP	10	0.8	8	1.29	10.36	Private	LY	NV0002516	90	29	Arsenic compliance	?
8	Fernley Utilities	10	1.0	10	1.00	9.97	Public	LY	NV0000062	14,000	5,000	Arsenic compliance	\$19,750,000
9	Alamo Sewer & Water GID	10	0.9	9	1.03	9.25	Public	LI	NV0000005	900	275	Arsenic compliance, new well, storage, distrib.	\$2,087,380
10	Old River	10	0.8	8	1.09	8.74	Private	CH	NV0000303	300	110	Arsenic compliance	\$1,451,835
11	Panaca	10	0.5	5	1.50	7.48	Public	LI	NV0000185	800	349	Arsenic compliance	?
12	Carson City Utilities	10	0.7	7	1.07	7.46	Public	CC	NV0000015	56,000	16,447	Arsenic compliance	\$6,000,000
13	Searchlight	10	0.4	4	1.83	7.31	Public	CL	NV0000219	760	290	Arsenic compliance, two new wells, storage	\$11,125,300
14	Caliente	10	0.4	4	1.73	6.90	Public	LN	NV0000013	1,500	427	New well, distribution	\$2,519,027
15	East Valley	10	0.9	9	0.75	6.74	Public	DO	NV0002216	3,845	1,479	Arsenic compliance	\$7,500,000
16	Beatty	10	0.6	6	1.08	6.48	Public	NY	NV0000009	1,100	500	Arsenic compliance	\$750,000
17	Tolas MHP	10	0.5	5	1.58	7.90	Private	CH	NV0000061	54	32	Arsenic complianc	\$175,000
18	Yerington	10	0.4	4	1.43	5.72	Public	LY	NV0000255	2,900	1,835	Arsenic compliance	\$1,720,000
19	Moapa Valley Water District	10	0.5	5	1.12	5.58	Public	CL	NV0000160	8,000	2,668	Arsenic compliance	\$6,760,178
20	Sunrise Estates (Washoe Co)	10	0.5	5	1.10	5.50	Public	WA	NV0002525	86	35	Arsenic compliance	\$451,408
21	Battle Mountain	10	0.5	5	1.04	5.19	Public	LA	NV0000008	4,600	1,145	Water treatment (arsenic), transmission, distribution, storage	\$11,510,910
22	Stagecoach GID - Churchill Ranchos	10	0.4	4	1.29	5.18	Public	LY	NV0000813 NV0000224	1,231	505	Consolidation of Churchill Ranchos with Stagecoach GID for arsenic compliance	\$3,627,278
23	Spring Creek	10	0.5	5	0.97	4.87	Public	WA	NV0004082	1,850	743	Arsenic compliance	\$3,516,613
24	Tonopah	10	0.4	4	1.19	4.77	Public	NY	NV0000237	2,600	1,500	Arsenic compliance	\$127,000
25	So. Truckee Meadows Water Treatment Facility (includes Double Diamond)	10	0.4	4	1.10	4.40	Public	WA	NV0000215 NV0000832	21,214	9,339	Arsenic compliance	\$21,500,000
26	Lemmon Valley	10	0.4	4	1.10	4.40	Public	WA	NV0000202	2,853	1,179	Arsenic compliance	\$2,060,664
27	Truckee Canyon	10	0.4	4	1.10	4.40	Public	WA	NV0000978	25	5	Arsenic compliance	\$975,000
28	Desert Springs	10	0.4	4	0.97	3.90	Public	WA	NV0001085	7,629	3,869	Arsenic compliance	\$3,859,680
29	Sunrise Estates (Douglas Co)	10	0.5	5	0.78	3.88	Public	DO	NV0000887	91	37	Arsenic compliance	\$1,400,000
30	Dayton Valley MHP	1	NA	1	2.05	2.05	Private	LY	NV0000033	55	28	TDS above std, consolidate with Dayton Utilities	\$79,500
31	Gabbs	1	NA	1	1.56	1.56	Public	NY	NV0000063	411	160	Fluoride compliance	\$300,000
												Total Class II	\$117,591,773
Class III--Rehabilitation													
Community Public Water Systems													
32	Lovelock GID	63			1.21	76.47	Public	PE	NV0000161	3,900	1,300	Chlorination, storage, transmission, distrib., backflow	\$13,000,000
33	Imlay	24			2.35	56.31	Public	PE	NV0000226	200	19	Storage, transmission, distribution	\$761,800
34	Topaz Ranch Estates GID	26			1.50	39.03	Public	DO	NV0000239	2,100	736	Upgrade distribution, well and chlorination equipment	\$1,005,000
35	Silver Springs MHP	29			1.29	37.55	Private	LY	NV0000267	70	36	New well, transmission, distribution	\$130,000
36	Kingsbury GID	27			1.03	27.88	Public	DO	NV0000004	3,839	2,450	Storage tank, replace water mains, replace gas engines and install electric generators in five booster pump stations, install water meters	\$15,580,915
37	Mount Rose	34			0.78	26.69	Public	WA	NV0003030	1,650	793	Nitrate treatment, extend water main to Fawn Lane to connect individual wells	\$1,950,000
38	Lyon County - Moundhouse	24			1.10	26.29	Public	LY	NV0000838	1,578	895	Storage, upgrade transmission & distribution	\$1,720,000

Rank	Water System	Total Points	State MHI/ PWS MHI	Revised Points	Owner-ship of System	County	ID#	Pop. Served	Number of Svc. Conn.	Project Description	Amount
Class III - Rehabilitation (continued)											
39	Kyle Canyon	34	0.71	24.01	Public	CL	NV0000142	1,040	353	New well, storage, distribution, water meters	\$3,591,184
40	Sierra Estates	25	0.86	21.50	Public	DO	NV0000030	160	67	Production	\$188,000
41	Montello	18	0.94	16.88	Public	EL	NV0000169	289	55	Transmission, storage	\$515,000
42	Lightning W	28	0.57	15.92	Public	WA	NV0000865	90	55	Uranium treatment plant	\$850,000
43	Steamboat Springs	10	0.92	9.21	Private	WA	NV0000282	998	298	Storage tank interior lining	\$75,000
Non Transient, Noncommunity Public Water System											
44	Verdi Business Water Coop	35			Private	WA	NV0005061	100	11	New well, upgrade treatment	\$101,250
Total Class III											\$39,468,149
Class IV--Refinance											
Publicly-owned Utilities											
None											\$0

State MHI (Median Household Income) is \$44,581 based on 2000 Census.

PWS MHI is based on 2000 Census where data is available for the community. If 2000 Census community data is not available, 2000 Census county data, site specific income survey or other appropriate method was used. Contact NDEP for detailed information.

Previously Approved Loans

Water System	Award Date	Owner-ship of System	County	ID#	Pop. Served	Number of Svc. Conn.	Project Description	Amount
	Jan-07						Chlorination, new well building, storage, transmission	\$1,600,000
Winnemucca		Public	HU	NV0000248	8643	3300		
Three T Water Company	Aug-06	Private	WA	NV0000214	92	41	Surface water filtration, storage	\$231,000
Sun Valley GID	Jan-06	Public	WA	NV0000211	15,000	6,000	Production, storage, distribution	\$13,427,166
Round Hill GID	Oct-06	Public	DO	NV0000260	1,000	430	Extend lake intake	\$1,100,000
Sheridan Acres - Douglas Co	Nov-05	Public	DO	NV0000069	282	94	New wells, storage, transmission	\$700,000
TMWA	Jun-05	Public	WA	NV0000190	300,000	79,700	Arsenic mitigation - blending	\$9,270,659
Hidden Valley (Washoe Co.)	Jun-05	Public	WA	NV0000198	3,934	1,457	Treatment arsenic removal	\$14,463,000
Big Bend Water District	Jul-04	Public	CL	NV0004092	8,000	2,100	Treatment improvements, transmission, storage	\$6,000,000
Incline Village GID	Jul-04	Public	WA	NV0000158	12,000	4,500	Distribution	\$2,000,000
Virgin Valley Water - Mesquite	Nov-03	Public	CL	NV0000167	11,006	4,300	Transmission, distribution, arsenic treatment	\$4,000,000
Indian Hills GID	Sep-03	Public	DO	NV0000355	6,000	1,800	Water treatment (arsenic)	\$1,700,000
Big Bend Water District	Apr-03	Public	CL	NV0004092	8,080	2,093	Treatment modifications (control disinfection byproducts), storage, distribution	\$4,000,000
Kingsbury GID	Mar-03	Public	DO	NV0000004	5,879	2,300	Storage and waterline replacement	\$4,000,000
Country Terrace MHP	Aug-02	Private	WA	NV0000201	315	105	Consolidation with TMWA	\$358,561
Verdi Meadows Utility	Pending	Private	WA	NV0000196	120	62	Waterline replacement	\$350,000
City of Fallon	Oct-02	Public	CH	NV0000045	7,000	2,397	Water treatment (arsenic)	\$2,000,000
Southern Nevada Water Authority	Aug-99	Public	CL	NV0000289	1,100,000	5	Ozonation	\$12,269,695
Southern Nevada Water Authority	Apr-01	Public	CL	NV0000289	1,100,000	5	Ozonation	\$10,000,000
Steamboat Springs Waterworks	Jun-00	Private	WA	NV0000282	500	297	Storage tank interior recoating and exterior painting	\$50,732
Silver Knolls MWC	Aug-00	Private	WA	NV0004021	200	64	New back up well	\$120,000
Gardnerville Ranchos GID	Aug-00	Public	DO	NV0000066	9,000	3,770	Distribution replacement	\$3,256,736
City of Henderson	Aug-00	Public	CL	NV0000076	188,100	22,362	UV disinfection	\$5,500,000
Indian Hills GID	Sep-00	Public	DO	NV0000355	500	153	Distribution	\$474,882
Indian Springs Sewage Company	Nov-01	Private	CL	NV0000082	1,000	163	Storage	\$207,000
Total Loans								\$97,079,431