

**State of Nebraska
Department of Environment & Energy
Department of Health & Human Services
Division of Public Health**

Drinking Water State Revolving Fund Annual Report

State Fiscal Year 2020



October 2020

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EXECUTIVE SUMMARY

Biennial reports are a requirement of the Environmental Protection Agency (EPA) for the Drinking Water State Revolving Loan Program (DWSRF, Program). Due to state statute requirements, Nebraska has provided annual reports to EPA in lieu of the biennial report requirement. This annual report is for the State Fiscal Year (SFY) 2020 (July 1, 2019 through June 30, 2020). This report is a combined effort of the Nebraska Department of Environment and Energy (NDEE, Agency) and the Nebraska Department of Health and Human Services-Division of Public Health (NDHHS-DPH).

The Nebraska Drinking Water State Revolving Loan Fund Annual Report for SFY 2020 describes the state's efforts to meet the goals and objectives of the DWSRF. The projects identified in the Intended Use Plan (IUP), the actual use of funds, and the financial position of the DWSRF are itemized in this report. The Financial Schedules Section, along with the notes to the financial schedules, is the report focus, with the Program Section serving to provide supplemental information tying back to the IUP. An effort has been made to avoid duplication of the information provided in the program section with the information provided in the financial schedules.

The DWSRF program allocated a total of \$270.6 million and \$34.3 million in loan forgiveness to 254 Public Water System (PWS) projects beginning with the program's inception in year 1997 through June 30, 2020.

I. FINANCIAL SCHEDULES SECTION

BACKGROUND

The NDEE's DWSRF Program was established pursuant to the Federal Safe Drinking Water Act of 1996. Nebraska's Revised State Statutes §§ 71-5314 to 71-5327 created the Drinking Water State Revolving Fund Act. The Federal Safe Drinking Water Act and Nebraska State statutes established the Drinking Water State Revolving Fund Program to provide loans, at below market interest rates, to finance the construction of publicly and privately owned drinking water facilities. The Program provides a flexible financing source which can be used for a variety of projects. Most loans made by the Program must be repaid within 30 years, however; disadvantaged communities may choose to have a loan term up to 40 years. All repayments, including interest and principal, must be used for the purposes of the Program.

The Program was capitalized by the EPA by a series of grants starting in 1997. States are required to provide an additional 20 percent of the Federal Capitalization Grant as matching funds in order to receive a federal grant. As of June 30, 2020, the EPA has awarded a cumulative total of \$204.7 million in capitalization grants to the state, plus \$19.5 million in American Recovery and Reinvestment Act (ARRA) funds. The award of this \$204.7 million required the state to contribute approximately \$44.85 million in matching funds. Matching funds have been obtained through the issuance of short and long-term revenue bonds, through cash from the Special Reserve Accounts of retired bonds, or from transfers out of the Drinking Water Administration Fund.

The Agency's primary activities, with regard to the Program, include the making of loans for facilities, and the management and coordination of the Program. The NDHHS-DPH establishes the funding priorities and the Nebraska Environmental Quality Council (EQC) approves the rules and regulations of the Agency and the Program's IUP.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of financial report presents a narrative overview and analysis of the financial activities of the Program for the SFY 2020. This analysis has been prepared by management of the Agency and is intended to be read in conjunction with the Program's financial statements and related footnotes, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Program's basic financial statements and include the following:

- 1) Balance Sheet. The Balance Sheet presents information on all of the Program's assets and liabilities, with the difference between the two reported as net position;
- 2) Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Program's net position changed during the most recent fiscal year.

3) Statement of Cash Flows. The Statement of Cash Flows presents the Program's flows of cash by defined categories. The primary purpose of the Statement of Cash Flows is to provide information about the Program's cash receipts and payments during the year; and

4) Notes of the Financial Statements. The Notes to the Financial Statements are an integral part of the financial statements and provide information that is essential to a full understanding of the data provided in the financial statements.

ANALYSIS OF BALANCES AND TRANSACTIONS – ENTERPRISE FUND

Changes in Net Position

For SFY 2020, the net position of the Program increased by 6.76%. The cash balance in current assets increased significantly due to several large loan payoffs, amounting to over \$11 million for the fiscal year. The decrease in current liabilities is mainly due to a decrease in Accounts Payable and Accrued Liabilities of almost \$171,316.

NET POSITION			
	2020	2019	% Change
Current Assets	\$ 133,971,623	\$ 122,878,935	9.03%
Non-current Assets	85,472,281	82,662,404	3.40%
Total Assets	219,443,904	205,541,339	6.76%
Current Liabilities	246,034	417,350	-41.05%
Non-current Liabilities	15,611	23,096	-32.41%
Total Liabilities	261,645	440,446	-40.60%
Net Position:			
Net Investment in Capital Assets	348,157	331,771	4.94%
Unrestricted	218,834,102	204,769,122	6.87%
Total Net Position	\$ 219,443,904	\$ 205,541,339	6.76%

CHANGES IN NET POSITION

	2020	2019	% Change
Loan Fees Administration	\$ 802,474	\$ 841,446	-4.28%
Interest on Loans	1,847,553	1,918,849	-3.72%
Other Operating Income	62,677	46,616	34.45%
Total Operating Revenues	2,712,704	2,806,911	-3.36%
Administration & Set-Asides	2,200,717	1,812,271	66.15%
Loan Forgiveness	2,459,356	1,672,464	47.05%
Total Operating Expenses	4,660,073	3,484,735	33.73%
Operating Income (Loss)	(1,947,367)	(677,824)	187.30%
Federal Grants	13,356,411	6,687,586	22.27%
Interest Revenue	2,638,566	2,680,325	-1.56%
Bond Expenses	33,757	8,567	294.03%
Total Non-Operating Revenue (Expense)	16,028,733	9,376,478	70.95%
Change in Net Position	14,081,366	8,698,654	61.88%
Beginning Net Position July 1	205,100,893	196,402,239	4.43%
Ending Net Position June 30	\$ 219,182,259	\$ 205,100,893	6.87%

The amount of funds used from each annual capitalization grant will vary each year and is dependent upon several variables including the number of communities applying for loans, the rate and total of reimbursement requests by communities, and the number of loans successfully processed; all of which affects the drawing of federal capitalization grant funds.

Changes are inherent in the Program and are expected when draws are based on community requests. To more accurately reflect the type of revenue being reported, interest on investing activities has been reclassified from operating revenue to non-operating revenue.

ECONOMIC OUTLOOK

The state has continued to take steps to avert major economic impacts both statewide and within communities. The small rural makeup of the state remains a challenge for communities in funding major capital projects. Aging and declining population bases make it difficult to collect the amount of user fees needed to fund infrastructure requirements.

LOANS AND GRANTS TRACKING SYSTEM SOFTWARE (LGTS)

LGTS is a comprehensive software application developed by Northbridge Environmental, which is designed for Nebraska's State Revolving Fund (SRF) staff to track and manage all aspects of the Clean and Drinking Water SRF programs from project loan application to final repayment, as well as to track all capital contributions, set-aside spending, and bond issuance and repayments.

The software was developed to address the data management needs for all of the steps in the SRF management process, including priority list development, facility location and identification, documentation and files, engineering review and milestone tracking, inspections, contacts for a project, contract approvals and change orders, detailed payment request processing, project spending forecasts, encumbrances, funding draws and transfers, disbursements, amortization schedule creation and management, billing, repayment processing, fund deposits, and tracking of repaid funds by their original source, report and data generation, and more. The software also contains a customized general ledger to match existing accounting systems and create trial balances, financial statements, and related financial schedules.

Nebraska's SRF programs have implemented the LGTS system. The following is a brief timeline for the development and processing of LGTS system:

- SFY 2014: Planning of the implementation phases, business rules, and hardware/software installations.
- SFY 2015 and 2016: LGTS system was used concurrently with existing systems to create a basis for reliability and consistency.
- SFY 2017: Existing internal system was discontinued and LGTS became the sole system for use within the SRF program alongside the State Accounting System.
- SFY 2020: Began building a web-based LGTS to enhance SRF projects and financial loan/grant reporting and tracking.

Since implementation of the program, the NDEE has found that the LGTS has reduced the occurrence of human error, has increased efficiency and time savings, and overall increased productivity on projects.

Up until November 30, 2019, contract costs for the purchase and implementation of the LGTS system has been handled through the existing Northbridge contract with EPA. That contract ended on November 30, 2019 and a new contract was not negotiated. EPA recommended that the states contract with Northbridge directly to allow more flexibility in the work. In order for our agency to complete the implementation of the web-based version of LGTS, and to have continued support on our current software that is used by our personnel on a daily basis, NDEE signed a new contract with Northbridge in SFY 2020.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM
UNAUDITED BALANCE SHEET
Fiscal Year Ended June 30, 2020

Enterprise Fund

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents:

Cash in State Treasury (Note 2)

\$ 128,211,045

Due from Federal Government

129,055

Interest Receivable

207,266

Loans Receivable (Note 3)

5,424,257

TOTAL CURRENT ASSETS

133,971,623

NON-CURRENT ASSETS

Loans Receivable (Note 3)

\$ 85,124,124

Capital Assets, Net (Note 4)

348,157

TOTAL NON-CURRENT ASSETS

85,472,281

TOTAL ASSETS

\$ 219,443,904

LIABILITIES

CURRENT LIABILITIES

Accounts Payable & Accrued Liabilities

\$ 68,136

Due to Grant Recipients (Note 1)

176,354

Compensated Absences (Note 6)

1,544

TOTAL CURRENT LIABILITIES

\$ 246,034

NON-CURRENT LIABILITIES

Compensated Absences (Note 6)

15,611

TOTAL NON-CURRENT LIABILITIES

15,611

TOTAL LIABILITIES

\$ 261,645

NET POSITION

Net Investment in Capital Assets

348,157

Unrestricted

218,834,102

TOTAL NET POSITION

219,182,259

TOTAL LIABILITIES AND NET POSITION

\$ 219,443,904

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
 DRINKING WATER STATE REVOLVING FUND PROGRAM
UNAUDITED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Fiscal Year Ended June 30, 2020

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration (Note 8)	\$ 802,474
Interest on Loans	1,847,553
Other Operating Income	62,677
TOTAL OPERATING REVENUES	\$ 2,712,704
OPERATING EXPENSES:	
Administrative Costs from Fees (Note 10)	412,489
15% Source Water Assessment Program (Note 10)	668,897
2% Technical Assistance to Small Systems (Note 10)	129,345
10% Public Water Supply System (Note 10)	989,986
Loan Forgiveness (Note 10)	2,459,356
TOTAL OPERATING EXPENSES	\$ 4,660,073
OPERATING LOSS	\$ (1,947,367)
NONOPERATING REVENUE (EXPENSE)	
Capital Contributions - Federal Grants (Note 7)	\$ 13,340,025
Capital Contributions - Federal Grants - Capital Assets	16,386
Interest on Fund Balance - State Operating Investment Pool (Note 9)	2,638,566
Interest Expense on Bonds Payable (Short-Term)	
Cost of Bond Issuance	33,757
TOTAL NONOPERATING REVENUE (EXPENSE)	\$ 16,028,733
CHANGE IN NET POSITION	14,081,366
TOTAL NET POSITION, BEGINNING OF YEAR AS RESTATED	205,100,893
TOTAL NET POSITION, END OF YEAR	\$ 219,182,259

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM
UNAUDITED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts From Customers	\$ 14,160,373
Payments to Borrowers	(14,387,694)
Payments for Administration	(510,116)
Payments for 15% Source Water Assessment Program	(687,975)
Payments for 2% Technical Assistance to Small Systems	(141,443)
Payments for 10% Public Water Supply System	(975,656)
Payments for Loan Forgiveness	(2,526,684)
Receipts from Other Operating Income	62,677
NET CASH USED BY OPERATING ACTIVITIES	\$ (5,006,518)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Grants Received From the Environmental Protection Agency	\$ 13,595,363
Bond Interest Payments (Short-Term)	
Payment for Bond Issuance Costs (Short-Term)	33,757
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$ 13,629,120
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Contributions	\$ 16,386
Purchase of Capital Assets	(16,386)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	\$ 0
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	\$ 2,665,831
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 2,655,831
Net Increase in Cash and Cash Equivalents	11,288,434
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	116,922,611
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 128,211,045
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Net Operating Loss	\$ (1,947,367)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
(Increase)/Decrease in Loans Receivable	(2,880,347)
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	(20,045)
Increase/(Decrease) in Compensated Absences	(8,225)
Increase/(Decrease) in Payables to Grant Recipients	(150,531)
NET CASH USED BY OPERATING ACTIVITIES	\$ (5,006,515)

NEBRASKA DEPARTMENT OF ENVIRONMENTAL AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM
NOTES TO THE GENERAL FINANCIAL STATEMENTS – UNAUDITED
For the Fiscal Year Ended June 30, 2020

Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the Agency's Program have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The basic financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of the Department of Administrative Services (DAS) and the Trustee – Wells Fargo Bank (Trustee) for the State match bond accounts.

B. Reporting Entity

The Program is established under and governed by the Safe Drinking Water Act of the Federal Government and the Drinking Water State Revolving Fund Act of the State of Nebraska. The Agency is a state agency established under and governed by the laws of the State of Nebraska. As such, the Agency is exempt from state and federal income taxes. The Program's management has also considered all potential component units for which it is financially accountable and other organizations that are fiscally dependent on the Program or whose relationship with the Program is so significant that exclusion would be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1), the ability of the Agency to impose its will on that organization, or (2), the potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the Agency. The Agency is also considered financially accountable if an organization is fiscally dependent on, and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Agency, regardless of whether the organization has (1), a separately elected governing board, (2), a governing board appointed by a higher level of government, or (3), a jointly appointed board.

These financial statements present the Program. No component units were identified. The Program is part of the primary government for the State of Nebraska's reporting entity.

C. Fund Structure

The Program's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions, or limitations. Each individual fund is a self-balancing set of accounts recording cash and other financial resources, together with liabilities and

residual equities or balances, and changes therein. The State Accounting System includes the following Program funds, as identified in the Drinking Water State Revolving Fund Act:

- Drinking Water Facilities Funds – Federal Funds 48416, 48418 and 48419; and Bond Funds 68481, 68482, 68483, 68484, 68485, and 68486.
- Drinking Water Administration Fund – Cash Fund 28630

These funds are used to account for revenues and expenses for loans and administrative expenses of the Program.

The activity of these State of Nebraska funds has been combined and reported as an enterprise fund, which under governmental GAAP is a proprietary fund type. This fund type reflects transactions used to account for those operations that are financed and operated in a manner similar to a private business. The accounting for the Program's transactions in this manner is a requirement of the EPA, as it and the Agency have decided that the determination of revenues earned, expenses incurred, and/or net income is necessary to demonstrate the success of the Program and to assure the EPA that the Program will be available in perpetuity, as intended.

This fund classification differs from the classification used in the State of Nebraska's Comprehensive Annual Financial Report (CAFR). The CAFR classifies the cash funds, federal funds, and bond funds as special revenue funds, as they meet the definition of special revenue funds under GASB Statement 54, that states special revenue funds are defined as funds used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes.

D. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. An enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Enterprise funds utilize the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the State Treasury. This includes cash in bank accounts and petty cash, short-term investments, such as certificates of deposit, repurchase agreements, and U.S. treasury bills. These short-term investments may have original maturities (remaining time to maturity at acquisition) greater than three months; however, cash is available and is considered cash and cash equivalents for reporting purposes. Banks pledge collateral, as required by law to guarantee state funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council, which maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

F. Loans Receivable

The State operates the Program as a direct loan program, whereby loans are made to communities. Loan funds are disbursed to the local agencies as they expend funds for the purposes of the loan. Interest is calculated from the date the funds are advanced. After the final disbursement has been made, the amortization schedule identified in the loan agreement is adjusted for the actual amounts disbursed. The program's portfolio contains loans with interest rates ranging from 1.5% to 4.0%, and the terms on these outstanding loans range from 13 to 40 years.

The Program loans are funded from federal capitalization grants, state match funding, and the revolving fund made up of repaid principle and interest. The grants are funded, on average, 83.33% from federal funds and 16.67% from state match funds. Reimbursements to communities are paid 100% from state matching funds until they have been exhausted, and then from federal capitalization grant funds or Drinking Water State Revolving funds. The DWSRF is financed through principal repayments plus interest earnings becoming available to finance new projects, allowing the funds to "revolve" over time.

The current loans receivable amount was determined using the amount of principal payment due to the Program at June 30, 2020, which is collectible for SFY 2021. Loans receivable that were paid in full, prior to their due date, as of August 31, 2020, were included in the current loans receivable balance as opposed to the long-term loans receivable balances.

No provisions were made for uncollectible accounts, as all loans were current, and management believed all loans would be repaid according to the loan terms. There is a provision for the Program to intercept State aid to a community in default of its loan.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Compensated Absences

All non-salaried permanent employees working for the Program earn sick and annual leave and are allowed to accumulate compensatory leave rather than be paid overtime. Temporary and intermittent employees are not eligible for paid leave. The liability has been calculated using the vesting method, in which leave amounts, for both employees

currently eligible to receive termination payments and other employees expected to become eligible in the future to receive such payments upon termination, are included.

Program employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 240 days. There is no maximum limit on the accumulation of sick leave days for employees under certain labor contracts. Sick leave is not vested except upon death or upon reaching the retirement eligibility age of 55 – or a younger age, if the employee meets all criteria necessary to retire under the primary retirement plan covering his/her State employment. Upon retirement, the State is liable for 25 percent of the employee's accumulated sick leave. Employees under certain labor contracts can only be paid a maximum of 60 days.

The Program's financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

I. Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Program's principal ongoing operations. The operating revenues of the Program include loan fees administration and interest on loans, since making loans is the primary purpose of the Program. The operating expenses of the Program are administration and set-aside expenses and loan forgiveness.

J. Capital Assets

The Program has only one capital asset, the Loans and Grants Tracking System (LGTS) software, and it is recorded at cost. In SFY 2020, the Agency signed a contract directly with Northbridge to continue to provide technical support and guidance of the LGTS software. Additional work is being done to improve the software and allow easier access for staff working outside of the office. The LGTS software is considered an intangible capital asset, and the Agency follows the capitalization policy set forth by the State of Nebraska for intangible capital assets, which requires capitalization of such assets when the cost of such asset is in excess of \$100,000 and has an expected useful life of greater than one year. The LGTS software has an estimated useful life of seven years. Depreciation/amortization will begin upon completion of the developmental phase and the software being put into production and it will be computed using the straight-line method over the estimated useful life of the asset.

NOTES

1. Due to Grant Recipients

Planning Grants for Preliminary Engineering Reviews (PERs) are awarded through the Federal Capitalization Grant 15% Set-aside Funds. The Program awards Planning Grants to communities with populations below 10,000 where the PWS is operated by a political subdivision. Available grants are given upon evidence that the eligible PWS has entered into a contract with a professional engineer to develop a PER. Planning Grants

are intended to provide financial assistance to PWSs for projects seeking funding through the Water Wastewater Advisory Committee (WWAC) common pre-application process. The grant covers 90% of the PER and other eligible costs and requires 10% matching funds from the PWS.

Source Water Protection Grants are also awarded through the Federal Capitalization Grant 15% Set-aside Funds. They are available for proactive projects geared toward protecting Nebraska's drinking water supplies and will address drinking water quality, quantity, and/or education. Eligible applicants are political subdivisions that operate a PWS serving a population of 10,000 or fewer.

Loan Forgiveness Grants are additional subsidization for municipalities from the Program that are offered to eligible PWSs in accordance with the annual IUP and are provided concurrent with loans. Loan Forgiveness funds will be targeted primarily to the highest ranked eligible projects on the Priority Funding Lists in the IUP and those that address public health needs. Loan recipient will not be required to repay the portion of the loan principal that has been designated as Loan Forgiveness under the terms and conditions of the loan contract. Loan Forgiveness is considered a grant for purposes of the financial statements, since repayment is not required.

For Planning Grants, Source Water Protection Grants, and Loan Forgiveness awards, once the municipality submits proof of vendor payment to the Agency, it is reimbursed for its project costs by the Program. The Program's financial statements recognized the expense and accrued liability to the Program when the municipality incurred the project expense, which may not be in the same fiscal year as when costs were reimbursed by the Program.

2. Cash in State Treasury and Amounts Held by Trustee

Cash in State Treasury – The Cash in State Treasury, as reported on the balance sheet, is under the control of the Nebraska State Treasurer or other administrative bodies, as determined by law. Investment of all available cash is made by the State Investment Officer on a daily basis, based on total bank balances. These funds are held in the State of Nebraska Operating Investment Pool (OIP), an internal investment pool. Additional information on the deposits and investments portfolio, including investment policies, risks, and types of investments, can be found in the State of Nebraska's CAFR for the fiscal year ended June 30, 2020. All interest revenue is allocated to the General Fund except allocations required by law to be made to other funds. All funds of the Program were designated for investment during fiscal year 2020. Amounts are allocated on a monthly basis based on average balances of all invested funds.

Amounts Held by Trustee – As of June 30, 2020, there were no Program funds held by the Trustee, as all outstanding bonds were paid off.

3. Loans Receivable

As of June 30, 2020, the Program had 142 outstanding community loans that totaled \$90,548,380. The outstanding balances of the 10 communities with the largest loan balances, which represent 38.3% of the total loans, were as follows:

<u>Community</u>	<u>Outstanding Balance</u>
Lincoln	\$ 10,995,511
MUD-Omaha	3,610,596
Auburn	3,103,395
Falls City	2,834,376
Oshkosh	2,821,353
Scribner	2,720,522
Blair	2,326,659
Alliance	2,213,351
Sidney	2,014,726
Utica	2,033,752
TOTAL	\$ 34,674,241

4. Capital Assets

The Drinking Water SRF capital assets activity for the year ended June 30, 2020, was:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Software Development In-Progress				
Loans and Grants Tracking System (LGTS)	\$ 331,771	\$ 16,386	\$ -	\$ 348,157

5. Bonds Payable

The State has entered into a special financing arrangement with Nebraska Investment Finance Authority (NIFA), an independent instrumentality of the State exercising essential public functions, to provide matching funds for the Program. NIFA issues the bonds, and the proceeds are held by the Trustee until they are needed by the Program for loan purposes.

Short-Term Bonds – The proceeds of short-term revenue bonds are sometimes used by the Agency to provide the 20% match requirements for the Agency’s Federal Capitalization Grants. Interest revenue from Program loans is pledged to pay off the bonds. During the fiscal year, the Program issued a \$2,200,000 Short Term Bond and utilized \$800 of administrative cash funds to meet their match requirements for the 2019 DWSRF grant.

6. Non-current Liabilities

Changes in non-current liabilities for the year ended June 30, 2020, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within 1 Year</u>
Compensated Absences	\$ 23,096	\$ 0	\$ 7,485	\$ 15,611	\$ 1,544

7. Capital Contributions

Included in the net position is the total amount of capitalization grants drawn from the EPA by the Agency. The following summarizes the EPA capitalization grants awarded and drawn, as well as the remaining balance as of June 30, 2020. The year column relates directly to the grant amount column and represents the fiscal year the grant funds were appropriated by Congress. The amount drawn column is as of June 30, 2020, and may have been drawn over multiple years.

<u>Federal Fiscal Year Available</u>	<u>Grant Amount</u>	<u>Amount Drawn</u>	<u>Balance</u>
1997	\$ 12,824,000	\$ 12,824,000	\$ -
1998	7,121,300	7,121,300	-
1999	7,463,800	7,463,800	-
2000	7,757,000	7,757,000	-
2001	7,789,126	7,789,126	-
2002	8,052,500	8,052,500	-
2003	8,004,100	8,004,100	-
2004	8,303,100	8,303,100	-
2005	8,285,500	8,285,500	-
2006	8,229,300	8,229,300	-
2007	8,229,000	8,229,000	-
2008	8,146,000	8,146,000	-
2009 - ARRA	19,500,000	19,500,000	-
2009	8,146,000	8,146,000	-
2010	13,573,000	13,573,000	-
2011	9,418,000	9,418,000	-
2012	8,695,558	8,695,558	-
2013	8,533,907	8,533,907	-
2014	8,845,000	8,845,000	-
2015	8,681,560	8,681,560	-
2016	8,280,275	8,280,275	-
2017	8,312,000	8,312,000	-
2018	11,036,000	9,653,801	1,382,199
2019	11,004,000	8,051,445	2,952,555
TOTAL	\$ 224,230,026	\$219,895,272	\$4,334,754

Not included in the above grant totals are the amounts set aside as in-kind contributions for the Loans and Grants Tracking System (LGTS) software development.

The total amount utilized for LGTS as of June 30, 2020, was \$348,157. Additional in-kind contributions were received and capitalized for the Clean Water State Revolving Fund Program which also utilizes the LGTS software.

8. Loan Fees Administration

To meet the long-term administrative needs of the Program, an annual fee of up to 1% is charged against the outstanding principal on loans. These fees are not included in the loan principal. It is calculated on a semi-annual basis and billed when loan principal and interest payments are due. The fee is applied to all loans in accordance with Nebraska Administrative Code (NAC), Title 131, Rules and Regulations for the Wastewater Treatment Facilities and Drinking Water Construction Assistance Program, Chapter 2; the annual IUP; and the loan agreement.

9. Interest on Fund Balance – State Operating Investment Pool

The reported amount represents the earnings the Program received from idle funds invested by the Nebraska State Treasurer with the State's Investment Council. Interest is credited on approximately the twenty-fifth day of each subsequent month.

10. Operating Expenses

The operating expenses of the Program are classified, for financial reporting purposes, into five categories. There were expenses related to three set-aside activities established under §1452 of the Safe Drinking Water Act. The three set-aside activities are:

- 15% Source Water Assessment Program
- 10% Public Water Supply System
- 4% Administration Cash Fund
- 2% Technical Assistance to Small Systems

A Memorandum of Understanding was entered into between the Agency and the Nebraska Department of Health and Human Services so that the Agency can carry out oversight and related activities of the Program. The Program provides funding to the Nebraska Department of Health and Human Services with the three set-asides noted above.

All set-asides are required to be federally funded. State match dollars can only be used for the purpose of providing loans to owners of PWSs. Other significant categories of expenses are Loan Forgiveness and Administrative Costs from Fees.

The following is an explanation of these categories:

Administrative Costs from Fees

To meet the long-term administrative needs of the Program, an annual fee of up to 1% is charged against the outstanding principal on loans. This fee is deposited into a separate account and is used for administrative costs of the Program. Revenues from fees can be used to provide the capitalization grant match, loan forgiveness, or planning grants.

15% Source Water Assessment Program

Identified in federal regulations as local assistance and other state programs, a state may use up to 15% of the capitalization grant amount for specified uses:

- Provide assistance to a community water system to implement voluntary, incentive-based source water quality protection measures;
- Provide funding to delineate and assess source water protection areas;
- Support the establishment and implementation of wellhead protection programs; and

- Provide funding to a Public Water System to implement technical and/or financial assistance under the capacity development strategy.

10% Public Water Supply System

A state may use up to 10% of the grant funds awarded to do the following:

- Administer the State Public Water System Supervision program;
- Administer or provide technical assistance through source water protection programs, which includes the Class V portion of the Underground Injection Control Program;
- Develop and implement a capacity development strategy; and
- Develop and implement an operator certification program.

4% Administration Cash Fund

A state may use up to 4% of the grant funds awarded for the DWSRF program administration. These activities may include program costs for both NDEE and NDHHS-DPH for day-to-day program management activities and other costs associated with debt issuance, financial management, consulting, and support services necessary to provide a complete program. In addition, technical assistance to public water systems can be funded this set-aside.

2% Technical Assistance to Small Systems

A state may use up to 2% of the grant funds awarded to provide technical assistance to public water systems serving 10,000 people or less. If the State does not use the entire 2% for these activities against a given grant award, it can reserve the excess authority and use it for the same activities in later years. A State may use these funds to support a technical assistance team or to contract with outside organizations to provide technical assistance.

Loan Forgiveness

The total of expenses reported as Loan Forgiveness is the amount of loan principal payments the state subsidized to communities meeting the definition of “disadvantaged” or which the state expects to become disadvantaged as a result of the project. The amount of these subsidies during a particular fiscal year’s capitalization grant cannot exceed 50% of the amount of the capitalization grant for that year.

11. State Employees Retirement Plan (Plan)

The Single-Employer Plan became effective by statute on January 1, 1964. The Public Employees Retirement Board was created in 1971 to administer the Plan. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected either to continue participation in the

defined contribution option or to begin participation in the cash balance benefit. The defined contribution option is closed to new entrants. All new members of the Plan on and after January 1, 2003, become members of the cash balance benefit. The benefits and funding policy of the Plan are established and can only be amended by the Nebraska Legislature.

All permanent full-time employees are required to begin participation in the retirement system upon employment. All permanent part-time employees who have attained the age of 18 years may exercise the option to begin participation in the retirement system.

Contribution – Per statute, each member contributes 4.8% of his or her compensation. The Agency matches the member's contribution at a rate of 156%. The employee's and employer's contributions are kept in separate accounts.

The employee's account is fully vested. The employer's account is fully vested after a total of three years of participation in the system, including credit for participation in another Nebraska governmental plan prior to actual contribution to the Plan.

Defined Contribution Option – Upon attainment of age 55, regardless of service, the retirement allowance shall be equal to the sum of the employee and employer account. Members have several forms of payment available, including withdrawals, deferrals, annuities, or a combination of these.

Cash Balance Benefit – Upon attainment of age 55, regardless of service, the retirement allowance shall be equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is a single-life annuity with five-year certain, payable monthly. Members will have the option to convert their member cash balance account to a monthly annuity with built-in cost-of-living adjustments of 2.5% annually. Also available are additional forms of payment allowed under the Plan, which are actuarially equivalent to the normal form, including the option of lump-sum or partial lump-sum.

For the fiscal year ended June 30, 2020, employees contributed \$13,843 and the Agency contributed \$21,595. A separate plan report is issued and can be obtained from the Nebraska Public Employees Retirement System. This report contains full pension-related disclosures.

The CAFR also includes pension-related disclosures. The CAFR report is available from the Nebraska Department of Administrative Services – Accounting Division or on the Nebraska Auditor of Public Accounts' website at www.auditors.nebraska.gov.

12. Contingencies and Commitments

Risk Management – The Agency is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Agency, as part of the primary government for the state, participates in the State's Risk Management Program. The Department of Administrative Services is responsible for maintaining the insurance and self-insurance programs for the state. The state typically self-insures for general liability, employee health care, employee indemnification, and workers' compensation. The state has chosen to purchase insurance for the following:

- A. Motor vehicle liability, which is insured for the first \$5,000,000 of exposure per accident with a self-insured retention of \$300,000 per accident. Insurance is also purchased, with various limits and deductibles, for physical damage and uninsured and underinsured motorists. State agencies have the option to purchase coverage for physical damage to vehicles.
- B. Crime coverage, with a limit of \$31,000,000 for each loss, and a \$25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.
- C. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly acquired properties are covered up to \$10,000,000 for 120 days and, after 120 days, if the property has not been reported, the limit decreases to \$5,000,000. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self-insurance. State agencies have the option to purchase building contents and inland marine coverage.

Details of the various insurance coverage are available from DAS – Risk Management Division.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Insurance Trust Funds through a combination of employee and State contributions. Workers' compensation is funded in the Workers' Compensation Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or omissions, and natural disasters would be funded through the State General Fund or by individual agency assessments, as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Program's financial statements.

Litigation – The potential amount of liability involved in litigation pending against the Agency, if any, could not be determined at this time. However, it is the Agency's opinion that final settlement of those matters should not have an adverse effect on the Agency's ability to administer current programs. Any judgment against the Agency would have to be processed through the State Claims Board and be approved by the Legislature.

II. PROGRAM INFORMATION SECTION

A. Fund Activities

1. Loan and Investment Status

The fund has a loan portfolio containing \$264,092,338 in total loan allocations, of which \$145,772,186 has been repaid; \$90,548,380 is outstanding, leaving \$27,771,772 still to be disbursed. Details on the fund portfolio of 254 loans are in Attachment 1. The blended interest rate on the State Fiscal Year (SFY) 2020 outstanding loan balance is 1.83%. The result was an overall 3.3 basis point decrease from SFY 2019. The blended rate will decrease again over the next year.

2. Binding Commitments, Loan Assistance and Set-aside Allocations

The DWSRF entered into 21 binding commitments in order to provide financial assistance to PWS projects totaling \$34,215,931 in the past fiscal year. Of that amount, disadvantaged communities received \$4,674,530 in forgiveness funding. The minimum grant conditions for additional subsidization (e.g., principal forgiveness) were met, and one project was for the upgrade of water meters that is categorically eligible for the green project reserve.

Attachment 2 provides information showing the loan agreements entered into during SFY 2020 by quarter and shows the cumulative binding commitment amount since the program initiation. The requirement is to allocate 100% of the capitalization grant and required state match, less set-asides, within one year of receiving the grant payment. The cumulative requirement is \$222,843,253. The DWSRF has reached a cumulative binding commitment amount of initial loan awards of \$333,867,876 or 149% of the required amount.

3. Administration Cash Fund (4% Set-Aside):

The program is now utilizing the Administration Cash Fund for most of the salaries and associated expenses of personnel administering the DWSRF program and is not presently exercising this set-aside option for staffing.

DWSRF oversight at NDHHS-DPH has included the following activities:

- Reviewed and adopted the priority ranking system.
- Presented the priority ranking system to the Advisory Council on Public Water Supply for their approval.
- Conducted Needs Surveys and solicited applications.
- Developed the prioritized project lists.
- Provided NDEE with information on potential DWSRF loan applicants.
- Developed the Set-Aside Work Plan.
- Prepared DWSRF Intended Use Plan documents.
- Performed technical reviews of preliminary engineering reports for DWSRF projects.

- Determined compliance of project construction documents with Nebraska and Federal Safe Drinking Water Act requirements for DWSRF projects.
- Attended DWSRF project and other related meetings, as needed.
- Conducted DWSRF-related field inspections to determine compliance of construction with plans and specifications as approved by NDHHS-DPH.
- Provided NDEE copies of approval letters for the proposed construction and for placement into service upon completion of the DWSRF projects and final inspection by NDHHS-DPH.
- Provided NDEE with input on Finding of No Significant Impact (FNSIs) and Categorical Exclusions.
- Performed NDHHS-DPH capacity development strategy related reviews.
- Completed special EPA / DWSRF workload activities as requested.
- Participated in the EPA and State program audits.
- Reviewed Operation and Maintenance Manuals for DWSRF funded projects.

Funds from the Administration Cash Fund paid salaries and associated expenses of personnel administering the DWSRF program at NDEE. DWSRF administration in NDEE has included the following activities:

- Developed program documents and procedures.
- Solicited applications.
- Developed and issued the Intended Use Plan.
- Conducted a public hearing for the IUP.
- FNSI & Categorical Exclusion issuance.
- Grant application processing.
- Loan application processing.
- Plans and specification reviews for assurances.
- Construction management.
- Match and/or bond procurement.
- Bond redemption.
- Disbursement processing.
- Loan servicing.
- Financial accounting.
- EPA and State project and program audits.
- Financial modeling.
- Attended state and national meetings.
- Tested different marketing efforts.

4. Technical Assistance to Small Systems (2% Set-aside):

During SFY 2020 NDHHS-DPH had contracts with two assistance providers. The first was the Midwest Assistance Program (MAP). This organization helped small systems:

- Determine what technical, financial and/or managerial assistance is needed.
- Explore different types of financial assistance available.
- Apply for financial assistance.
- Review management and organization structure and offer alternative methods of operation and management.

- Develop corrective action goals which are based on the findings of technical assessments.
- Provide technical, financial and managerial assistance to PWS identified as needing such assistance.
- MAP made an average of 26 contacts each month.

The second contract was with the Nebraska Rural Water Association (NeRWA), which helped small systems with:

- Determine what technical, financial and/or managerial assistance is needed.
- Perform financial and managerial assessments of water systems that are applying for SRF funding or that are deemed to be in need of such an assessment.
- Provide instruction sessions to Board/Council members and Owners of community water systems regarding the technical, managerial, and financial aspects of running a sustainable water system.

5. Capacity Development

From July 1, 2019 through June 30, 2020, MAP, under the technical, financial and managerial contract, made system visits with an average of 26 contacts per month for a total of 310 contacts involving 189 PWSs. During the same time period, the NeRWA provided seven board/council training sessions and a total of ten initial and follow-up financial and managerial assessments to systems receiving SRF funding. While assistance was difficult during the last quarter of the fiscal year due to COVID-19 travel restrictions, both MAP and NeRWA utilized phone, email, and virtual meetings to continue helping systems.

In SFY 2020, DHHS Field Services representatives performed 267 Routine Sanitary Surveys (RSS) and 23 Follow-up surveys. The normal rotation for sanitary surveys is every three years for Community and Non-Transient Non-Community systems and every five years for Transient Non-Community systems. There were 160 Community, 31 Non-Transient, and 76 Transient Non-Community Routine Sanitary Surveys performed. The numbers of deficiencies found are as follows:

Community Systems:

Significant: 323 Minor: 89

A total of 412 deficiencies. Average of ~2.6 significant or minor deficiencies per system

Non-Transient Non-Community Systems (NTNC):

Significant: 30 Minor: 3

A total of 33 deficiencies. Average of ~1.1 significant or minor deficiency per system.

Transient Non-Community Systems:

Significant: 75 Minor: 18

A total of 93 deficiencies. Average of ~1.2 significant or minor deficiencies per system.

The vast majority of these are record keeping related deficiencies. Of the 536 significant and minor deficiencies found in SFY 2020 there are 90 left to still be corrected, an 83% deficiency correction rate. There are 46 PWSs that had a Routine Sanitary Surveys from the fiscal year that still have at least one outstanding deficiency. Seventy-three percent

of the PWSs have fully corrected all deficiencies that were found. With increased attention being paid to sanitary survey deficiencies, we fully expect the deficiency correction number to increase in SFY 2021. Utilizing the Safe Drinking Water Information System (SDWIS) database, the State can effectively compare survey and deficiency data.

The proposed change in strategy still remains, the program will keep track of deficiencies but put more emphasis on getting the number of violations to decrease with a proactive response to systems with problems. PWS are given 120 days to correct significant deficiencies, and 12 months to correct minor deficiencies. Of the 46 PWS with deficiencies still to be corrected, 30 have met those time frames, and were not considered in violation. The goal of this strategy is to lower the number of violations so that the water systems in Nebraska can meet compliance standards and achieve long term sustainability.

6. Public Water Supply System (10% Set-aside):

A. Engineering & Field Services and Monitoring & Compliance Staff

This set-aside was used to fund salaries, benefits, and all other related operating expenses (e.g., travel, etc.) for approximately 11 staff employed primarily in Nebraska's Public Water Supply Supervision Program in accordance with the work plan approved under the EPA's Public Water Supply Supervision Programs Program grant. The staff positions include Drinking Water Program Specialists in the Monitoring and Compliance program, Water Supply Specialists in the Field Services Program, and Engineers in the Engineering Services Program.

B. Operator Certification

NDHHS-DPH held nine water operator training courses applicable to various grade levels during SFY 2020. Water operator licenses were issued to 118 individuals. The number issued per license grade is as follows:

- Grade I - 1 license
- Grade II - 6 licenses
- Grade III - 13 licenses
- Grade IV - 98 licenses

Due to precautions undertaken to minimize the spread of COVID-19, all water operator examinations and courses were suspended in mid-March, and resumed on a very limited basis in mid-June.

All Public Water Supply Supervision Programs are required to obtain the services of an operator holding a valid license equal to or greater than the classification of the water system. Grade IV is Nebraska's lowest level of license for a person to be able to operate a Community or Non-transient Non-Community PWS. Grade I is the highest.

Grade V water operators are not included in this report. A Grade V is issued to an individual who operates a Transient Non-Community PWS and is not required to be renewed. All other water operator licenses require continuing education for renewal, and require those licenses be renewed every two years.

7. Source Water Assessment Program (15% Set-aside):

A. Land Acquisition for Source Water Protection

The program's first land acquisition loan was made for \$1 million with the City of Syracuse. The land is adjacent and down gradient to the city's existing supply wells, which are over 50 years in age. More importantly to the community was protecting their well field source from nitrates. The city's view was acquiring this land adjacent to their existing supply wells would put them in a better position to protect their source of supply.

As noted later in this report, NDEE's Source Water Protection program established the development of Drinking Water Management Protection Plans (DWMPP), and when the city approached the loan program for assistance, both were paired together. The DWMPP will:

Develop a groundwater model to delineate the 50-year WHP area and establish a robust NDEE and EPA approved DWPMP that includes all elements of a WHP Plan. This project identifies the water quality issues, opportunities for improving water quality and engages the community in planning and implementation of DWPMP.

These types of protection plans will be a requirement of any land acquisition loan agreements under the 15% set-aside, and the protection plan will serve as the guide for the city to protect its well field source, hopefully qualifying the community for addition assistance in the future such as through the 319 Grant Program. As such, whatever are the 'needed next steps' to protect their newly acquired asset, it could soon be eligible for another potential source of financial assistance.

B. Source Water Delineation and Assessment

Last fiscal year, an additional \$125,000 was inadvertently applied for and thus awarded from the Federal Fiscal Year (FFY) 2019 capitalization grant in this set-aside category for program staff salaries. Upon discovery, a determination was made to maintain the increased funding level and report the matter as part of the annual report, as it was assessed that over recent years this set-aside had an increased burn rate with the introduction of new Source Water Protection activities. A new Microsoft Excel-based method has been put into the program's internal controls to prevent any over-application of category funds in the future, including the recent FFY 2020 grant application.

Nebraska's Source Water Assessment Program (SWAP) was submitted to EPA Region VII in February 1999 and approved in October 1999. NDEE is implementing the EPA approved program in cooperation with the NDHHS-DPH, NeRWA, the Natural Resources Districts, and numerous other stakeholders. All assessments were completed and distributed by August 2003.

Drinking Water Protection (Source Water and Wellhead Protection) staff are funded with 15% DWSRF set-aside and Clean Water Act Section 319 Nonpoint Source Pollution funds money. NDEE staff continue to work with public water suppliers to develop protection actions for their drinking water supplies. Staff have updated Drinking Water Protection Area maps (or adopted the acceptable work of others) for Nebraska public

water supplies. As of June 30, 2020 a cumulative 116 PWS have completed state-approved wellhead protection plans.

The communities of Ashland, Creighton, Dodge, Plainview, and West Knox Rural Water District were awarded Source Water Grants totaling approximately \$150,000 from the 2019 Federal Capitalization Grant. Activities that will be funded this year include: developing aquifer vulnerability assessments to better understand communities' local hydrogeology, assisting with and implementing best management practices aimed at reducing groundwater nitrate levels, locating new sources of sustainable water, and public education and outreach.

Unutilized DWSRF 15% set-aside personnel funds were spent on a vadose zone (unsaturated sediment) sampling project. Products of the project include: an information interface for accessing nitrate vadose zone results and sharing information, standardized protocol for collecting and analyzing cores used in estimating nitrate occurrences and transportation potential, and optical data and laboratory analysis which will permit identification of nitrate transport and potentially attenuation rates. Personnel funds were also utilized for the Groundwater Evaluation Toolbox for Wellhead Protection, a web-based subscription service that utilizes seven regional numeric groundwater models to run reverse particle tracking which creates time-of-travel capture zones. Statewide models cover 510 of the 522 community PWS with their own supply of water. This tool increases modeling speed and efficiency and produces an easily defensible peer-reviewed delineation.

C. Planning Grants

The Planning Grant program used DWSRF local assistance set-aside funds to provide financial assistance to eligible municipalities for preliminary engineering reports for small public water supply system improvement projects that will seek funding through the WWAC Common Pre-application process. This financial assistance is provided to communities to identify capital improvement needs as well as increase their readiness to proceed in accomplishing these improvements.

Planning grants may be provided to PWSs serving 10,000 or fewer people. This includes any city, town, village, sanitary improvement district, natural resources district, or other public body created by or pursuant to state law having jurisdiction over a community PWS. Privately owned PWSs are not eligible for assistance.

Grants are provided for up to 90% of costs for eligible preliminary engineering report services, but cannot exceed \$15,000 per system. Grants for preliminary engineering report services for Regional PWSs remained at \$25,000. Two grant awards were made in SFY 2020 totaling \$30,000, to two high priority ranked communities planning to address compliance with drinking water standards. In addition, the program awarded other grants as part of a pilot program, wherein non-public health projects that are deemed likely ready to proceed with construction were offered planning grant funds, but the funding source for those grants was the administration cash fund.

Since its inception in SFY 2002, the DWSRF has awarded planning grants to 138 communities for a total of \$1,795,320.

D. Capacity Development

NDHHS-DPH continues to use this set-aside to fund one FTE staff. That position administers the Public Water System Capacity Development Program for NDHHS-DPH. The position includes oversight and on-going implementation of the State's Capacity Development strategy, writing and administering contracts that utilize DWSRF 2% set-aside monies, and writing and submitting all necessary reports and other documents required as part of this program. A key role of the program coordinator position is to provide trainings for public water system operators and owners in areas such as asset management; capacity development; emergency response planning; water loss accounting; and rate structures. Sixteen training presentations were given last fiscal year.

E. Security Grants

Letters were sent to all PWSs with populations less than 10,000 notifying them of the security grant program in SFY 2020. The grant award was 90% of eligible security costs, with a maximum grant award of \$10,000 and a 10% match required on all awards. The majority of that funding was awarded last fiscal year resulting in the following types of security improvements being made to public water systems being installed: alarms/cameras (6), backup power (6), buildings/doors/etc. (4), fencing/lighting (5), and mapping (19) within 38 grants for \$304,323 awarded.

8. Match Discussion

The ratio for match purposes is initially 1/6 state, 5/6 federal, for an 83.33% Automatic Clearing House (ACH) draw as a percentage of total disbursement. However, the use of set-asides makes the actual percentage fluctuate. Since set-asides are not matched directly, the draws for set-asides must be matched by a later disbursement on a loan project. As of June 30, 2020 the ACH draw was \$189,053,859 and the match disbursement was \$41,098,381 for an ACH draw as a percentage of grant plus match disbursements ratio of 82.2%. This ratio indicates that the state has overmatched on this requirement.

For SFY 2020, match disbursements have been completed with 100% of the state match drawn first, prior to any request for associated capitalization grant loan funds.

B. GOALS AND ACCOMPLISHMENTS

1. Provisions of the Operating Agreement/Conditions of the Grant

The State of Nebraska has complied with the conditions of the DWSRF Operating Agreement and grant agreement as listed or as described more fully below:

- Establish state instrumentality and authority
- Comply with applicable state laws and procedures
- Review technical, financial, and managerial capacity of assistance recipients
- Establish DWSRF loan account, set-aside account, and DWSRF administration account
- Deposit all funds in appropriate accounts
- Follow state accounting and auditing procedures
- Require DWSRF loan recipient accounting and auditing procedures
- Submit IUP and use all funds in accordance with the plan

- Comply with enforceable requirements of the Act
- Establish capacity development authority (See II.A.6.E)
- Implement/maintain system to minimize risk of waste, fraud, abuse, and corrective action
- Develop and submit project priority ranking system
- Take payments based on payment schedule
- Deposit state matching funds
- Submit biennial report
- Annual audit
- Drinking Water National Information Management System(DWNIMS), Project Benefits Reporting (PBR) system, and Federal Funding Accountability Transparency Act (FFATA) data entry
- Assure that borrowers have dedicated source of repayment
- Use funds in timely and expeditious manner
- Ensure recipient compliance with applicable federal cross-cutting authorities
- Implement capacity development strategy (See II.A.5.B)
- Implement an operator certification program (See II.A.5.C)
- Conduct environmental reviews as listed below:

Environmental Reviews were conducted on sixteen PWS projects during SFY 2020. It was determined that no Environmental Impact Statements were necessary; instead Environmental Assessments were prepared and Finding of No Significant Impact Statements were issued for Ewing, Fairfield, Marquette, McCool Junction, Paxton, South Sioux City, Syracuse, Wakefield, Wayne, and West Point, and Categorical Exclusions provided for the Blair, Central City, Falls City, Pawnee County Rural Water District (RWD) No. 1, Peru, and the West Knox RWD projects.

FFATA entries were made for Fairbury and Wisner to satisfy the FFY 18 grant, along with Central City, Wayne and West Point to begin meeting the FFY 19 grant requirement. Numerous large loans are planned to satisfy the FFATA requirements for the FFY 19, and pending FFY 20 grant. Also, project signs were provided to all the noted projects. Lastly, only a FFATA entry was made for the Syracuse loan, as the source of those funds for their land acquisition loan is from the 15% set-aside.

2. Short Term Goals and Accomplishments

Nine short-term goals were described in the SFY 2020 Intended Use Plan. The short-term goals support the implementation of the program. The DWSRF has made significant progress on most of its short-term goals. The DWSRF program continues to work with the systems identified by providing both technical and financial project support. The goals are listed and discussed as follows:

1. *Continue to attract customers to the program with low interest rates.*

Prior to the onset of the COVID-19 pandemic, market interest rates returned to an estimated neutral level, and following a regulation change in July of 2019, program interest rates for all loans were dropped to 1.5% during the fiscal year.

2. *Commit available loan funds to as many of the highest priority systems as possible.*

There were ten of these loans closed during the last fiscal year with two projects to address long-term concerns with nitrates, one for selenium and another for manganese issues. There was one to address an infrastructure administrative order at a private community water system, and five were for systems that were impacted during the March 2019 flood disaster to hit the State.

3. Assist systems which need to upgrade or construct new drinking water projects to attain and maintain compliance with the provisions of the Nebraska Safe Drinking Water Act and the regulations adopted there under.

All loans closed this past fiscal year with the DWSRF met this goal. Descriptions of the individual projects are provided in Attachment 4.

4. Assist systems in meeting required drinking water quality standards. This includes giving priority to systems with compliance deadlines established by the NDHHS-DPH.

Priority points were given to Central City and Fairfield to address nitrate issues, West Point to address manganese issues, and Wisner to address selenium issues. Further, while not a standard, EPA has strongly recommended that the public health advisory level for manganese be recognized by the PWS's program. In response, the DWSRF elevated manganese to be on par when compared to primary drinking water standards for funding. As such, if a project were to reduce drinking water levels of manganese below 300 µg/L, it is now considered to be a high priority project.

5. Work with the systems in need of technical, financial, and managerial assistance.

See responses to number 3. Of note, funding was provided to Peru and Plattsmouth for the planning of their long-term solutions as a result of their water supply infrastructure being destroyed during the March 2019 flood disaster. Further, NDHHS-DPH routinely provides technical, financial, and managerial assistance to PWSs. The MAP and NeRWA, as the 2% Team Contractors, provided technical, financial, and managerial assistance to small systems throughout Nebraska.

6. Provide at least 15% of the DWSRF capitalization funds for loans to small systems with populations fewer than 10,000.

All systems that closed loans last fiscal year with the DWSRF, with the exception of the City of South Sioux City, were below 10,000 population. Over 83.6% of the funding provided met this goal.

7. Revisions of source water delineations and the transition from source water assessments to protection activities will continue, utilizing the source water protection set-aside for granted projects.

NDEE has delineated or adopted all community PWS Drinking Water Protection area maps (Wellhead Protection and Watershed Delineations). Maps are updated and drawn

as needed for community PWSs. A relational database is utilized to manage Wellhead and Source Water Protection data.

8. Evaluate whether to amend the ranking system criteria to fund replacement of existing public water system infrastructure.

The evaluation was continued, but paused as the public health advisory level for manganese was elevated to a ranking status as comparably equal to other primary drinking water standards, and that the ongoing impact of the COVID-19 pandemic was recognized to be a likely disruption to the program. As such, it was determined to pause on any major changes to the infrastructure replacement criteria until the impacts of manganese and/or COVID-19 are thoroughly understood.

9. Develop a marketing program.

Initially, through funding provided by EPA, marketing efforts were initiated by a consultant performing a stakeholder and program review event. The several steps taken were noted in last year's report, and now will be extensively reviewed by the same consultant during the upcoming fiscal year. The plan is to have a marketing program in place at the end of next year.

3. Long Term Goals and Accomplishments

Seven long-term goals were included in the Intended Use Plan from the last fiscal year. The goals are listed and discussed as follows:

1. Manage the DWSRF fund so its revolving nature is assured in perpetuity in order to provide a source of continuing financial assistance to PWSs for future drinking water needs. It is our intent to request EPA capitalization grants and obtain state match in a timely manner, and to allocate match and recycle funds to projects in a timely manner.

In establishing the financial structure of the DWSRF, the program has tried to provide the lowest reasonable interest rate loans for projects that address human health problems. The regulatory change made last year was a continuation of that effort. Reflective of recent economic concerns, rates were reduced to 1.5% across the board this fiscal year, with a further reduction being evaluated due to lowering market conditions. This structure will ensure that the DWSRF will serve as a long-term source of funding by judicious use and management of its assets and by realizing an adequate rate of return with consideration for current inflation rates. Disbursements have been completed with 100% of the state match funds drawn first, prior to any request for associated capitalization grant funds. It is further anticipated that a partial cash match will be made for the next capitalization grant, which would further cement the long-term financial footing of the fund.

2. Survey systems for drinking water infrastructure needs in order for NDHHS-DPH to maintain a database for making program decisions, and to evaluate user charges on a regular basis.

An infrastructure needs survey is continuously updated annually through the IUP so that program resources and funds may address the most significant public health and compliance issues facing the eligible PWS. The survey is started in October and completed by December 31st annually. The program continues to incorporate the most appropriate readiness to proceed criteria to match PWS funding needs in the state. Records of systems user charges are now compiled by the NeRWA and program staff, reviewed periodically for comparison to the program's established affordability criteria, based on median household incomes. To take advantage of recent federal survey requirements, results from the upcoming National Needs Survey will be reviewed to determine if any changes should be made with respect to lead service lines.

3. Protect the public health by maximizing funding towards high priority projects.

Last fiscal year, five of the twenty-one loan agreements were made to proactively mitigate future or immediately address public health issues. Further, the noted ranking changes to elevate the importance of manganese related infrastructure projects will be subsidized by the offering of planning grant funds to assist in the development of such projects. In addition, through the WWAC monthly meetings, eligible projects are discussed by the participating State and Federal agencies and evaluated for the health-related issues being addressed, project alternatives, cost-effectiveness, and long-term solution for water systems. See Section C below for additional details.

4. Promote cost-effective water projects which consider several alternatives and include a cost-effectiveness analysis comparing the appropriateness of the alternatives.

This is accomplished through the program's engineering report requirements in Title 131 and the WWAC process described in the response to Long Term Goal number 3. Further, the Interagency PER Template developed by the federal agency leads of Nebraska's water infrastructure funding programs was adopted by the WWAC. The WWAC has been a collaboration since 1997 to help address infrastructure water and wastewater needs in communities. This past year the WWAC went through a joint effort to improve the process to maximize the funding available to Nebraska communities. Lead by the Nebraska Center of Operational Excellence, the WWAC utilized a Lean Six Sigma Kaizen method for process improvement. The piloting of that effort completed at the end of June, wherein the final review and establishing of all new procedures regarding how the WWAC will operate moving forward will be made during the upcoming fiscal year.

5. Coordinate with the United States Department of Agriculture-Rural Development and the Nebraska Department of Economic Development-Community Development Block Grant Programs to provide affordable financing for public drinking water needs.

Nebraska's DWSRF program has provided low-interest loans and loan forgiveness each year of the program since its inception. With the continued mandatory subsidization requirement of not less than 20%, and now up to 55% with the FFY 2019 and upcoming 2020 capitalization grants with the passage of the America's Water Infrastructure Act (AWIA), the ability for the program to provide affordable financing continued to increase this past fiscal year. In addition to the WWAC comments made under Long Term Goal number 4, other agencies' participation in the WWAC include the Nebraska Department

of Economic Development, which administers the Community Development Block Grant program, and the USDA-Rural Development, which administers the Business and Community Programs, providing loans and grants to non-profit organizations in rural areas. These programs have provided state and/or federal financial assistance to make drinking water infrastructure projects affordable in the State.

6. Balance the need for fund growth at the rate of inflation experienced in the construction industry versus the desire to provide loans at low interest rates. The fund and loan interest rates and cost of borrowing the state match will be examined annually to evaluate the fund net growth and determine the reasonableness of loan interest rates. Management practices will be reviewed and modified annually to assist in achieving the growth goals.

See response to Long Term Goal number 1. Projected market and inflation rates are continually monitored, and assessments made to likely events which could impact fund decisions. Further, by establishing rates at 1.5%, the program at least matches the U.S. Federal Reserve's long-term goal for inflation. The impact of the COVID-19 pandemic, beyond the short-term feedback that the supply chain is seriously disrupted, will be continually assessed during the upcoming year.

7. Progress toward incorporating source water protection best management practices into public water supply operations.

NDHHS-DPH conducts routine sanitary surveys of PWSs and NDEE has implemented a wellhead protection program, both of which assist in incorporating source water management concepts into the communities' water programs. The NDHHS-DPH priority ranking system prioritizes the projects to allow systems with the greatest public health needs to have first chance at program funding.

C. Funded Program

The Annual Report reflects the results and changes from the SFY 2020 IUP approved by the EQC on June 20, 2019. More detailed project information for the loans closed last fiscal year is provided in Attachment 4, followed by a brief synopsis of the Funding and Planning List communities that closed loans during the fiscal year.

NDHHS-DPH works with all members of the WWAC to identify projects that are potentially ready to be funded and moving forward during the fiscal year. This approach was helpful for those systems that indicated that they were anticipating moving forward with a project. Below is a summary of the known status for each of the high priority projects for the systems that made contact with the NDHHS-DPH, starting first with the Funding List communities that chose not to proceed with DWSRF funding assistance.

Funding List Projects

Hartington, City of – The scope of this project is being finalized, it may be funded by the DWSRF next fiscal year.

Fullerton, City of – The scope of this project is being finalized, it may be funded by the DWSRF next fiscal year.

Blair, City of – The scope of this project is being finalized, it will be funded by the DWSRF next fiscal year.

Syracuse, City of – The scope of their infrastructure project is being finalized, it will be funded by the DWSRF next fiscal year.

Chadron, City of – The scope of this project is being finalized, it may be funded by the DWSRF next fiscal year.

Utica, Village of – The scope of this project is being finalized, it may be funded by the DWSRF next fiscal year.

Metropolitan Utilities District of Omaha – Chose to privately fund their water treatment plant rehabilitation project.

Crookston, Village of – Chose to privately fund their tank rehabilitation project.

Planning List Projects

Benedict, Village of – Their blending well has been funded by USDA.

Bristow, Village of – Their interconnection project, to obtain supply from a local RWD, has been funded by USDA.

Burr, Village of – They may fund their water meter installation project through the DWSRF in SFY 2021.

Cedar Bluffs, Village of – Is studying new water source alternatives to address the arsenic concerns with their source of supply.

Cedar-Knox RWD – Is studying new water source alternatives to address their Disinfection Byproducts control issues.

Cody, Village of – They may fund their water tower rehabilitation project through the DWSRF in SFY 2021.

Crete, City of – Will fund their supply well and water main project through the DWSRF in SFY 2021.

Dakota County Rural Water District – Will fund their booster station and water storage tank replacement projects through USDA.

Dodge, Village of – Is studying new water source alternatives to address the nitrate and corrosion control concerns with their source of supply.

Dunning, Village of – May fund their water main replacement project through the DWSRF in SFY 2021.

Falls City, City of – Will fund their water treatment rehabilitation project through the DWSRF in SFY 2021.

Firth, Village of – Is evaluating source alternatives as a result of increased selenium in a supply well.

Gering, City of – Continues to privately fund their water main replacement project.

Grant, City of – May fund the next phase of their water main replacement project through the DWSRF.

Hays Springs, City of – Will likely fund a well replacement project through the DWSRF in SFY 2021.

Howells, Village of – May fund a meter replacement project through the DWSRF in SFY 2021.

Hyannis, Village of – Will fund a storage tank and water main replacement project through USDA in SFY 2021.

Jansen, Village of – Chose to privately fund their well, tower and water meter project.

Julian, Village of – May fund an RWD interconnection and new water meter project through the DWSRF in SFY 2021.

Laurel, City of – May fund a water main and meter replacement project through the DWSRF in SFY 2021.

Little Blue NRD RWD 1 – May fund an interconnection project to obtain supply from a community USDA in SFY 2021.

Lodgepole, Village of – Has developed a blending main project that is under funding consideration by the WWAC, which will be funded through USDA and CDBG.

McCool Junction, Village of – Will fund a blending well project through the DWSRF in SFY 2021.

Minden, City of – Will fund a WTP improvement and water main replacement project through the DWSRF in SFY 2021.

Otoe, Village of – Is developing a study for a water main replacement project in their system.

Paxton, Village of – Will fund a replacement well project through the DWSRF in SFY 2021.

Platte Center, Village of – Will fund a replacement well project through the DWSRF in SFY 2021.

Peru, City of – May fund an interconnection project for a new water supply through the DWSRF in SFY 2021.

Plattsmouth, City of – May fund an interconnection project for a new water supply through the DWSRF in SFY 2021.

Plymouth, Village of – May fund a replacement well project through the DWSRF in SFY 2021.

Seward, City of – May fund a new well project through the DWSRF in SFY 2021.

Valentine, City of – Is completing the design of a replacement of water mains which may be funded by the DWSRF in SFY 2021.

Valparaiso, Village of – May fund a water main replacement project through the DWSRF in SFY 2021.

Wakefield, City of – May fund a water treatment plan replacement project through the DWSRF in SFY 2021.

Wilsonville, Village of – May fund a water tank rehabilitation project through the DWSRF in SFY 2021.

Lastly, the communities of Crawford, Danbury, Dixon, Hayes Center, Lodgepole, Lyons and Wakefield submitted preliminary engineering reports to NDHHS-DPH, for a review for potential funding assistance through the WWAC.

D. Program Changes and Program Changes under Consideration

The DWSRF has elevated projects that address Manganese at concentrations at or approaching EPA's Public Health Advisory level of 300 µg/L to be eligible for forgiveness assistance. Other changes are still under consideration, but the outcome of the Public Water Supply Supervision Programs manganese baseline monitoring effort, and the response by the communities that will be advised to make a public notice as a public health concern will take precedence over other matters for the upcoming fiscal year.

The determination on the final procedures regarding how the WWAC will operate moving forward, as part of the completion of the Lean Six Sigma Kaizen process improvement conducted, will be made during the upcoming fiscal year. And the impact of the COVID-19 pandemic will be continually assessed for necessary changes to the program.

**ATTACHMENT 1
DWSRF LOAN INVESTMENT STATUS REPORT**

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PROJ #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE	FUND GROWTH RATE
D311223	Adams		P	209,831.00	209,831.00	0.00	2.75	0.00		
D311613	Adams	FFATA	F	1,978,898.00	25,298.97	1,953,599.03	2.00	3,907,198.06		
D311151	Ainsworth		P	919,790.00	919,790.00	0.00	2.50	0.00		
D311493	Ainsworth		P	350,000.00	350,000.00	0.00	3.00	0.00		
D311001	Albion		P	492,950.00	492,950.00	0.00	3.00	0.00		
D311152	Albion		F	282,000.00	72,637.45	209,362.55	2.00	418,725.10		
D311224	Alda		P	697,000.00	697,000.00	0.00	2.00	0.00		
D311517	Alda	ARRA	F	150,878.00	56,900.43	93,977.57	2.00	187,955.14		
D311496	Alliance	ARRA	F	3,513,951.00	1,328,401.57	2,185,549.43	2.00	4,371,098.86		
D311511	Alliance		F	595,224.00	238,892.84	356,331.16	2.00	712,662.32		
D311393	Ansley		P	595,260.00	595,260.00	0.00	3.00	0.00		
D311225	Arapahoe		P	450,000.00	450,000.00	0.00	2.50	0.00		
D311003	Arlington		P	1,592,435.00	1,592,435.00	0.00	3.47	0.00		
D311219	Auburn		P	630,784.00	630,784.00	0.00	3.53	0.00		
D311499	Auburn	ARRA	F	4,501,502.00	926,760.56	3,574,741.44	2.30	8,221,905.31		
D311004	Aurora		P	300,000.00	300,000.00	0.00	2.80	0.00		
D311495	Aurora		P	226,733.00	226,733.00	0.00	3.00	0.00		
D311553	Aurora	FFATA	F	472,387.00	43,005.71	429,381.29	2.00	858,762.58		
D311563	Aurora	GP11	P	198,122.00	198,122.00	0.00	2.00	0.00		
D311623	Aurora			721,600.00	0.00	0.00	2.00	0.00		
D311226	Bancroft		P	591,000.00	591,000.00	0.00	2.50	0.00		
D311227	Barneston		P	32,794.00	32,794.00	0.00	2.50	0.00		
D311091	Bassett		F	138,342.00	100,916.11	37,425.89	2.50	93,564.73		
D311005	Bayard	ARRA	F	112,065.00	47,677.40	64,387.60	2.00	128,775.20		
D311567	Bayard		F	188,676.00	36,289.22	152,386.78	2.00	304,773.56		
D311147	Beatrice		P	826,223.00	826,223.00	0.00	3.18	0.00		
D311006	Beaver Lake	UNPL	F	3,276,647.00	2,000,341.64	1,276,305.36	4.00	5,105,221.44		
D311389	Bee		F	247,311.00	44,414.68	202,896.32	2.00	405,792.64		
D311516	Bellwood	ARRA	F	142,924.00	50,175.20	92,748.80	2.00	185,497.60		
D311073	Benedict		F	455,000.00	108,600.60	346,399.40	3.42	1,184,685.95		
D311142	Bennet	ARRA	P	216,310.00	216,310.00	0.00	3.00	0.00		
D311399	Bennet		F	612,697.00	230,989.11	381,707.89	2.00	763,415.78		
D311228	Big Springs		P	851,000.00	851,000.00	0.00	2.50	0.00		

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D311007	Blair		P	6,815,700.00	6,815,700.00	0.00	3.03	0.00		
D311530	Blair	GP10	F	2,794,587.00	391,434.40	2,403,152.60	2.25	5,407,093.35		
D311619	Blair	FFATA		1,190,000.00	0.00	243,433.00	2.00	486,866.00		
D311131	Bloomfield		P	203,361.00	203,361.00	0.00	3.00	0.00		
D311491	Bloomfield		P	174,822.00	174,822.00	0.00	2.75	0.00		
D311093	Bloomington		P	151,697.00	151,697.00	0.00	1.00	0.00		
D311094	Blue Hill		P	459,656.00	459,656.00	0.00	3.00	0.00		
D311132	Boyd Cnty RWD 2		P	822,000.00	822,000.00	0.00	3.30	0.00		
D311288	Bradshaw	ARRA	P	175,669.00	175,669.00	0.00	2.00	0.00		
D311081	Brady		F	365,547.00	168,767.85	196,779.15	3.30	649,371.20		
D311404	Bridgeport	ARRA	P	775,068.00	775,068.00	0.00	2.00	0.00		
D311529	Bridgeport		P	833,728.00	833,728.00	0.00	2.14	0.00		
D311405	Bristow		F	80,000.00	70,481.93	9,518.07	2.75	26,174.69		
D311008	Broadwater		P	79,000.00	79,000.00	0.00	3.00	0.00		
D311229	Broken Bow		F	1,822,222.00	658,051.52	1,164,170.48	2.62	3,050,126.66		
D311009	Bruning		P	483,571.00	483,571.00	0.00	3.03	0.00		
D311350	Bruno		P	164,100.00	164,100.00	0.00	2.50	0.00		
D311010	Brunswick		F	219,500.00	216,725.63	2,774.37	3.00	8,323.11		
D311561	Brunswick		F	81,658.00	19,827.06	61,830.94	2.00	123,661.88		
D311011	Butte		P	584,000.00	584,000.00	0.00	3.00	0.00		
D311549	Cairo		F	302,403.00	73,273.52	229,129.48	2.25	515,541.33		
D311456	Carroll	GP10	F	180,380.00	49,386.42	130,993.58	2.00	261,987.16		
D311159	Cedar-Knox (L&C NRD)		P	249,000.00	249,000.00	0.00	3.00	0.00		
D311524	Cedar-Knox (L&C NRD)		P	67,112.00	67,112.00	0.00	2.00	0.00		
D311012	Central City		F	387,572.00	291,133.83	96,438.17	2.75	265,204.97		
D311603	Central City		F	434,007.00	65,972.61	368,034.39	2.00	736,068.78		
D311096	Ceresco		P	1,178,586.00	1,178,586.00	0.00	3.63	0.00		
D311013	Chadron		P	713,008.00	713,008.00	0.00	3.00	0.00		
D311294	Clarks		F	305,000.00	163,507.72	141,492.28	2.50	353,730.70		
D311509	Clarks		F	516,836.00	169,299.82	347,536.18	2.00	695,072.36		
D311014	Clarkson		F	150,000.00	20,641.95	129,358.05	2.00	258,716.10		
D311163	Clay Center		P	521,158.00	521,158.00	0.00	3.00	0.00		
D311546	Cortland	GP10	F	1,740,472.00	220,447.94	1,520,024.06	2.55	3,876,061.35		

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D311234	Cozad		P	1,142,471.00	1,142,471.00	0.00	2.75	0.00		
D311149	Crawford		P	668,700.00	668,700.00	0.00	3.00	0.00		
D311557	Creighton		P	754,298.00	754,298.00	0.00	2.29	0.00		
D311017	Culbertson		F	236,862.00	198,992.87	37,869.13	3.00	113,607.39		
D311018	Cuming Cnty RWD 1		F	643,981.00	502,242.19	141,738.81	3.08	436,555.53		
D311457	Cuming Cnty RWD 1		F	323,435.00	175,477.78	147,957.22	2.75	406,882.36		
D311506	Dalton	ARRA	F	197,024.00	74,279.14	122,744.86	2.00	245,489.72		
D311167	Davenport		P	440,000.00	440,000.00	0.00	3.40	0.00		
D311169	David City		F	626,435.00	511,096.24	115,338.76	2.51	289,500.29		
D311569	Daykin		F	450,773.00	78,778.69	371,994.31	2.00	743,988.62		
D311555	Denton		F	522,208.00	139,747.15	382,460.85	2.00	764,921.70		
D311102	DeWitt		P	650,000.00	650,000.00	0.00	2.50	0.00		
D311238	Dodge		F	56,156.00	44,408.73	11,747.27	2.51	29,485.65		
D311240	Dorchester	GP10	F	1,444,796.00	368,550.45	1,076,245.55	2.00	2,152,491.10		
D311021	Duncan		P	465,000.00	465,000.00	0.00	4.30	0.00		
D311609	Edgar	GP	F	218,325.00	21,633.75	196,691.25	2.00	393,382.50		
D311243	Elba		P	702,000.00	702,000.00	0.00	2.00	0.00		
D311571	Elgin			1,114,500.00	14,316.15	340,717.85	2.00	681,435.70		
D311022	Emerson		P	380,010.00	380,010.00	0.00	3.03	0.00		
D311302	Fairbury		P	694,436.00	694,436.00	0.00	2.50	0.00		
D311176	Fairmont		F	183,582.00	84,998.68	98,583.32	3.54	348,984.95		
D311024	Falls City		P	1,900,000.00	1,900,000.00	0.00	3.00	0.00		
D311597	Falls City	FFATA	F	3,634,751.00	374,004.93	3,260,746.07	2.00	6,521,492.14		
D311536	Firth		F	326,301.00	123,223.13	203,077.87	2.00	406,155.74		
D311615	Fort Calhoun		F	450,578.00	27,901.20	422,676.80	2.00	845,353.60		
D311512	Friend	ARRA	F	208,508.00	84,141.42	124,366.58	2.00	248,733.16		
D311535	Fullerton		F	366,000.00	137,984.11	228,015.89	2.00	456,031.78		
D311575	Garland	FFATA	F	919,150.00	83,076.95	836,073.05	2.00	1,672,146.10		
D311026 20 yr	Gering	BASE	P	445,110.00	445,110.00	0.00	3.24	0.00		
D311026 30 yr	Gering	ARRA	P	6,252,963.00	6,252,963.00	0.00	2.30	0.00		
D311245	Giltner		P	795,462.00	795,462.00	0.00	3.26	0.00		
D311027	Gothenburg		P	163,038.00	163,038.00	0.00	3.00	0.00		
D311214	Grafton		P	207,998.00	207,998.00	0.00	3.00	0.00		

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D311104	Grant		P	273,674.00	273,674.00	0.00	3.00	0.00		
D311595	Grant	FFATA	F	2,154,815.00	88,833.56	2,065,981.44	2.00	4,131,962.88		
D311467	Gresham		P	88,119.00	88,119.00	0.00	2.00	0.00		
D311309	Gretna		F	487,613.00	52,447.41	435,165.59	2.00	870,331.18		
D311028	Gurley		F	173,280.00	86,829.81	86,450.19	3.74	323,323.71		
D311566	Haigler		F	117,433.00	20,536.10	96,896.90	2.00	193,793.80		
D311494	Hardy		P	224,000.00	224,000.00	0.00	3.00	0.00		
D311552	Hartington	GP11	F	375,924.00	40,455.99	335,468.01	2.00	670,936.02		
D311547	Hay Springs		F	245,667.00	57,060.86	188,606.14	2.50	471,515.35		
D311133	Hebron		P	688,640.00	688,640.00	0.00	3.00	0.00		
D311521	Hickman		P	2,196,778.00	2,196,778.00	0.00	2.00	0.00		
D311248	Holbrook		P	615,000.00	615,000.00	0.00	2.75	0.00		
D311031	Holdrege		P	277,480.00	277,480.00	0.00	3.50	0.00		
D311544	Holstein	GP10	F	216,097.00	66,360.14	149,736.86	2.00	299,473.72		
D311602	Holstein		F	104,000.00	13,496.15	90,503.85	2.00	181,007.70		
D311033	Hubbard		P	154,778.00	154,778.00	0.00	3.79	0.00		
D311109	Humboldt		F	1,896,065.00	272,982.75	1,623,082.25	2.30	3,733,089.18		
D311545	Humphrey		P	1,652,865.00	1,652,865.00	0.00	2.25	0.00		
D311067	Jackson		F	109,339.00	102,190.39	7,148.61	3.00	21,445.83		
D311034	Kearney		P	2,139,420.00	2,139,420.00	0.00	3.24	0.00		
D311282	Kearney		P	1,237,634.00	1,237,634.00	0.00	3.48	0.00		
D311398	Kearney		P	8,116,884.00	8,116,884.00	0.00	3.44	0.00		
D311540	Kearney		F	212,927.00	80,583.16	132,343.84	2.00	264,687.68		
D311589	Kearney	FFATA	F	301,029.00	52,760.84	248,268.16	2.00	496,536.32		
D311607	Kearney	FFATA	F	1,500,000.00	30,683.40	1,469,316.60	2.00	2,938,633.20		
D311624	Kearney			915,000.00	0.00	0.00	2.00	0.00		
D311576	Kenesaw		F	616,761.00	53,296.77	563,464.23	2.00	1,126,928.46		
D311079	Kennard		P	460,128.00	460,128.00	0.00	4.22	0.00		
D311184	Kimball		P	750,000.00	750,000.00	0.00	2.52	0.00		
D311504	Laurel	ARRA	F	357,266.00	135,815.81	221,450.19	2.00	442,900.38		
D311564	Leigh		F	257,268.00	178,724.22	78,543.78	2.00	157,087.56		
D311548	Lincoln	U/FFATA	F	14,977,829.00	3,320,929.52	11,656,899.48	2.25	26,228,023.83		
D311570	Lindsay	GP11	F	487,487.00	83,902.12	403,584.88	2.00	807,169.76		

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ANNUAL REPORT**

PROJ #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE	FUND GROWTH RATE
D311618	Lindsay			1,320,400.00	0.00	523,196.00	2.00	1,046,392.00		
D311188	Louisville		F	843,275.00	428,038.06	415,236.94	3.50	1,453,329.29		
D311562	Loup City	GP10	F	149,137.00	36,383.91	112,753.09	2.00	225,506.18		
D311317	Lyons		P	695,000.00	695,000.00	0.00	2.50	0.00		
D311220	Madison Cnty SID #3		P	491,843.00	491,843.00	0.00	3.51	0.00		
D311600	Maxwell		F	56,488.00	22,648.74	33,839.26	2.00	67,678.52		
D311189	Maywood		P	479,000.00	479,000.00	0.00	2.55	0.00		
D311039	McCook		P	9,922,000.00	9,922,000.00	0.00	2.80	0.00		
D311560	McCook	FFATA	F	1,320,072.00	288,365.37	1,031,706.63	2.00	2,063,413.26		
D311373	Milford	FFATA	F	991,524.00	20,484.40	971,039.60	2.00	1,942,079.20		
D311130	MUD - Omaha		P	755,593.00	755,593.00	0.00	3.00	0.00		
D311498	MUD - Omaha	U/FFATA	F	5,797,062.00	2,047,431.78	3,749,630.22	2.00	7,499,260.44		
D311256	Niobrara		F	175,000.00	128,067.07	46,932.93	3.00	140,798.79		
D311155	Norfolk		P	1,781,318.00	1,781,318.00	0.00	3.00	0.00		
D311515	North Loup	ARRA	P	156,283.00	156,283.00	0.00	2.00	0.00		
D311565	North Loup	FFATA	F	1,303,008.00	127,706.26	1,175,301.74	2.00	2,350,603.48		
D311042	North Platte		P	3,077,844.00	3,077,844.00	0.00	3.36	0.00		
D311322	North Platte		P	6,070,005.00	6,070,005.00	0.00	3.72	0.00		
D311078	Oakland		P	400,000.00	400,000.00	0.00	3.00	0.00		
D311503	Oakland		F	104,883.00	34,435.46	70,447.54	2.00	140,895.08		
D311138	Odell		F	103,293.00	80,547.04	22,745.96	3.03	68,920.26		
D311044	Ogallala	FFATA	F	2,175,295.00	251,410.86	1,923,884.14	2.00	3,847,768.28		
D311616	Ogallala			1,741,347.00	0.00	0.00	2.00	0.00		
D311620	O'Neill			1,963,819.00	0.00	805,329.00	2.00	1,610,658.00		
D311500	Osceola	ARRA	F	270,772.00	102,082.55	168,689.45	2.00	337,378.90		
D311533	Osceola		F	938,713.00	267,701.83	671,011.17	2.25	1,509,775.13		
D311605	Oshkosh	FFATA		3,018,750.00	73,743.23	2,894,571.77	2.00	5,789,143.54		
D311585	Osmond	FFATA	F	809,151.00	67,773.70	741,377.30	2.00	1,482,754.60		
D311591	Overton		F	624,713.00	95,940.90	528,772.10	2.00	1,057,544.20		
D311198	Palisade		P	808,000.00	808,000.00	0.00	3.00	0.00		
D311080	Papio-Missouri River NRD		P	338,800.00	338,800.00	0.00	4.00	0.00		
D311614	Papio-Missouri River NRD		F	350,000.00	29,974.12	320,025.88	2.00	640,051.76		
D311627	Papio-Missouri River NRD		F	300,000.00	6,332.77	293,667.23	2.00	587,334.46		

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PROJ #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE	FUND GROWTH RATE
D311049	Paxton		P	1,131,000.00	1,131,000.00	0.00	3.00	0.00		
D311326	Pender		P	1,028,735.00	1,028,735.00	0.00	2.50	0.00		
D311505	Phillips	ARRA	F	166,643.00	62,825.33	103,817.67	2.00	207,635.34		
D311581	Phillips		F	370,930.00	47,427.96	323,502.04	2.00	647,004.08		
D311543	Pickrell		F	182,702.00	44,982.77	137,719.23	2.00	275,438.46		
D311625	Pierce			550,000.00	0.00	272,573.00	2.00	545,146.00		
D311532	Platte Center		F	505,371.00	151,699.89	353,671.11	2.25	795,760.00		
D311051	Plattsmouth		P	1,491,112.00	1,491,112.00	0.00	3.00	0.00		
D311261	Plattsmouth		P	296,733.00	296,733.00	0.00	3.45	0.00		
D311518	Plattsmouth		F	872,957.00	193,605.85	679,351.15	2.30	1,562,507.65		
D311626	Plattsmouth			804,920.00	0.00	182,578.00	2.00	365,156.00		
D311513	Pleasant Dale	ARRA	F	106,126.00	42,568.68	63,557.32	2.00	127,114.64		
D311596	Pleasanton		F	212,922.00	23,232.19	189,689.81	2.00	379,379.62		
D311525	Ravenna	GP11/FFAT A	P	2,162,228.00	2,162,228.00	0.00	2.00	0.00		
D311438	Republican City		F	1,057,060.00	992,442.55	64,617.45	3.00	193,852.35		
D311594	Riverdale		F	194,385.00	9,717.81	184,667.19	2.00	369,334.38		
D311542	Rogers		F	77,280.00	25,390.78	51,889.22	2.00	103,778.44		
D311606	Sarpy Cnty SID #29		F	572,010.00	292,344.78	279,665.22	2.00	559,330.44		
D311053	Schuyler		P	1,560,451.00	1,560,451.00	0.00	2.00	0.00		
D311334	Scotia		P	467,415.00	467,415.00	0.00	2.57	0.00		
D311573	Scribner			2,928,000.00	126,518.97	2,761,923.03	2.00	5,523,846.06		
D311501	Shelby		F	177,707.00	62,731.01	114,975.99	2.00	229,951.98		
D311537	Shelby		F	1,023,041.00	596,176.17	426,864.83	2.00	853,729.66		
D311514	Shelton		F	895,481.00	236,878.45	658,602.55	2.00	1,317,205.10		
D311056	Sidney		P	1,156,000.00	1,156,000.00	0.00	3.00	0.00		
D311351	Sidney		F	7,975,000.00	6,309,122.67	1,665,877.33	2.52	4,198,010.87		
D311604	Sidney		F	3,241,951.00	268,838.76	2,973,112.24	2.00	5,946,224.48		
D311057	South Sioux City		P	267,732.00	267,732.00	0.00	3.00	0.00		
D311268	South Sioux City		P	1,331,150.00	1,331,150.00	0.00	2.79	0.00		
D311584	South Sioux City	FFATA		3,128,000.00	72,958.20	776,244.80	2.00	1,552,489.60		
D311611	Springfield	FFATA		889,600.00	0.00	0.00	2.00	0.00		
D311559	St. Helena		F	233,025.00	56,529.10	176,495.90	2.00	352,991.80		
D311218	St. Paul	ARA	P	606,000.00	606,000.00	0.00	2.38	0.00		

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**SFY 2019
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D311139	Stamford		P	306,000.00	306,000.00	0.00	3.00	0.00		
D311391	Stamford		F	100,000.00	40,181.37	59,818.63	2.83	169,286.72		
D311058	Stanton		P	344,991.00	344,991.00	0.00	3.00	0.00		
D311059	Stanton Cnty SID #1		F	353,805.00	237,681.57	116,123.43	4.00	464,493.72		
D311146	Stapleton		F	95,953.00	89,674.38	6,278.62	3.01	18,898.65		
D311060	Stratton		P	167,492.00	167,492.00	0.00	3.00	0.00		
D311336	Stratton		P	1,001,000.00	1,001,000.00	0.00	2.75	0.00		
D311539	Stromsburg		F	1,497,724.00	1,391,122.51	106,601.49	2.00	213,202.98		
D311502	Sutherland	ARRA	F	1,180,291.00	416,804.45	763,486.55	2.02	1,542,242.83		
D311089	Tecumseh		F	478,982.00	432,156.41	46,825.59	3.00	140,476.77		
D311077	Tekamah		F	1,247,818.00	898,771.72	349,046.28	3.00	1,047,138.84		
D311550	Terrytown	GP10		990,525.00	0.00	292,736.00	2.00	585,472.00		
D311590	Tobias		F	251,677.00	22,697.16	228,979.84	2.00	457,959.68		
D311273	Trenton		F	468,685.00	38,790.77	429,894.23	2.00	859,788.46		
D311068	Utica		P	458,699.00	458,699.00	0.00	3.00	0.00		
D311577	Utica		F	2,360,000.00	230,054.30	2,129,945.70	2.00	4,259,891.40		
D311126	Valentine		P	450,000.00	450,000.00	0.00	3.00	0.00		
D311593	Valley		F	562,131.00	97,436.27	464,694.73	2.00	929,389.46		
D311140	Waco		P	60,000.00	60,000.00	0.00	3.00	0.00		
D311522	Wahoo	ARRA	F	299,274.00	126,421.30	172,852.70	2.00	345,705.40		
D311275	Wakefield		F	960,000.00	86,702.29	873,297.71	2.00	1,746,595.42		
D311071	Waterloo		P	297,522.00	297,522.00	0.00	3.36	0.00		
D311375	Wauneta		F	262,004.00	66,788.69	195,215.31	2.11	411,904.30		
D311276	Wausa		F	289,083.00	199,967.16	89,115.84	3.00	267,347.52		
D311527	Wausa		F	260,814.00	72,294.80	188,519.20	2.23	420,397.82		
D311582	Waverly	U/FFATA	F	2,056,127.00	359,324.66	1,696,802.34	2.00	3,393,604.68		
D311519	Wayne	ARRA	F	762,414.00	269,348.15	493,065.85	2.00	986,131.70		
D311608	Weeping Water	FFATA	F	527,461.00	55,996.58	471,464.42	2.00	942,928.84		
D311558	West Knox RWD	FFATA		886,054.00	114,936.57	631,814.43	2.50	1,579,536.08		
D311592	Wisner	FFATA	F	113,073.00	19,825.69	93,247.31	2.00	186,494.62		
D311583	Wood Lake		F	75,820.00	8,157.32	67,662.68	2.00	135,325.36		
D311066	Wood River		P	424,100.00	424,100.00	0.00	3.68	0.00		
D311497	Wymore	ARRA	F	1,489,829.00	561,371.52	928,457.48	2.00	1,856,914.96		

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**SFY 2019
ANNUAL REPORT**

PROJ #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE	FUND GROWTH RATE
D311520	York	U/FFATA	F	2,334,605.00	877,892.55	1,456,712.45	2.00	2,913,424.90		
D311617	York	FFATA		3,655,000.00	0.00	0.00	2.00	0.00		
	LOAN TOTALS			<u>237,622,813.00</u>	<u>134,264,854.41</u>	<u>87,668,033.59</u>		<u>189,521,243.90</u>	2.16	2.16

PROJECT IDENTIFIER CODES:	
AMERICAN RECOVERY & REINVESTMENT ACT	ARRA
FEDERAL FUNDING ACCOUNTABILITY & TRANSPARENCY ACT	FFATA
GREEN PROJECT 2010	GP10
GREEN PROJECT 2011	GP11
UNPLEDGED	UNPL
UNPLEDGED ARRA	U/ARRA
UNPLEDGED FFATA	U/FFATA
STATUS CODES:	
ACTIVE	
FINAL	F
PAID OFF	P

**ATTACHMENT 2
DWSRF – BINDING COMMITMENTS**

			State Fiscal Year 2018				State Fiscal Year 2019			
Community Name	Project #D31	Small System (<10,000)	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR
Grant Amd #1	1595	X		600,000						
Osmond Amd #1	1585	X		350,000						
Milford	1373	X			1,441,301					
Utica Amd #2	1577	X			150,000					
Blair	1619	X				1,400,000				
York	1617	X				4,300,000				
Lindsay	1618	X					1,650,500			
Ogallala	1616	X					2,176,684			
Papio-Missouri River NRD	1627						300,000			
Plattsmouth	1626	X					876,590			
Aurora	1623	X						902,000		
O'Neill	1620	X						2,618,425		
Pierce	1625	X						687,500		
Kearney	1624									915,000
Plattsmouth Amd #1	1626	X								-
Scribner Amd #1	1573	X								160,000
Terrytown Amd #1	1550	X								-
(1) BINDING COMMITMENT TOTALS			-	950,000	1,591,301	5,700,000	5,003,774	4,207,925	-	1,075,000
(2) CUMULATIVE BINDING COMMITMENTS			281,123,945	282,073,945	283,665,246	289,365,246	294,369,020	298,576,945	298,576,945	299,651,945
FY BINDING COMMITMENT TOTALS					FY18: 8,241,301				FY19: 10,286,699	
(3) REQUIRED BINDING COMMITMENT*			7,823,660				11,255,441			
(4) CUMULATIVE REQUIRED AMOUNT			200,472,512	200,472,512	200,472,512	200,472,512	211,727,953	211,727,953	211,727,953	211,727,953
(5) BC AS % OF REQ'D BC AMOUNT			140	141	141	144	139	141	141	142
*100% of Capitalization Grant less set-aside plus match, lagged by 1 year from payment										

ATTACHMENT 3

**AUDIT REPORT OF THE
NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
DRINKING WATER STATE REVOLVING FUND PROGRAM**

**AUDIT REPORT
OF THE
NEBRASKA DEPARTMENT OF
ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING
FUND PROGRAM**

JULY 1, 2018, THROUGH JUNE 30, 2019

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on April 14, 2020

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

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NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

BACKGROUND

With the passage of LB 302, on July 1, 2019, the Nebraska Department of Environmental Quality and the Nebraska Energy Office merged into the Nebraska Department of Environment and Energy (Department). The Drinking Water State Revolving Fund Program (Program) was established pursuant to the Federal Safe Drinking Water Act of 1996. The Drinking Water State Revolving Fund Act is set out at Neb. Rev. Stat. §§ 71-5314 to 71-5327 (Reissue 2018). The Program has been established pursuant to both the Federal Safe Drinking Water Act and State statutes to provide loans, at reduced interest rates, to finance the construction of publicly and privately owned drinking water facilities. Instead of making grants to communities that pay for a portion of the building of drinking water facilities, the Program provides for low-interest loans with some forgiveness to finance the entire cost of qualified projects. The Program provides a flexible financing source, which can be used for a variety of projects. Loans made by the Program can have terms of repayment up to 20 years, and all repayments, including interest and principal, must be used for the purposes of the Program. Disadvantaged communities may choose to have up to 30 years to repay all loans.

The Program was capitalized by the United States Environmental Protection Agency (EPA) by a series of grants starting in 1997. States are required to provide an additional 20% of the Federal capitalization grant as matching funds in order to receive a Federal grant. As of June 30, 2019, the EPA had awarded \$213 million in capitalization grants to the State. Of the \$213 million awarded, approximately \$19.5 million was funded by the American Recovery and Reinvestment Act (ARRA). The \$193.5 million not funded by ARRA required the State to contribute approximately \$39 million in matching funds. Since the inception of the Program, the State has appropriated \$2.33 million to meet the State's matching requirement. Additional matching funds were obtained through the issuance of revenue bonds and the use of Administrative Cash Funds.

The Program is administered by the Department and the Nebraska Department of Health and Human Services – Division of Public Health. The Department's primary activities with regard to the Program include the making of loans for facilities and the management and coordination of the Program. The Nebraska Environmental Quality Council approves the rules and regulations of the Department, the Program's Intended Use Plan, loan interest rates, and revenue bonding amounts. The Nebraska Department of Health and Human Services – Division of Public Health sets the funding priorities.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

KEY OFFICIALS AND DEPARTMENT CONTACT INFORMATION

**Nebraska Department of Environment and Energy –
Drinking Water State Revolving Fund Program
Executive Management**

Name	Title
Jim Macy	Director
Dennis Burling	Deputy Director – Administration
Steve Goans	Deputy Director – Water Programs
Ryan Phillips	Accounting & Finance Manager

Nebraska Department of Environment and Energy
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NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

COMMENT AND RECOMMENDATION

During our audit of the Nebraska Department of Environment and Energy (Department) – Drinking Water State Revolving Fund Program (Program), we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here.

1. Financial Statement Errors

During our audit of the Program trial balance and financial statements, we noted the following errors:

- Part of the fiscal year 2018 short-term bond process was identified as having not been completed during testing on the fiscal year 2018 Statewide Comprehensive Annual Financial Report (CAFR). The Department performed the required entries in September 2018 to complete the short-term bond process and included the entries on the fiscal year 2018 financial statements through an accrual entry. However, the accrual entry was not reversed on the fiscal year 2019 financial statements. This caused Bond Proceeds Receivable to be overstated by \$1,200,000, Bond Revenue (Expense) to be overstated by \$1,181,794, and created a balancing issue between the Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position.
- Five documents were identified as not included as expenditures on the Statement of Revenues, Expenditures, and Changes in Net Position. This caused Loan Forgiveness expense to be understated by \$24,743, Administrative Costs from Fees expense to be understated by \$18,435, and created a balancing issue between the Statement of Revenues, Expenses, and Changes in Net Position.
- When recording the accounts payable accrual for fiscal year 2019, the Department omitted transactions coded to several subprograms used for determining the classification of expenses on the Statement of Revenues, Expenses, and Changes in Net Position. Additionally, the process used to identify payables for fiscal year 2019 resulted in one expenditure for \$30,000 that was incorrectly accrued as a payable at June 30, 2019. This resulted in the following financial statement errors:
 - Accounts Payable & Accrued Liabilities understated by \$25,168.
 - Administrative Costs from Fees understated by \$16,508.
 - 15% Source Water Assessment Program overstated by \$17,640.
 - 2% Technical Assistance to Small Systems understated by \$3,153.
 - 10% Public Water Supply System understated by \$23,147.
 - Due from Federal Government understated by \$3,678.
 - Capital Contributions – Federal Grants understated by \$3,678.

Additionally, the revision to the financial statements for this error recorded the full accrual amount to 15% Source Water Assessment Program on the Statement of Revenues, Expenses, and Changes in Net Position. This was incorrect, as the expense should be recorded to multiple Operating Expense lines, as noted above. An additional adjustment was proposed to correct this accrual entry.

- The Department did not accrue for two payments of loan forgiveness. This caused Due to Grant Recipients payable to be understated by \$59,355 and Loan Forgiveness expense to be understated by \$59,355. Additionally, all \$326,885 of loan forgiveness accrued was paid from a Federal fund and did not have an accrual for the Due from Federal Government receivable. This caused Due from Federal Government receivable and Capital Contributions – Federal Grants revenue to be understated by \$326,885.
- During testing of adjusting entries on the financial statements, we identified one entry to remove an incorrect Cash with Fiscal Agents balance that was recorded to the wrong account. This caused Bond Revenue (Expense) to be overstated by \$4,938 and created a balancing issue between the Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

COMMENT AND RECOMMENDATION

(Concluded)

1. Financial Statement Errors (Concluded)

- During testing of the Statement of Cash Flows, we identified two errors:
 - Receipts from Bond Issue and Repayment of Bond were both understated by \$1,200,000. The Program had a short-term bond issued and repaid during fiscal year 2019 to meet the State match requirements of their Federal capitalization grant but did not record the receipt and repayment of the bond on their Statement of Cash Flows.
 - Receipts from Customers and Payments to Borrowers were both understated by \$21,934. This was due to a journal entry to record a payment to a borrower that was incorrectly included on the Statement of Cash Flows as a decrease to Receipts from Customers but should be included as an increase to Payments to Borrowers.

The Auditor of Public Accounts (APA) discussed the identified issues with the Department, and audit adjustments were made to correct errors when proposed by the APA.

A similar finding was noted during the previous three audits.

A good internal control plan and sound accounting practices require procedures to ensure accounting estimates are accurate and complete for proper financial statement presentation. The absence of such procedures increases the risk of materially misstated financial statements.

We recommend the Department strengthen procedures to ensure accounting entries are proper and complete for accurate financial presentation.

Department Response: The amount of manual processing time required to compete the DWSRF financials led to multiple financial statement errors. The agency has established a checklist to allow for adequate time to prepare the financials. In addition, the agency will purchase accounting software to prevent the majority of the manual errors. The agency will use the EnterpriseOne trial balance while relying on additional software to produce the balance sheet, income statement, and statement of cash flows. Thus, eliminating the need for manual processing.

It should be noted this report is critical in nature, containing only our comment and recommendation on the areas noted for improvement.

Draft copies of this report were furnished to the Department to provide its management with an opportunity to review and to respond to the comment and recommendation contained herein. The formal response received has been incorporated into this report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.



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NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY DRINKING WATER STATE REVOLVING FUND PROGRAM

INDEPENDENT AUDITOR'S REPORT

Nebraska Department of Environment and Energy
Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program are intended to present the balance sheet, the changes in financial position, and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program. They do not purport to, and do not, present fairly the balance sheet of the Nebraska Department of Environment and Energy as of June 30, 2019, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 7 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards and Regulatory Requirements

Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2020, on our consideration of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s internal control over financial reporting and compliance.

Regulatory Requirements

In accordance with the *U.S. Office of Management and Budget (OMB) Compliance Supplement*, we have also issued our report dated April 10, 2020, on our consideration of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s internal control over compliance and our tests of its compliance with certain provisions of laws, regulations, and grants.



Mark Avery, CPA
Assistant Deputy Auditor

Lincoln, Nebraska
April 10, 2020

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the Nebraska Department of Environment and Energy (Department) – Drinking Water State Revolving Fund Program’s (Program) financial report presents a narrative overview and analysis of the financial activities of the Program for the fiscal year ended June 30, 2019. This analysis has been prepared by management of the Department and is intended to be read in conjunction with the Program’s financial statements and related footnotes, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Program’s basic financial statements. The Program’s basic financial statements include the following: 1) Balance Sheet; 2) Statement of Revenues, Expenses, and Changes in Net Position; 3) Statement of Cash Flows; and 4) Notes to the Financial Statements.

The Balance Sheet presents information on all of the Program’s assets and liabilities, with the difference between the two reported as net position. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Program’s net position changed during the most recent fiscal year.

The Statement of Cash Flows presents the Program’s flows of cash by defined categories. The primary purpose of the Statement of Cash Flows is to provide information about the Program’s cash receipts and payments during the year.

The Notes to the Financial Statements are an integral part of the financial statements and provide information that is essential to a full understanding of the data provided in the financial statements.

ANALYSIS OF BALANCES AND TRANSACTIONS – ENTERPRISE FUND

Changes in Net Position

For the fiscal year ended June 30, 2019, the net position of the Program increased by 4.4%. The increase in Net Position was largely impacted for three reasons. The first is due to the volume of Operating Revenues collected, \$2,806,911, which is loan interest and fees with an additional \$2,680,325 interest earned through the Operating Investment Pool on the fund balance. The second is the program continued to receive Federal Grants and drew down \$6,607,146, which contributed on a FIFO basis in accordance with the request from the EPA. The third is the costs of administering the program were maintained at a low level.

Changes in Net Investment in Capital Assets

The fiscal year over year comparison represents the accumulated amount invested in the development of the Loan and Grant Tracking System (LGTS). In fiscal year 2018, the Program invested \$56,303 in LGTS. In fiscal year 2019, \$80,441 was invested in LGTS software development.

BALANCE SHEET

	2019	2018	% Change
Current Assets	\$ 122,878,935	\$ 115,713,373	6.2 %
Non-Current Assets	82,662,404	81,207,773	1.8 %
Total Assets	205,541,339	196,921,146	4.4 %
Current Liabilities	417,350	490,634	-14.9 %
Non-Current Liabilities	23,096	28,273	-18.3 %
Total Liabilities	440,446	518,907	-15.1 %
Net Position:			
Net Investment in Capital Assets	331,771	251,330	32.0 %
Unrestricted	204,769,122	196,150,909	4.4 %
Total Net Position	\$ 205,100,893	\$ 196,402,239	4.4 %

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CHANGES IN NET POSITION

	2019	2018	% Change
Loan Fees Administration	\$ 841,446	\$ 822,515	2.3 %
Interest on Loans	1,918,849	1,881,994	2.0%
Other Operating Income	46,616	72,457	-35.7 %
Total Operating Revenues	2,806,911	2,776,966	1.1 %
Administration & Set-Asides	1,812,271	2,264,108	-20.0 %
Loan Forgiveness	1,672,464	2,059,248	-18.8 %
Total Operating Expenses	3,484,735	4,323,356	-19.4 %
Operating Income (Loss)	(677,824)	(1,546,390)	56.2%
Federal Grants	6,687,586	7,916,315	-15.5 %
Interest Revenue	2,680,325	2,257,965	18.7 %
Bond Revenue (Expense)	8,567	(2,190)	491.2%
Total Non-Operating Revenue (Expense)	9,376,478	10,172,090	-7.8 %
Change in Net Position	8,698,654	8,625,700	0.9 %
Beginning Net Position July 1	196,402,239	187,776,539	4.6 %
Ending Net Position June 30	\$ 205,100,893	\$ 196,402,239	4.4 %

Federal funds will vary each year depending on the size of each draw, the timing of each draw, the number of communities applying for loans, and the number of loans successfully processed. Changes are inherent in the Program and are expected when draws are based on community requests.

ECONOMIC OUTLOOK

The State has continued to take steps to avert major economic impacts both statewide and within communities. The small rural makeup of the State remains a challenge for communities in funding major capital projects. Declining population bases make it difficult to collect the amount of user fees needed to fund infrastructure requirements.

DEBT ADMINISTRATION

Short-Term Debt

The Program had debt activity during the fiscal year that was short-term in nature resulting from a bond issue. The issue was for \$2,200,000, which was repaid and retired within the same fiscal year.

LOANS AND GRANTS TRACKING SYSTEM SOFTWARE (LGTS)

LGTS is a comprehensive software application developed by Northbridge Environmental, which is designed for Nebraska's State Revolving Fund (SRF) managers and staff to track and manage all aspects of their Clean and Drinking Water SRF programs from project loan application to final repayment, as well as to track all capital contributions, set-aside spending, and bond issuance and repayment.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Concluded)

The software was developed to address the data management needs for all of the steps in the SRF management process, including priority list development, facility location and identification, engineering review and milestone tracking, inspections, contacts, contract approvals and change orders, detailed payment request processing, project spending forecasts, encumbrances, funding draws and transfers, disbursements, amortization schedule creation and management, billing, repayment processing, fund deposits, and tracking of repaid funds by their original source. The software also contains a general ledger that each state can customize to match existing accounting systems and create trial balances, financial statements, and related financial schedules.

LGTS has built-in role based security that requires users to log in each time they open the Program. This security system is based on defined roles that each user is playing in the Program. Security roles limit users to performing certain functions.

Historical data is extracted from spreadsheets or other data systems to load LGTS with data, test the validity of the data, and ensure that LGTS can be used effectively. This task is handled by a combination of staff efforts to assemble existing data sources and outside help to ensure that the data is used properly. This process usually yields a dual benefit of having a system with clean data and provides a quality assurance check of the many transactions that have occurred years ago and often by a number of staff members.

Nebraska's State Revolving Fund programs have begun implementation of the LGTS system. During fiscal year 2014, planning of the implementation phases, business rules, and hardware/software installations occurred. During fiscal year 2015 through 2019, the system was used concurrently with existing systems, to create a basis for reliability and consistency. Once dependable, reconciled results will be established, the existing internal system will be discontinued, and LGTS will become the sole system for use within the SRF Program alongside the State Accounting system.

Contract costs for the purchase and implementation of the LGTS system have been handled through the existing Northbridge contract with the Federal Environmental Protection Agency (EPA) procurement. Therefore, expenditures are withheld as an "in-kind" deduction to the total annual grant, which is awarded to the Program each year. The Federal EPA staff negotiate, monitor, and manage the Northbridge contract for LGTS.

The Department is capitalizing the costs that the EPA reimburses directly to Northbridge, as well as the cost of staff time utilized for implementation.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM
BALANCE SHEET
June 30, 2019

	Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash in State Treasury (Note 2)	\$ 116,922,611
Due from Federal Government	384,393
Interest Receivable	234,531
Loans Receivable (Note 3)	5,337,400
TOTAL CURRENT ASSETS	122,878,935
NON-CURRENT ASSETS	
Loans Receivable (Note 3)	82,330,633
Capital Assets, Net (Note 4)	331,771
TOTAL NON-CURRENT ASSETS	82,662,404
TOTAL ASSETS	\$ 205,541,339
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable & Accrued Liabilities	\$ 88,181
Due to Grant Recipients (Note 1)	326,885
Compensated Absences (Note 6)	2,284
TOTAL CURRENT LIABILITIES	417,350
NON-CURRENT LIABILITIES	
Compensated Absences (Note 6)	23,096
TOTAL NON-CURRENT LIABILITIES	23,096
TOTAL LIABILITIES	\$ 440,446
NET POSITION	
Net Investment in Capital Assets	\$ 331,771
Unrestricted	204,769,122
TOTAL NET POSITION	205,100,893
TOTAL LIABILITIES AND NET POSITION	\$ 205,541,339

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
 DRINKING WATER STATE REVOLVING FUND PROGRAM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 For the Year Ended June 30, 2019

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration (Note 8)	\$ 841,446
Interest on Loans	1,918,849
Other Operating Income	46,616
TOTAL OPERATING REVENUES	2,806,911
OPERATING EXPENSES:	
Administrative Costs from Fees (Note 10)	477,212
15% Source Water Assessment Program (Note 10)	434,891
2% Technical Assistance to Small Systems (Note 10)	133,719
10% Public Water Supply System (Note 10)	766,449
Loan Forgiveness (Note 10)	1,672,464
TOTAL OPERATING EXPENSES	3,484,735
OPERATING LOSS	(677,824)
NONOPERATING REVENUE (EXPENSE)	
Capital Contributions - Federal Grants (Note 7)	6,607,145
Capital Contributions - Federal Grants - Capital Assets	80,441
Interest on Fund Balance - State Operating Investment Pool (Note 9)	2,680,325
Bond Revenue (Expense)	8,567
TOTAL NONOPERATING REVENUE (EXPENSE)	9,376,478
CHANGE IN NET POSITION	8,698,654
TOTAL NET POSITION, BEGINNING OF YEAR	196,402,239
TOTAL NET POSITION, END OF YEAR	\$ 205,100,893

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts From Customers	\$ 8,495,585
Payments to Borrowers	(6,884,538)
Payments for Administration	(482,294)
Payments for 15% Source Water Assessment Program	(560,130)
Payments for 2% Technical Assistance to Small Systems	(120,640)
Payments for 10% Public Water Supply System	(764,541)
Payments for Loan Forgiveness	(1,635,589)
Receipts From Other Operating Income	46,614
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>(1,905,533)</u></u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Grants Received From the Environmental Protection Agency	6,397,146
Receipts from Bond Issue (Short-Term)	2,200,000
Repayment of Bond (Short-Term)	(2,200,000)
Bond Receipts (Payments)	8,567
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u><u>6,405,713</u></u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Contributions	80,441
Purchase of Capital Assets	(80,441)
NET CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	<u><u>-</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	2,655,369
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u><u>2,655,369</u></u>
Net Increase in Cash and Cash Equivalents	7,155,549
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>109,767,062</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 116,922,611</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Operating Loss	\$ (677,824)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
(Increase)/Decrease in Loans Receivable	(1,149,249)
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	(109,646)
Increase/(Decrease) in Compensated Absences	(5,689)
Increase/(Decrease) in Payables to Grant Recipients	36,875
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ (1,905,533)</u></u>

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the Nebraska Department of Environment and Energy (Department) – Drinking Water State Revolving Fund Program (Program) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The basic financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of the Department of Administrative Services (DAS) and the Trustee – Wells Fargo Bank (Trustee) for the State match bond accounts.

B. Reporting Entity

The Program is established under and governed by the Safe Drinking Water Act of the Federal Government and the Drinking Water State Revolving Fund Act of the State of Nebraska. The Department is a State agency established under and governed by the laws of the State of Nebraska. With the passage of LB 302, on July 1, 2019, the Nebraska Department of Environmental Quality and the Nebraska Energy Office merged into the Nebraska Department of Environment and Energy. As such, the Department is exempt from State and Federal income taxes. The Program's management has also considered all potential component units for which it is financially accountable and other organizations that are fiscally dependent on the Program or whose relationship with the Program is so significant that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Department to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Department. The Department is also considered financially accountable if an organization is fiscally dependent on, and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Department, regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

These financial statements present the Program. No component units were identified. The Program is part of the primary government for the State of Nebraska's reporting entity.

C. Fund Structure

The Program's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions, or limitations. Each individual fund is a self-balancing set of accounts recording cash and other financial resources, together with liabilities and residual equities or balances, and changes therein. The State accounting system includes the following Program funds, as identified in the Drinking Water State Revolving Fund Act:

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

- Drinking Water Facilities Funds – Federal Funds 48416 and 48418; Repaid Principle and Bond Funds 68481, 68482, 68483, 68484, and 68485.
- Drinking Water Administration Fund – Cash Fund 28630

These funds are used to account for revenues and expenses for loans and administrative expenses of the Program.

The activity of these State of Nebraska funds has been combined and reported as an enterprise fund, which under governmental GAAP is a proprietary fund type. This fund type reflects transactions used to account for those operations that are financed and operated in a manner similar to a private business. The accounting for the Program's transactions in this manner is a requirement of the Environmental Protection Agency (EPA), as it and the Department have decided that the determination of revenues earned, expenses incurred, and/or net income is necessary to demonstrate the success of the Program and to assure the EPA the Program will be available in perpetuity, as intended.

This fund classification differs from the classification used in the State of Nebraska's Comprehensive Annual Financial Report (CAFR). The CAFR classifies the Cash funds, Federal funds, and Bond funds as special revenue funds, as they meet the definition of special revenue funds under GASB Statement 54. In that statement, special revenue funds are defined as funds used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes.

D. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. An enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Enterprise funds utilize the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the State Treasury. This includes cash in bank accounts and petty cash, short-term investments, such as certificates of deposit, repurchase agreements, and U.S. treasury bills. These short-term investments have original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2019, approximates fair value due to their short-term nature. Banks pledge collateral, as required by law to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council, which maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Loans Receivable

The State operates the Program as a direct loan program, whereby loans are made to communities. Loan funds are disbursed to the local agencies as they expend funds for the purposes of the loan. Interest is calculated from the date the funds are advanced. After the final disbursement has been made, the amortization schedule identified in the loan agreement is adjusted for the actual amounts disbursed. The interest rates on loans range from 2.0% to 4.0%, and the terms on outstanding loans range from 9.5 to 30 years. Disadvantaged communities may have up to 30 years to repay.

The Program loans are funded from Federal capitalization grants, State match funding, and the Drinking Water State Revolving Fund. The grants are funded, on average, 83.33% from Federal funds and 16.67% from State matching funds. Reimbursements to communities are paid 100% from State matching funds until they have been exhausted, and then from Federal capitalization grant funds or Drinking Water State Revolving funds. The Drinking Water State Revolving Fund is financed through principal repayments plus interest earnings becoming available to finance new projects, allowing the funds to “revolve” over time.

The current loans receivable amount was determined using the amount of principal payment due to the Program at June 30, 2019, which is collectible in fiscal year 2020. Loans receivable that were paid in full, prior to their due date, as of August 31, 2019, were included in the current loans receivable balance as opposed to the long-term loans receivable balances.

No provisions were made for uncollectible accounts, as all loans were current, and management believed all loans would be repaid according to the loan terms. There is a provision for the Program to intercept State aid to a community in default of its loan.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Compensated Absences

All permanent employees working for the Program earn sick and annual leave and are allowed to accumulate compensatory leave rather than be paid overtime. Temporary and intermittent employees are not eligible for paid leave. The liability has been calculated using the vesting method, in which leave amounts, for both employees currently eligible to receive termination payments and other employees expected to become eligible in the future to receive such payments upon termination, are included.

Program employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 240 days. There is no maximum limit on the accumulation of sick leave days for employees under certain labor contracts. Sick leave is not vested except upon death or upon reaching the retirement eligibility age of 55 – or a younger age, if the employee meets all criteria necessary to retire under the primary retirement plan covering his/her State employment, at which time the State is liable for 25 percent of the employee’s accumulated sick leave. Employees under certain labor contracts can only be paid a maximum of 60 days.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

The Program's financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

I. Due to Grant Recipients

Planning Grants for Preliminary Engineering Reviews are awarded through the Federal Capitalization Grant 15% set-aside funds. The Program awards Planning Grants to communities with populations below 10,000 where the Public Water System is operated by a political subdivision. Available grants are given upon evidence that the eligible Public Water System has entered into a contract with a professional engineer to develop a preliminary engineering report. Planning Grants are intended to provide financial assistance to Public Water Systems for projects seeking funding through the Water Wastewater Advisory Committee common pre-application process. The grant covers 90% of the preliminary engineering report and other eligible costs and will require 10% matching funds from the Public Water System.

Source Water Protection Grants are also awarded through the Federal Capitalization Grant 15% set-aside funds. They are available for proactive projects geared toward protecting Nebraska's drinking water supplies and will address drinking water quality, quantity, security, and/or education. Eligible applicants are political subdivisions that operate a Public Water System serving a population of 10,000 or fewer.

The Program may choose to provide additional subsidization for municipalities in the form of loan forgiveness. Forgiveness funds will be targeted primarily to the highest ranked eligible projects on the Priority Funding Lists, those that address public health needs, or are needed to address critical capacity development concerns. The loan recipient will not be required to repay the portion of the loan principal that has been designated as loan forgiveness under the terms and conditions of the loan contract. Loan forgiveness is considered a grant for purposes of the financial statements, since repayment is not required.

For Planning Grants, Source Water Protection Grants, and Loan Forgiveness awards, once the municipality submits proof of vendor payment to the Department, it is reimbursed for its project costs by the Program. The Program's financial statements recognized the expense and accrued liability to the Program when the municipality incurred the project expense, which may not be in the same fiscal year as when costs were reimbursed by the Program.

J. Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Program's principal ongoing operations. The operating revenues of the Program include loan fees administration and interest on loans, since making loans is the primary purpose of the Program. The operating expenses of the Program are administration and set-aside expenses and loan forgiveness.

K. Capital Assets

The Program has only one capital asset, the Loans and Grants Tracking System (LGTS) software, and it is recorded at cost. The Department began the development phase of the LGTS software during the fiscal year ended June 30, 2014, and is anticipating this phase to be completed during the fiscal year ended June 30, 2021. The LGTS software is considered an intangible capital asset, and the Department follows

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

the capitalization policy set forth by the State of Nebraska for intangible capital assets, which requires capitalization of such assets when the cost of such asset is in excess of \$100,000 and has an expected useful life of greater than one year. The LGTS software has an estimated useful life of seven years. Depreciation/amortization will begin upon completion of the developmental phase and the software being put into production, and it will be computed using the straight-line method over the estimated useful life of the asset.

2. Cash in State Treasury

The Cash in State Treasury, as reported on the balance sheet, is under the control of the Nebraska State Treasurer or other administrative bodies, as determined by law. Investment of all available cash is made by the State Investment Officer on a daily basis, based on total bank balances. These funds are held in the State of Nebraska Operating Investment Pool (OIP), an internal investment pool. Additional information on the deposits and investments portfolio, including investment policies, risks, and types of investments, can be found in the State of Nebraska’s CAFR for the fiscal year ended June 30, 2019. All interest revenue is allocated to the General Fund except allocations required by law to be made to other funds. All funds of the Program were designated for investment during fiscal year 2019. Amounts are allocated on a monthly basis based on average balances of all invested funds.

3. Loans Receivable

As of June 30, 2019, the Program had 132 outstanding community loans that totaled \$87,668,033. The outstanding balances of the 10 communities with the largest loan balances, which represent 45.5 % of the total loans, were as follows:

Community	Outstanding Balance
Lincoln	\$ 11,656,899
Sidney	4,638,989
MUD – Omaha	3,749,630
Auburn	3,574,741
Falls City	3,260,746
Oshkosh	2,894,572
Scribner	2,761,923
Blair	2,646,586
Alliance	2,541,881
Utica	2,129,946
TOTAL	\$ 39,855,913

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Capital Assets

The Program's capital assets activity for the year ended June 30, 2019, was:

	Beginning Balance As Restated	Additions	Retirements	Ending Balance
Software Development In-Progress				
Loans and Grants Tracking System (LGTS)	\$ 251,330	\$ 80,441	\$ -	\$ 331,771

5. Bonds Payable

The State has entered into a special financing arrangement with Nebraska Investment Finance Authority (NIFA), an independent instrumentality of the State exercising essential public functions, to provide matching funds for the Program. NIFA issues bonds, and the proceeds are held by the Trustee until they are needed by the Program for loan purposes.

Short Term Bonds – The proceeds of short-term revenue bonds are used by the Department to provide the 20% match requirements for the Department's Federal Capitalization Grants. Interest revenue from Program loans was pledged to pay off the bonds. During the fiscal year, the Program utilized \$21,400 of administrative cash funds and issued and retired Series 2018A short-term revenue bonds to meet their match requirements for the 2019 Drinking Water State Revolving Fund grant. Bonds Payable activity for fiscal year 2019 on the short-term bond was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds Payable	\$ -	\$ 2,200,000	\$ 2,200,000	\$ -

6. Non-Current Liabilities

Changes in non-current liabilities for the year ended June 30, 2019, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$ 28,273	\$ -	\$ (5,177)	\$ 23,096	\$ 2,284

7. Capital Contributions

Included in the net position is the total amount of capitalization grants drawn from the EPA by the Department. The following summarizes the EPA capitalization grants awarded and drawn, as well as the remaining balance as of June 30, 2019. The year column relates directly to the grant amount column and represents the fiscal year the grant funds were appropriated by Congress. The amount drawn column is as of June 30, 2019, and may have been drawn over multiple years.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. Capital Contributions (Concluded)

<u>Federal Fiscal Year</u> <u>Available</u>	<u>Grant Amount</u>	<u>Amount Drawn</u>	<u>Balance</u>
1997	\$ 12,824,000	\$ 12,824,000	\$ -
1998	7,121,300	7,121,300	-
1999	7,463,800	7,463,800	-
2000	7,757,000	7,757,000	-
2001	7,789,126	7,789,126	-
2002	8,052,500	8,052,500	-
2003	8,004,100	8,004,100	-
2004	8,303,100	8,303,100	-
2005	8,285,500	8,285,500	-
2006	8,229,300	8,229,300	-
2007	8,229,000	8,229,000	-
2008	8,146,000	8,146,000	-
2009 - ARRA	19,500,000	19,500,000	-
2009	8,146,000	8,146,000	-
2010	13,573,000	13,573,000	-
2011	9,418,000	9,418,000	-
2012	8,695,558	8,695,558	-
2013	8,533,907	8,533,907	-
2014	8,845,000	8,845,000	-
2015	8,681,560	8,681,560	-
2016	8,280,275	8,280,275	-
2017	8,312,000	8,124,628	187,372
2018	10,914,261	5,404,704	5,509,557
TOTAL	\$ 213,104,287	\$ 207,407,358	\$ 5,696,929

Not included in the above grant totals are the amounts set aside as in-kind contributions for the Loans and Grants Tracking System (LGTS) software development. The 2012 grant had \$166,535, the 2015 grant had \$105,440, the 2016 grant had \$31,725, and the 2018 grant had \$121,739 set aside as in-kind amounts for use by the EPA for the development of the new LGTS software.

The amount of in-kind contributions utilized for the LGTS software during the fiscal year ending June 30, 2019, was \$80,440. The total amount utilized for LGTS as of June 30, 2019, was \$331,771. Additional in-kind contributions were received and capitalized for the Clean Water State Revolving Fund Program, which also utilizes the LGTS software.

8. Loan Fees Administration

To meet the long-term administrative needs of the Program, an annual fee of up to 1% is charged against the outstanding principal on loans. This fee is not included in the loan principal. It is calculated on a semi-annual basis and billed when the loan principal and interest payments are due. The fee is applied to all loans in accordance with Title 131 Nebraska Administrative Code (NAC) Chapter 8 and the loan agreement.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9. Interest on Fund Balance – State Operating Investment Pool

The reported amount represents the earnings the Program received from idle funds invested by the Nebraska State Treasurer with the State's Investment Council. Interest is credited on approximately the 25th day of each subsequent month.

10. Operating Expenses

The operating expenses of the Program are classified, for financial reporting purposes, into five categories. There were expenses related to three set-aside activities established under § 1452 of the Safe Drinking Water Act. The three set-aside activities are the following:

- 15% Source Water Assessment Program
- 2% Technical Assistance to Small Systems
- 10% Public Water Supply System

A Memorandum of Understanding was entered into between the Department and the Nebraska Department of Health and Human Services so that the Department can carry out oversight and related activities of the Program. The Program provides funding to the Nebraska Department of Health and Human Services with the three set-asides noted above.

All set-asides are required to be Federally funded. State match dollars can only be used for the purpose of providing loans to owners of Public Water Supply Systems. Other significant categories of expenses are Loan Forgiveness and Administrative Costs from Fees.

The following is an explanation of these categories:

Administrative Costs from Fees

To meet the long-term administrative needs of the Program, an annual fee of up to 1% is charged against the outstanding principal on loans. This fee is deposited into a separate account and is used for administrative costs of the Program. Revenues from fees can be used to provide the capitalization grant match, loan forgiveness, or planning grants.

15% Source Water Assessment Program

Identified in Federal regulations as local assistance and other State programs, a State may use up to 15% of the capitalization grant amount for specified uses, as follows:

- Provide assistance to a community water system to implement voluntary, incentive-based source water quality protection measures;
- Provide funding to delineate and assess source water protection areas;
- Support the establishment and implementation of wellhead protection programs; and
- Provide funding to a Public Water System to implement technical and/or financial assistance under the capacity development strategy.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. Operating Expenses (Concluded)

2% Technical Assistance to Small Systems

A State may use up to 2% of the grant funds awarded to provide technical assistance to public water systems serving 10,000 people or less. If the State does not use the entire 2% for these activities against a given grant award, it can reserve the excess authority and use it for the same activities in later years. A State may use these funds to support a technical assistance team or to contract with outside organizations to provide technical assistance.

10% Public Water Supply System

A State may use up to 10% of the grant funds awarded to do the following:

- Administer the State Public Water System Supervision program;
- Administer or provide technical assistance through source water protection programs, which includes the Class V portion of the Underground Injection Control Program;
- Develop and implement a capacity development strategy; and
- Develop and implement an operator certification program.

Loan Forgiveness

The total of expenses reported as Loan Forgiveness is the amount of loan principal payments the State subsidized to communities meeting the definition of “disadvantaged” or which the State expects to become disadvantaged as a result of the project. The amount of these subsidies during a particular fiscal year’s capitalization grant cannot exceed 30% of the amount of the capitalization grant for that year.

11. State Employees Retirement Plan (Plan)

The single-employer Plan became effective by statute on January 1, 1964. The Public Employees Retirement Board was created in 1971 to administer the Plan. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected either to continue participation in the defined contribution option or to begin participation in the cash balance benefit. The defined contribution option is closed to new entrants. All new members of the Plan on and after January 1, 2003, become members of the cash balance benefit. The benefits and funding policy of the Plan are established and can only be amended by the Nebraska Legislature.

All permanent full-time employees are required to begin participation in the retirement system upon employment. All permanent part-time employees who have attained the age of 18 years may exercise the option to begin participation in the retirement system.

Contribution – Per statute, each member contributes 4.8% of his or her compensation. The Department matches the member’s contribution at a rate of 156%. The employee’s and employer’s contributions are kept in separate accounts.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

11. State Employees Retirement Plan (Plan) (Concluded)

The employee's account is fully vested. The employer's account is fully vested after a total of three years of participation in the system, including credit for participation in another Nebraska governmental plan prior to actual contribution to the Plan.

Defined Contribution Option – Upon attainment of age 55, regardless of service, the retirement allowance will be equal to the sum of the employee and employer account. Members have several forms of payment available, including withdrawals, deferrals, annuities, or a combination of these.

Cash Balance Benefit – Upon attainment of age 55, regardless of service, the retirement allowance will be equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is a single-life annuity with five-year certain, payable monthly. Members will have the option to convert their member cash balance account to a monthly annuity with built-in cost-of-living adjustments of 2.5% annually. Also available are additional forms of payment allowed under the Plan, which are actuarially equivalent to the normal form, including the option of lump-sum or partial lump-sum.

For the fiscal year ended June 30, 2019, employees contributed \$7,101, and the Department contributed \$11,077. A separate plan report is issued and can be obtained from the Nebraska Public Employees Retirement System. This report contains full pension-related disclosures.

The State of Nebraska Comprehensive Annual Financial Report (CAFR) also includes pension-related disclosures. The CAFR report is available from the Nebraska Department of Administrative Services – Accounting Division or on the Nebraska Auditor of Public Accounts' website at auditors.nebraska.gov.

12. Contingencies and Commitments

Risk Management – The Department is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Department, as part of the primary government for the State, participates in the State's risk management program. DAS is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability, employee health care, employee indemnification, and workers' compensation. The State has chosen to purchase insurance for:

- A. Motor vehicle liability, which includes \$4,700,000 with a self-insured retention of \$300,000. Insurance is also purchased, with various limits and deductibles, for physical damage and uninsured and underinsured motorists. State agencies have the option to purchase coverage for physical damage to vehicles. There is a \$500 deductible for this coverage.
- B. Life insurance for eligible employees.
- C. Crime coverage, with a limit of \$30,975,000 for each loss and a \$25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.
- D. Real and personal property on a blanket basis for losses up to \$400,700,000, with a self-insured retention of \$300,000 per loss occurrence. Newly acquired properties are covered up to \$10 million for 120 days, if the property has not been reported. If not reported after 120 days, the property is not covered. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self-insurance. State agencies have the option to purchase building contents and inland marine coverage.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

12. Contingencies and Commitments (Concluded)

Details of the various insurance coverages are available from DAS – Risk Management Division.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Workers' compensation is funded in the Workers' Compensation Internal Service Fund through assessments on each department based on total department payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or omissions, and natural disasters would be funded through the State General Fund or by individual department assessments, as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Program's financial statements. Health care insurance is funded in the Insurance Trust Funds through a combination of employee and State contributions.

Litigation – The potential amount of liability involved in litigation pending against the Department, if any, could not be determined at this time. However, it is the Department's opinion that final settlement of those matters should not have an adverse effect on the Department's ability to administer current programs. Any judgment against the Department would have to be processed through the State Claims Board and be approved by the Legislature.



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NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

Nebraska Department of Environment and Energy
Lincoln, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program's basic financial statements, and have issued our report thereon dated April 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional items

We also noted a certain additional item that we reported to management of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program in the Comment Section of this report as Comment Number 1 (Financial Statement Errors).

Nebraska Department of Environment and Energy’s Response to the Finding

The Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s response to the finding identified in our audit is described in the Comment Section of the report. The Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. Where no response is indicated, the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program declined to respond.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mark Avery, CPA
Assistant Deputy Auditor

Lincoln, Nebraska
April 10, 2020



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NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO THE NEBRASKA DEPARTMENT OF
ENVIRONMENT AND ENERGY – DRINKING WATER STATE REVOLVING FUND
PROGRAM IN ACCORDANCE WITH THE OMB COMPLIANCE SUPPLEMENT**

INDEPENDENT AUDITOR’S REPORT

Nebraska Department of Environment and Energy
Lincoln, Nebraska

Report on Compliance for the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program

We have audited the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program for the year ended June 30, 2019.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program occurred. An audit includes examining, on a test basis, evidence about the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program. However, our audit does not provide a legal determination of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s compliance.

Opinion on the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program

In our opinion, the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s internal control over compliance with the types of requirements that could have a direct and material effect on the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Mark Avery, CPA
Assistant Deputy Auditor

Lincoln, Nebraska
April 10, 2020

ATTACHMENT 4 - PROJECT INFORMATION FOR SFY 2020 LOANS

PWS System	Project Name	Project Description	Public Health Impact Description	Comments
Albion, City of	Backup Well with Transmission Main	Beginning in 2010, Albion's public water system was receiving violations due to exceedances of the Selenium drinking water standard. In response, a new water supply well was drilled and the high selenium drinking water sources were abandoned. That new well has subsequently been monitored by DHHS and consistently remains a reliable drinking water source, below all primary drinking water standards. A backup well is now proposed in the general vicinity of the 2010 well, approximately ½ mile to the west to replace those wells previously lost to selenium exceedances.	The construction of a backup well in the general vicinity of the system's low-selenium well will ensure an adequate supply of safe drinking water on a continuous basis.	The infrastructure investment in a replacement well is in line with the stated goals of EPA's Drinking Water Infrastructure Sustainability Policy.
Boyd County Rural Water District No. 2	Main Replacements – Niobrara River and Ponca Creek Crossings	This project was needed as the existing transmission main was washed out during a March 2019 flood event, with the failure of the Spencer Dam upstream. Funding will also be provided for emergency wells, needed to maintain minimum service pressures in the public water system and to replace a second water crossing washed out along the Ponca Creek.	The PWS remained under a boiling water notice until the transmission main was re-established, as the temporary wells have minor levels of coliform present in its source.	It is anticipated that the Federal sources of emergency grant assistance will reimburse the District for a majority of project costs, which this loan intends to primarily finance on an interim basis, disbursing only non-Federal sources of funds.
Cass County Rural Water District No. 2	Highway 75 Water Main Relocations	This project is needed to replace or relocate water mains at numerous locations along Highway 75 from Murray to Plattsmouth, required due to a conflict with a Nebraska Department of Transportation project for widening the highway.	N/A	The infrastructure investment in replacing water mains is in line with the stated goals of the U.S. Environmental Protection Agency's Drinking Water Infrastructure Sustainability Policy.
Central City, City of	Blending of Wells #1 and #2, Water Main Replacement, Generator and Test Wells	The project will construct 3,000 feet of water main to blend high nitrate water from Well #1 with water from Well #2 at a single point of entry to the system, replace approximately 4,850 feet of water main along 16th Avenue and 16th Street that is aged, undersized and has had multiple leaks in recent years, install a backup generator at Well #6 to increase emergency capacity, and drilling two test wells to identify future production well sites.	The project will construct 3,000 feet of water main to blend high nitrate water from Well #1 with water from Well #2 at a single point of entry to the system.	The blending main, generator, and distribution main replacement projects are being reasonably sized for future growth. The infrastructure investment in replacing mains is in line with the stated goals of the U.S. Environmental Protection Agency's Drinking Water Infrastructure Sustainability Policy.
Coleridge, Village of	Replacement Water Meters	The funding will replace 264 water service meters in the Village, upgrading to automatic reading technology.	N/A	This project is categorically excluded for the Green Project Reserve due to the upgrade to automatic (radio-read) technology.
Dorchester, Village of	Water Main Replacements and Looping	The project is needed to replace water mains along 9th, 11th and 12th Streets, and looping of mains along part of Jackson Avenue.	N/A	The infrastructure investment in replacing water mains is in line with the stated goals of EPA's Drinking Water Infrastructure Sustainability Policy.

ATTACHMENT 4 - PROJECT INFORMATION FOR SFY 2020 LOANS

PWS System	Project Name	Project Description	Public Health Impact Description	Comments
Ewing, Village of	Replace Water Tower and Distribution System Improvements	In December 2017, a Preliminary Engineering Report was prepared to study the needs of the public water system with system operating pressures highlighted as a concern. The existing supply wells are old, with construction dating back to 1953 through 1973; however, recent inspection records noted no major concerns and each of the wells are still capable of meeting projected peak day demand for the system. Thus the report concluded that the old water tower should be replaced with the same storage capacity, but at a greater height to increase pressures in the distribution system. Further, areas of dead end water mains will be looped to also address the existing pressure concerns.	Included in the distribution system improvements will be replacing the last remaining section of transite (i.e., asbestos-cement) water pipe.	The infrastructure investment in a Replacement Tower and Water Mains is in line with the stated goals of the U.S. Environmental Protection Agency's Drinking Water Infrastructure Sustainability Policy.
Fairbury, City of	Transmission Main Replacement, Improvements to the Water Tower and Chemical Feed System	The City's engineer completed the PER which focused on the groundwater supply for the Fairbury's water system. The report evaluated centralized treatment of the Crystal Springs wellfield for nitrate removal, including alternatives for blending the treated supply with the East wellfield. Should nitrates rise again towards or above the standard, the City will be well positioned to address that concern. The City then fell out of compliance with the copper drinking water standard, and was directed to complete an Optimal Corrosion Control Treatment evaluation. The City must complete the chemical feed installation to address the copper issue by October of 2021. Lastly the PER recommended replacement of the significantly aged undersized transmission main and rehabilitation of the City's water tower.	The City fell out of compliance with the copper drinking water standard, and was directed to complete an Optimal Corrosion Control Treatment evaluation. The City must complete the chemical feed installation to address the copper issue by October of 2021.	The infrastructure investment in a replacing transmission mains is in line with the stated goals of the U.S. Environmental Protection Agency's Drinking Water Infrastructure Sustainability Policy.
Fairfield, City of	New Water Well and Tower Rehabilitation	The funding provided is to finance the construction of a new water supply well, well house, transmission main and rehabilitation of the City's water tower. The coatings on the tower have exceeded their useful life and are in need of a full repainting with minor repairs and safety upgrades.	The City intends to provide a supply to a neighboring community to resolve an Administrative Order with the Nitrate drinking water standard. Nitrates are present regionally in the Fairfield area, and this supply well is not needed to provide capacity for that interconnection, but to spread the withdrawal of water from the local aquifer out over a wider area. This method of aquifer pumping has served other local water systems well in their maintaining compliance with the Nitrate drinking water standard.	N/A

ATTACHMENT 4 - PROJECT INFORMATION FOR SFY 2020 LOANS

PWS System	Project Name	Project Description	Public Health Impact Description	Comments
Lower Niobrara Natural Resources District/West Knox Rural Water District	Main Replacements – Creek Crossings	This project is needed as two lines were washed out during a March 2019 flood event, and numerous others need to be replaced that were severely eroded resulting in buried depths of less than 3 feet. Those are well within the frost zone, thus presenting both a freezing and water main rupturing concern as the winter season approaches.	N/A	It is anticipated that the federal sources of emergency grant assistance will reimburse the system for a majority of project costs, which this loan intends to primarily finance on an interim basis. The infrastructure investment in a replacement mains is in line with the stated goals of the U.S. Environmental Protection Agency's Drinking Water Infrastructure Sustainability Policy.
Marquette, Village of	Replacement Well	The Village's primary Well No. 98-1 was a vertical turbine well, which had to be cleaned due to elevated iron and manganese about every two years. During the cleaning this year, the casing became separated right above the screen and started to produce large amount of sand. The well will be replaced with a new submersible pump well.	N/A	The infrastructure investment in a replacement well is in line with the stated goals of the U.S. Environmental Protection Agency's Drinking Water Infrastructure Sustainability Policy.
Pawnee Co. Rural Water District No. 1	Main Replacements – Creek Crossings	This project is needed as two lines were washed out during a March 2019 flood event, and numerous others need to be replaced that were severely eroded resulting in buried depths of less than 3 feet. Those are well within the frost zone, thus presenting both a freezing and water main rupturing concern as the winter season approaches.	N/A	It is anticipated that the federal sources of emergency grant assistance will reimburse the system for a majority of project costs, which this loan intends to primarily finance on an interim basis. The infrastructure investment in a replacement mains is in line with the stated goals of the U.S. Environmental Protection Agency's Drinking Water Infrastructure Sustainability Policy.
Peru, City of	Temporary Water Treatment Plant, Well Repairs and Distribution System Improvements	This project is needed as the existing Water Treatment Plant (WTP) and well were inundated with water during a March through May 2019 federally declared flood disaster. For Peru, this mainly was a result of a levee failure along the Missouri River. In addition, funding will be provided for distribution system improvements needed to connect the repaired well to the temporary WTP.	N/A	It is anticipated that the Federal sources of emergency grant assistance will reimburse the City for a majority of project costs, which this loan intends to primarily finance on an interim basis.
Plattsmouth, City of	Water Treatment	This project is needed as the existing WTP and wells were inundated with water during a March through May 2019	N/A	It is anticipated that the Federal sources of emergency grant

	Plant, Well Repairs, and Planning	federally declared flood disaster. For Plattsmouth, this mainly was a result of a river channel breach along the Plattsmouth River.		assistance will reimburse the City for a majority of project costs, which this loan intends to primarily finance on an interim basis.
Raven's Nest Homeowners Association	New Well, Upgrade Existing Well, Storage and Meters	In November 2017, the subdivision's Engineer provided a Preliminary Engineering Report that evaluated Ravens Nest's water system needs. The system consisted of three municipal wells (Nos. 1, 2 & 3), no water storage, and a distribution system. Well #3 was connected to the system but inactive for some time. In May of 2017, Wells #2 and #3 were disconnected from the water distribution system. Well #2 was disconnected as per the direction provided an Administrative Order because of shallow depth and potential contamination from surface water. The engineering report recommended construction of a new water supply well and transmission main to replace lost capacity from Well #2, modification of Well #1 to bring it up to equivalent Title 179 design standards, a pressure tank to meet minimum storage requirements, and water meters.	N/A	The new water meters are categorically eligible for funding under the Green Project Reserve. Also, the infrastructure investment in a replacement water well is in line with the stated goals of EPAs Drinking Water Infrastructure Sustainability Policy.
Shelton, Village of	Water Main Replacements and System Mapping	Funding provided for this project is to replace water mains along C and Railroad Streets, as well as various hydrants and valves throughout the town, and for mapping Shelton's water system.	N/A	N/A
South Sioux City, City of	New Water Tower	In November 2018, a Feasibility Analysis was prepared to study the need for a water tower. This was done in conjunction with an application for a grant from the U.S. Economic Development Administration. It was recommended that a new 2.5 million gallon water tower be constructed, as the existing towers cannot meet the present 3 million gallon average day system demand, a recommended design standard. The additional capacity is being reasonably sized based upon expected future growth.	N/A	N/A
Syracuse, City of	Wellfield Land Purchase	In November 2011, a Water System Study was completed by the City's Engineer followed by a Well Field Master Plan in April 2018. Due to nitrate levels trending upward in the City's two existing wells drilled in the 1950s, the 2011 Water System Study prioritized location of an additional water source. This initial loan, from the 15% Set-aside, is for the acquisition of a section of land for well field development. A test well program, and hydrogeologic investigation summarized in the 2018 Well Field Master Plan recommended two additional wells be completed in a deeper groundwater zone with low nitrate concentrations.	The City must demonstrate how the purchase of land or easements will protect the source water of the system from contamination and ensure compliance with national primary drinking water regulations. To accomplish this, the system is completing a Drinking Water Protection Management Plan.	As an alternative to a 9-element Watershed Management Plan, the Drinking Water Protection Management Plan, when accepted by the EPA, would make Syracuse eligible for CWA319 funding. This could result in additional funding for the City to proactively address nonpoint source contamination.

Wayne, City of	Redundant Transmission Main	The City's wellfield is located approximately 5 miles north of town and the public water system is presently supplied by a single transmission main. This project will result in a second line into town, to ensure that the City can always provide for an adequate supply of safe drinking water to it's residents, which is a State regulatory requirement. The project will also include upgrades to their existing supply wells.	N/A	N/A
West Point, City of	Water Treatment Plant Filter and Water Main Replacements	This project is needed to replace their existing water treatment plant filters, and water mains at various locations in the City. The project will also include upgrades to the system controls, installation of variable frequency drives and pigging of other water mains.	The City's water supply has monitored manganese levels above 1,000 ug/L, exceeding EPAs public health advisory level of 300 ug/L. This project will resolve that concern.	The infrastructure investment in replacing the plant filters and water mains is in line with the stated goals of EPAs Drinking Water Infrastructure Sustainability Policy.
Wisner, City of	Replacement Well and Water Tower, Transmission Main and Distribution System Improvements	In June 2015, the City's Engineer completed a Water System Study that evaluated the siting of a replacement well with transmission main, distribution system improvements, and water storage standpipe replacement. The Public Water System consists of three municipal wells, a booster pump station, a 120,000 gallon water storage standpipe, and a distribution system divided into two pressure zones. One of the three municipal wells is on emergency status due to nitrate concentrations over the maximum contaminant limit (MCL), has not been used for potable purposes for two decades, and is recommended for replacement. One of the two remaining wells has a history of exceeding the selenium and nitrate MCLs, and though currently compliant, is planned to be placed on emergency status after the installation of a new well. The water storage standpipe was constructed in 1896. The standpipe's age is a concern for the system and the capacity of the existing standpipe is less than the system's average day demand. The recommended tower would eliminate the need for the booster station; though additional pressure regulation may be needed in the lower elevation (southern) part of town. Lastly, there are numerous sections of the water distribution system which are undersized, prone to breakage, and in need of replacement.	One of the three municipal wells is on emergency status due to nitrate concentrations over the MCL, has not been used for potable purposes for two decades, and is recommended for replacement. One of the two remaining wells has a history of exceeding the selenium MCL, and though currently compliant, is planned to be placed on emergency status after the installation of a new well.	The infrastructure investment in replacing water mains is in line with the stated goals of the U.S. Environmental Protection Agency's Drinking Water Infrastructure Sustainability Policy.

SFY 2020 FUNDING LIST PLANNED					SFY 2020 FUNDED PROGRAM				
PROJECT RANK	PRIORITY POINTS	PUBLIC WATER SYSTEM	ESTIMATED COST	ESTIMATED FORGIVENESS	TOTAL ASSISTANCE	ACTUAL FORGIVENESS	NET LOAN AMOUNT	AGREEMENT DATE/QUARTER	COMMENTS
1	FNSI	RAVEN'S NEST	\$571,000	\$ -	\$ 594,411	\$ -	\$ 594,411	SFY2020-Q1	
2	FNSI	FAIRFIELD, CITY OF	\$515,000	\$ 257,500	\$ 660,000	\$ 330,000	\$ 330,000	SFY2020-Q3	
3	FNSI	CENTRAL CITY, CITY OF	\$2,500,000	\$ 625,000	\$ 2,000,000	\$ 500,000	\$ 1,500,000	SFY2020-Q2	
4	FNSI	WISNER, CITY OF - SFY 2018	\$4,500,000	\$ 1,125,000	\$ 4,439,000	\$ 1,109,750	\$ 3,329,250	SFY2020-Q1	
5	FNSI	FAIRBURY, CITY OF - SFY 2019	\$3,700,000	\$ 925,000	\$ 3,700,000	\$ 925,000	\$ 2,775,000	SFY2020-Q2	
6	FNSI	ALBION, CITY OF	\$700,000	\$ 175,000	\$ 605,520	\$ 151,380	\$ 454,140	SFY2020-Q2	
7	FNSI	EWING, VILLAGE OF	\$710,000	\$ 177,500	\$ 700,000	\$ 175,000	\$ 525,000	SFY2020-Q2	
8	FNSI	WAYNE, CITY OF	\$2,500,000	\$ 375,000	\$ 3,030,000	\$ 454,500	\$ 2,575,500	SFY2020-Q4	
9	CaEx	DORCHESTER, VILLAGE OF	\$260,700	\$ 52,140	\$ 267,000	\$ 53,400	\$ 213,600	SFY2020-Q2	
10	CaEx	SHELTON, VILLAGE OF	\$700,000	\$ 140,000	\$ 700,000	\$ 140,000	\$ 560,000	SFY2020-Q4	
11	CaEx	CASS CORWD NO. 1	\$2,077,000	\$ -	\$ 1,100,000	\$ -	\$ 1,100,000	SFY2020-Q1	
12	135	HARTINGTON, CITY OF	\$795,000	\$ 198,750	\$ -	\$ -	\$ -	N/A	Project delayed, s hifted to the SFY 2021 Funding List
13	120	FULLERTON, CITY OF	\$860,000	\$ 215,000	\$ -	\$ -	\$ -	N/A	Project delayed, s hifted to the SFY 2021 Funding List
14	100	BLAIR, CITY, OF	\$14,500,000	\$ 2,175,000	\$ -	\$ -	\$ -	N/A	Project delayed, s hifted to the SFY 2021 Funding List
15	90	SYRACUSE, CITY OF	\$8,599,000	\$ 1,719,800	\$ 1,000,000	\$ 200,000	\$ 800,000	SFY2020-Q4	2nd Phase of Project on SFY 2021 Funding List
16	60	CHADRON, CITY OF	\$1,500,000	\$ 225,000	\$ -	\$ -	\$ -	N/A	Project delayed, s hifted to the SFY 2021 Funding List
17	60	UTICA, VILLAGE OF	\$436,000	\$ 5,494	\$ -	\$ -	\$ -	N/A	Project delayed, s hifted to the SFY 2021 Funding List
18	60	METROPOLITAN UTILITIES DISTRICT - SFY 2018	\$6,552,655	\$ -	\$ -	\$ -	\$ -	N/A	Project delayed, s hifted to the SFY 2021 Funding List
19	55	CR OOKSTON, VILLAGE OF	\$146,700	\$ -	\$ -	\$ -	\$ -	N/A	Project privately funded
SFY 2019/2020 PLANNING LIST - BYPASS SYSTEMS					SFY 2020 FUNDED PROGRAM				
NR		BLAIR, CITY, OF	Amendment	N/A	\$ 300,000	\$ 45,000	\$ 255,000	SFY2020-Q1	Funded per SFY2019 Bypass Criteria
NR		BOYD COUNTY RWD NO. 2	Emergency	N/A	\$ 2,000,000	\$ -	\$ 2,000,000	SFY2020-Q1	Funded per SFY2019 Bypass Criteria
NR		COLERIDGE, VILLAGE OF	\$ 475,000	N/A	\$ 200,000	\$ -	\$ 200,000	SFY2020-Q3	Funded per SFY2020 Bypass Criteria
NR		LOWER NIOBRAR ANRD /WEST KNOX RWD	Emergency	N/A	\$ 370,000	\$ -	\$ 370,000	SFY2020-Q2	Funded per SFY2020 Bypass Criteria
NR		MARQUETTE, VILLAGE OF	\$ 830,000	N/A	\$ 150,000	\$ 37,500	\$ 112,500	SFY2020-Q2	Funded per SFY2020 Bypass Criteria
NR		PAWNEE CO. RWD NO. 1	Emergency	N/A	\$ 720,000	\$ -	\$ 720,000	SFY2020-Q4	Funded per SFY2020 Bypass Criteria
NR		PERU, CITY OF	Emergency	N/A	\$ 1,490,000	\$ -	\$ 1,490,000	SFY2020-Q4	Funded per SFY2020 Bypass Criteria
NR		PLATTSMOUTH, CITY OF	Emergency	N/A	\$ 1,825,000	\$ -	\$ 1,825,000	SFY2020-Q1	Funded per SFY2019 Bypass Criteria
NR		SOUTH SIOUX CITY, CITY OF	\$ 4,422,000	N/A	\$ 5,600,000	\$ -	\$ 5,600,000	SFY2020-Q3	Funded per SFY2020 Bypass Criteria
NR		WEST POINT, CITY OF	\$ 725,000	N/A	\$ 2,765,000	\$ 553,000	\$ 2,212,000	SFY2020-Q3	Funded per SFY2020 Bypass Criteria
					\$ 34,215,931	\$ 4,674,530	\$ 29,541,401		