

State of Nebraska
Department of Environment & Energy

Drinking Water State Revolving Fund Annual Report

State Fiscal Year 2021



November 2021

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EXECUTIVE SUMMARY

Biennial reports are a requirement of the Environmental Protection Agency (EPA) for the Drinking Water State Revolving Loan (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) 2021 (July 1, 2020 through June 30, 2021).

The Nebraska DWSRF Annual Report for SFY 2021 describes the state's efforts to meet the goals and objectives and reports on the progress made for the DWSRF. The projects funded from 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 \$287.4 million and \$37.1 million in loan forgiveness to 262 Public Water System (PWS) projects beginning with the Program's inception in year 1997 through June 30, 2021. Due to the ongoing impacts from the Covid-19 pandemic, two notable amendments were made to the SFY 2021 IUP. The first was an Added Forgiveness program wherein certain qualified borrowers, those who are both past loan recipients and are developing current projects that will be funded through the DWSRF, were eligible for Added Forgiveness on new loans equivalent to a reduction down to 0.5% Interest plus 0.5% Administration Fee on their historical program debt. Two loans were part of that program to date, with at least ten planned for next fiscal year. Second, a 0% rate program, both interest and administrative fees, was established and had binding commitments made in the second half of the fiscal year. Thirty-three (33) communities will be provided 0% funding capped at \$100 million, with the majority of that funding disbursed in subsequent years.

I. FINANCIAL SCHEDULES SECTION

BACKGROUND

The 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 DWSRF Act. The Federal Safe Drinking Water Act and Nebraska State statutes established the DWSRF Program to provide loans, at below market interest rates, to finance the construction of publicly and not-for-profit 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 20 to 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 20 percent of the Federal Capitalization Grant as matching funds in order to receive the grant. As of June 30, 2021, the EPA has awarded a cumulative total of \$215.7 million in capitalization grants to the state, plus \$19.5 million in American Recovery and Reinvestment Act (ARRA) funds. The award of this \$215.7 million required the state to contribute approximately \$47.04 million in matching funds. Matching funds have been obtained through the issuance of short and long-term revenue bonds, cash from the Special Reserve Accounts of retired bonds, or from transfers out of the Drinking Water Administration Fund.

The Department's primary activities include the making of loans for facilities, and the management and coordination of the Program. The Nebraska Environmental Quality Council (EQC) approves the rules and regulations of the Department and the DWSRF 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 2021. 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 are 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 2021, the net position of the Program increased by 2.4%. The cash balance in current assets increased significantly due to several large loan payoffs, amounting to over \$6 million for the fiscal year. The increase in current liabilities is mainly due to an increase in Accounts Payable and Accrued Liabilities of \$110,401.

NET POSITION			
	2021	2020	% Change
Current Assets	\$ 145,967,189	\$ 134,090,044	8.9%
Non-current Assets	79,076,831	85,476,127	-7.5%
Total Assets	225,044,020	219,566,171	2.5%
Current Liabilities	843,089	641,351	31.5%
Non-current Liabilities	22,484	29,535	-23.9%
Total Liabilities	865,573	670,886	29.0%
Net Position:			
Net Investment in Capital Assets	445,142	352,004	26.5%
Unrestricted	223,733,305	218,543,281	2.4%
Total Net Position	\$ 224,178,447	\$ 218,895,285	2.4%

CHANGES IN NET POSITION

	2021	2020	% Change
Loan Fees Administration	\$ 745,037	\$ 802,475	-7.2%
Interest on Loans	1,700,048	1,847,553	-8.7%
Other Operating Income	54,161	62,677	-15.7%
Total Operating Revenues	2,499,246	2,712,705	-7.9%
Administration & Set-Asides	599,635	467,899	21.0%
Loan Forgiveness	2,933,262	2,766,926	5.7%
Grant Expense	2,475,026	1,810,994	26.8%
Total Operating Expenses	6,007,923	5,045,819	16.1%
Operating Income (Loss)	-3,508,677	-2,333,114	-33.5%
Federal Grants	6,828,204	13,480,138	-97.4%
Interest Revenue	1,999,712	2,613,611	-30.7%
Bond Expenses	-36,077	33,757	-100.0%
Total Non-Operating Revenue (Expense)	8,791,839	16,127,506	-83.4%
Change in Net Position	5,283,162	13,794,392	-100.0%
Beginning Net Position July 1	218,895,285	205,100,893	6.3%
Ending Net Position June 30	\$ 224,178,447	\$ 218,879,012	2.4%

Note: The difference between the ending net position for 2020 and the beginning for 2021 was due to a change following the state auditor's review of the 2020 changes in net position figures.

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 populations make it difficult to collect the amount of user fees needed to fund infrastructure improvements. The negative impacts from the Covid-19 pandemic, with the resultant supply chain effects on equipment and material purchases (i.e., 4-month delays, ~20% cost increases, etc.), are still forecasted.

DEBT ADMINISTRATION

Short-Term Debt

The Program had short-term debt activity during the fiscal year resulting from a bond issue. The bond 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 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 and 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. LGTS switched to a web-based format in August 2020.
- SFY 2021: Began building a cash flow model.

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 Department 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 2021.

DRINKING WATER STATE REVOLVING FUND PROGRAM
UNAUDITED BALANCE SHEET
Fiscal Year Ended June 30, 2021

Enterprise Fund

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents:

Cash in State Treasury (Note 2)	\$ 139,947,661
Due from Federal Government	425,727
Interest Receivable	173,163
Loans Receivable (Note 3)	5,420,638

TOTAL CURRENT ASSETS	145,967,189
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NON-CURRENT ASSETS

Loans Receivable (Note 3)	\$ 78,631,689
Capital Assets, Net (Note 4)	445,142

TOTAL NON-CURRENT ASSETS	79,076,831
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TOTAL ASSETS	\$ 225,044,020
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable & Accrued Liabilities	\$ 414,583
Due to Grant Recipients (Note 1)	425,727
Compensated Absences (Note 6)	2,779

TOTAL CURRENT LIABILITIES	\$ 843,089
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NON-CURRENT LIABILITIES

Compensated Absences (Note 6)	22,484
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TOTAL NON-CURRENT LIABILITIES	22,484
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TOTAL LIABILITIES	\$ 865,573
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NET POSITION

Net Investment in Capital Assets	445,142
Unrestricted	223,733,305

TOTAL NET POSITION	224,178,447
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TOTAL LIABILITIES AND NET POSITION	\$ 225,044,020
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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, 2021

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration (Note 8)	\$ 745,037
Interest on Loans	1,700,048
Other Operating Income	54,161
TOTAL OPERATING REVENUES	\$ 2,499,246
OPERATING EXPENSES:	
Administrative Costs from Fees (Note 10)	599,635
15% Source Water Assessment Program (Note 10)	1,349,199
2% Technical Assistance to Small Systems (Note 10)	187,552
10% Public Water Supply System (Note 10)	938,275
Loan Forgiveness (Note 10)	2,933,262
TOTAL OPERATING EXPENSES	\$ 6,007,923
OPERATING LOSS	\$ (3,508,677)
NONOPERATING REVENUE (EXPENSE)	
Capital Contributions - Federal Grants (Note 7)	\$ 6,735,065
Capital Contributions - Federal Grants - Capital Assets	93,139
Interest on Fund Balance - State Operating Investment Pool (Note 9)	1,999,712
Interest Expense on Bonds Payable (Short-Term)	
Cost of Bond Issuance	(36,077)
TOTAL NONOPERATING REVENUE (EXPENSE)	\$ 8,791,839
CHANGE IN NET POSITION	5,283,162
TOTAL NET POSITION, BEGINNING OF YEAR	218,895,285
TOTAL NET POSITION, END OF YEAR	\$ 224,178,447

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM
UNAUDITED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 19,766,534
Payments to Borrowers	(13,244,088)
Payments for Administration	(599,635)
Payments for 15% Source Water Assessment Program	(1,349,199)
Payments for 2% Technical Assistance to Small Systems	(187,552)
Payments for 10% Public Water Supply System	(938,275)
Payments for Loan Forgiveness	(2,933,262)
Receipts from Other Operating Income	54,161
NET CASH FROM OPERATING ACTIVITIES	\$ 568,684
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Grants Received From the Environmental Protection Agency	\$ 8,884,762
Bond Interest Payments (Short-Term)	
Payment for Bond Issuance Costs (Short-Term)	(36,077)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$ 8,848,685
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Contributions	\$ 93,139
Purchase of Capital Assets	(93,139)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	\$ 0
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	\$ 1,999,712
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 1,999,712
Net Increase in Cash and Cash Equivalents	11,417,081
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	128,230,580
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 139,647,661
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Net Operating Loss	\$ (3,508,677)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
(Increase)/Decrease in Loans Receivable	3,882,675
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	312,881
Increase/(Decrease) in Compensated Absences	(7,924)
Increase/(Decrease) in Payables to Grant Recipients	(110,271)
NET CASH FROM OPERATING ACTIVITIES	\$ 568,684

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, 2021

Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the Department's Program have been prepared in conformity with Generally Accepted Accounting Principles (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 DWSRF Act of the State of Nebraska. The Department is a state agency established under and governed by the laws of the State of Nebraska. 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 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 DWSRF 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 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 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 0% to 4.0%, and the terms on these outstanding loans range from 13 to 40 years.

The Program's loans are funded from federal capitalization grants, state match funding, and the revolving fund made up of repaid principal 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 repaid 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, 2021, which is collectible for SFY 2022. Loans receivable that were paid in full, prior to their due date, as of August 31, 2021, 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 LGTS software, and it is recorded at cost. In SFY 2020, the Department 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 Department 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, on a tiered forgiveness percentage based on population and median household income. 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.

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, 2021. 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 2021. Amounts are allocated on a monthly based on average balances of all invested funds.

Amounts Held by Trustee – As of June 30, 2021, there were no Program funds held by the Trustee, as all outstanding bonds were paid off.

3. Loans Receivable

As of June 30, 2021, the Program had 132 outstanding community loans that totaled \$84,052,327. The outstanding balances of the 10 communities with the largest loan balances, which represent 46.4% of the total loans, were as follows:

<u>Community</u>	<u>Outstanding Balance</u>
Lincoln	\$ 10,319,158
York	3,884,752
Blair	3,637,430
Sidney	3,612,547
Ogallala	3,375,520
South Sioux City	3,204,433
MUD-Omaha	3,185,094
Oshkosh	2,752,653
Scribner	2,679,367
Wayne	2,361,533
TOTAL	\$ 39,012,487

4. Capital Assets

The Drinking Water SRF capital assets activity for the year ended June 30, 2021, 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)	<u>\$ 352,003</u>	<u>101,582</u>	<u>\$ -</u>	<u>453,585</u>

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 Department to provide the 20% match requirements for the Department’s Federal Capitalization Grants. Interest revenue from Program loans is pledged to pay off the bonds. During the fiscal year, the Program issued a \$1,500,000 Short Term Bond and utilized \$702,200 of administrative cash funds to meet match requirements for the 2020 DWSRF grant.

6. Non-current Liabilities

Changes in non-current liabilities for the year ended June 30, 2021, 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	<u>29,535</u>	<u>\$ 0</u>	<u>7,051</u>	<u>\$ 22,484</u>	<u>2,779</u>

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, 2021. 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, 2021 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	10,914,261	-
2019	11,004,000	10,307,711	696,289
2020	11,011,000	6,204,283	4,806,717
TOTAL	\$ 235,241,026	\$229,616,281	\$5,503,006

Not included in the above grant totals are the amounts set aside as in-kind contributions for the LGTS software development.

The total amount utilized for LGTS as of June 30, 2021, was \$453,585. 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 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 four set-aside activities established under §1452 of the Safe Drinking Water Act. The four set-aside activities are:

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

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 PWS 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 PWS 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 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 PWS 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 subsidized to communities meeting the definition of “disadvantaged” or which the Program expects to become disadvantaged as a result of the project. The amount of these subsidies during a particular fiscal year varies based on the capitalization grant conditions 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.

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, 2021, employees contributed \$14,506.79 and the Department contributed \$22,630.60. 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 DAS – Accounting Division or on the Nebraska Auditor of Public Accounts’ website at www.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. The DAS 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 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.

II. PROGRAM INFORMATION SECTION

A. Fund Activities

1. Loan and Investment Status

The fund has a loan portfolio containing \$278,070,112 in total loan allocations, of which \$166,211,266 has been repaid; \$84,052,327 is outstanding, leaving \$27,806,519 still to be disbursed. Details on the fund portfolio of 262 loans are in Attachment 1. The blended interest rate on the SFY 2021 outstanding loan balance is 1.94%. The result was an overall 11.1 basis point increase from SFY 2020. The blended rate will start to decrease again over the next year, upon the 0% loan Program being fully implemented.

2. Sources of DWSRF Funds by Quarter

The \$1,500,000 NIFA / DWSRF 2020A bond, state match for the Federal Fiscal Year (FFY) 2020 capitalization grant was issued on August 6, 2020, coupled with a transfer from the Administration Cash Fund for the capitalization grant award made on August 7, 2020.

**SOURCE OF STATE MATCH
PROGRAM FUNDING AND FFY 2020
CAPITALIZATION GRANT**

NIFA Bond	Quarter	Bond Funds	Cash
2020A	SFY 2021-Q1	\$1,500,000	\$702,200

CAPITALIZATION GRANT PAYMENT SCHEDULE

CAP GRANT	QUARTER	PAYMENT
FFY 2020	SFY 2020-Q1	\$11,001,000

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

The DWSRF entered into 9 binding commitments in order to provide financial assistance to PWS projects totaling \$19,105,248 in the past fiscal year. Of that amount, disadvantaged communities received \$3,628,187 in forgiveness funding. The minimum grant conditions for additional subsidization (e.g., principal forgiveness) were met.

Attachment 2 provides information showing the loan agreements entered into during SFY 2021 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 \$234,035,133. The DWSRF has reached a cumulative binding commitment amount of initial loan awards of \$352,973,124 or 151% of the required amount.

4. 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 and is not presently exercising this set-aside option for staffing.

DWSRF oversight has included the following activities:

- Developed Program documents and procedures.
- Conducted Needs Surveys and solicited applications.
- Reviewed and adopted the priority ranking system.
- Developed, issued, and conducted a public hearing for the IUP.
- Grant and loan application processing.
- Developed the Set-Aside Work Plan.
- Performed technical reviews of preliminary engineering reports.
- Determined compliance of project construction documents with Nebraska and Federal Safe Drinking Water Act requirements.
- Finding of No Significant Impact (FNSI) & Categorical Exclusion issuance.
- Performed capacity development strategy related reviews.
- Completed special EPA / DWSRF workload activities as requested.
- Reviewed Operation and Maintenance Manuals.
- 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.

5. Small System Technical Assistance (2% Set-aside):

During SFY 2021, contracts were active 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 25 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.

6. Capacity Development

From July 1, 2020 through June 30, 2021, MAP, under the technical, financial and managerial contract, made system visits with an average of 25 contacts per month for a total of 302 contacts involving 237 PWSs. During the same time period, the NeRWA provided nine board/council training sessions and a total of 34 initial and follow-up financial and managerial assessments to systems receiving SRF funding. While assistance was difficult during the first half of the fiscal year due to limited travel during the ongoing COVID-19 pandemic both MAP and NeRWA utilized phone, email, and virtual meetings to continue helping systems.

In SFY 2021, Field Services representatives performed 459 Routine Sanitary Surveys (RSS) and 11 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 244 Community, 49 Non-Transient, and 166 Transient Non-Community Routine Sanitary Surveys performed. The numbers of deficiencies found are as follows:

Community Systems:

Significant: 432 Minor: 178

A total of 610 deficiencies. Average of ~2.5 significant or minor deficiencies per system

Non-Transient Non-Community Systems (NTNC):

Significant: 50 Minor: 24

A total of 74 deficiencies. Average of ~1.5 significant or minor deficiency per system.

Transient Non-Community Systems:

Significant: 222 Minor: 48

A total of 270 deficiencies. Average of ~1.6 significant or minor deficiencies per system.

The vast majority of these are record keeping related deficiencies. Of the 954 significant and minor deficiencies found in SFY 2021 there are 137 left to still be corrected, an 86% deficiency correction rate. There are 70 PWSs that had a Routine Sanitary Surveys from the fiscal year that still have at least one outstanding deficiency. Eighty-five 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 2022. 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 70 PWS with deficiencies

still to be corrected, 27 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.

7. State Program Management (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 Program's 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

Held 12 water operator training courses applicable to various grade levels during SFY 2021. Water operator licenses were issued to 128 individuals. The number issued per license grade is as follows:

- Grade I - 2 license
- Grade II - 1 licenses
- Grade III - 14 licenses
- Grade IV - 111 licenses

During SFY 2021, water operator training courses and examinations gradually resumed to normal scheduling with precautions undertaken to minimize the spread of COVID-19. 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.

8. Local Assistance and Other State Programs (15% Set-aside):

A. Land Acquisition for Source Water Protection

The Program disbursed on its first land acquisition loan 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, 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 wellhead protection (WHP) area and establish a robust Nebraska Department of Environment Energy (NDEE) and EPA approved DWMPP 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 DWMPP.

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. A second land acquisition loan is planned for next fiscal year.

B. Source Water Delineation and Assessment

Nebraska's Source Water Assessment Program (SWAP) was submitted to EPA Region VII in February 1999 and approved in October 1999. Implementing the EPA approved Program in cooperation NeRWA, 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. Staff continue to work with public water suppliers to develop protection actions for their drinking water supplies and updating Drinking Water Protection Area maps (or adopted the acceptable work of others) for Nebraska public water supplies. As of June 30, 2021, a cumulative 116 PWS have completed state-approved wellhead protection plans.

The communities of David City and Wahoo were awarded Source Water Grants totaling approximately \$87,950 from the 2020 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 PER services but cannot exceed \$20,000 per system. Six grant awards were made in SFY 2021 totaling \$120,000, which included three high priority ranked communities planning to address compliance with regulated drinking water standards. In addition, the Program awarded other grants as part of a pilot program for projects which could address levels of manganese above EPAs public health advisory level.

Since its inception in SFY 2002, the DWSRF has awarded planning grants to 144 communities for a total of \$1,915,320.

D. Capacity Development

The DWSRF continues to use this set-aside to fund one Full Time Expense (FTE) staff. That position administers the Public Water System Capacity Development Program. 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 PWS operators and owners in areas such as asset management; capacity development; emergency response planning; water loss accounting; and rate structures. Four 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 2021. The grant award was 90% of eligible security costs, with a maximum grant award of \$10,000 with a 10% match required. All funding was awarded last fiscal year resulting in the following types of security improvements being made to systems: alarms/cameras (13), backup power (10), buildings/doors/etc. (6), fencing/lighting (6), sampling stations (6), and mapping (13). A total of 51 grants for \$401,809 were awarded.

9. 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, 2021, the ACH draw was \$197,982,838 and the match disbursement was \$42,836,252 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 2021, 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
- Maintain loan, set-aside, and administration accounts
- 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)
- Maintain system to minimize risk of waste, fraud, abuse, and corrective actions
- Develop and submit project priority ranking system
- Take payments based on payment schedule
- Deposit state matching funds
- Submit annual 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
- Ensure recipient compliance with applicable federal cross-cutting authorities
- Implement capacity development strategy (See II.A.5, 6 & 8.D)
- Implement an operator certification program (See II.A.7.B)
- Conduct environmental reviews as listed below:

The Program is required by federal and state regulations to do a National Environmental Policy Act (NEPA) like review for funded projects. Last fiscal year, it was determined no Environmental Impact Statements (EIS) were necessary. Environmental Assessments were prepared and a FNSI was issued for the Crete, Emerson, Hay Springs, Platte Center

and Sarpy County SID #79 projects. Categorical Exclusions were provided for the Atkinson, Blair, Cozad, Fairmont, Filley, Grant, Johnson County RWD, Laurel, Loup City, Milford, Minden, O'Neill, Stromsburg, Valentine, Wahoo and Yutan projects.

EPA allows states to utilize equivalency for some regulations or conditions of the capitalization grant, including FFATA requirements. FFATA entries were made for Falls City and Syracuse to meet the FFY 19 grant requirement and Blair plus pending loans will satisfy FFY 20 grant. Project signs were provided to all the noted projects.

2. Short Term Goals and Accomplishments

Eight short-term goals were described in the SFY 2021 IUP. 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 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.

Due to the ongoing impacts from the Covid-19, a 0% rate program was established for both interest and fee, which had thirty-three (33) binding commitments made in the second half of the fiscal year.

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

Four of the nine loans closed during the last fiscal year met this goal, with two projects to address long-term concerns with nitrates, one for uranium and the last addressed significant infrastructure issues.

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. In addition to the above, the remaining loans replaced a failing solids contact unit, deteriorated wells and water mains, provided looping of mains to improve system pressures, and/or replaced aging water supply wells.

4. Assist systems in meeting required drinking water quality standards. This includes giving priority to systems with compliance deadlines.

No projects funded last year resolved existing administrative orders; however, the priority ranking system gives equal weight to projects that proactively address developing public health concerns. The project in McCool Junction will provide a blending supply well to maintain nitrate levels below the drinking water standard, and the replacement well projects in Paxton and Platte Center allowed those two towns to place wells high in uranium and nitrates, respectively, on emergency use only status.

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

The DWSRF routinely provides technical, financial, and managerial (TFM) assistance to PWSs. The MAP and NeRWA, as the 2% Team Contractors, provided TFM assistance to small systems throughout Nebraska. All funded projects undergo an enhanced assessment of TFM capabilities. Lastly, a requirement of the Syracuse wellfield project was the preparation of a DWMPP, which could result in the community being eligible for future 319 grant assistance.

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

All loans closed last fiscal year with the DWSRF were with communities below 10,000 in population.

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 continued but did not reach a conclusion due to the ongoing impact of the COVID-19 pandemic. Priority was given to establishing the 0% rate program.

9. Develop a marketing program.

Achieving this goal also did not reach a conclusion, again due to the ongoing impact of the COVID-19 pandemic. Priority was given to establishing the 0% rate program.

3. Long Term Goals and Accomplishments

Seven long-term goals were included in the IUP 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.

Reflective of recent economic concerns, the 0% program was established in the second half of the fiscal year. By the end of the fiscal year when the cap of \$100M was reached on the 0% program, rates were increased to 0.5% Interest plus 0.5% Administrative Fee. This structure will ensure that the DWSRF will serve as a solid short-term source of funding by realizing an adequate rate of return with consideration for current market rates. Those rates will continue to be monitored with respect to inflation.

Disbursements have been completed with 100% of the state match funds drawn first, prior to any request for associated capitalization grant funds. It is 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 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 eligible PWSs. 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 funding needs. Records of systems user charges are now compiled by the NeRWA and Program staff, reviewed periodically for comparison to 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 replacing lead service lines.

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

Last fiscal year, three of the nine loan agreements were made to proactively address public health issues. Further, the noted ranking changes to elevate the importance of manganese related infrastructure projects continued to be supported by the offering of planning grant funds to assist in the development of such projects. Through the WWAC monthly meetings, eligible projects are discussed by state and Federal agencies and evaluated for the health-related issues being addressed, project alternatives, cost-effectiveness, and long-term solution for water systems.

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. Further, the Interagency PER Template developed by the federal agency leads of Nebraska's water infrastructure funding programs was adopted by the committee. The WWAC has been a collaboration since 1997 to help address water and wastewater infrastructure needs in our communities.

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 has provided low-interest loans and forgiveness since inception. With the continued mandatory subsidization requirement of not less than 20%, and for certain grants, up to 55% with the passage of the America's Water Infrastructure Act, the ability to provide affordable financing continued to increase this past fiscal year. The WWAC includes the Nebraska Department of Economic Development, which administers the Community Development Block Grant program, and USDA-Rural Development, which also administers Business and Community programs, providing both loan and grant assistance. These programs all ensure low cost financial assistance will be available to fund drinking water infrastructure projects in Nebraska.

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.

The significant impact of the COVID-19 pandemic and associated supply chain disruptions simply resulted in the need to suspend achieving this goal this past year. Further, in order to comply with the market rate program requirement, it is unlikely that it will be met next fiscal year. Regardless, financial markets will be monitored to ensure that the Program is returned to long-term stability when conditions permit.

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

Through routine sanitary surveys of PWSs and implementation of wellhead protection programs, incorporating source water management concepts into community water systems has been a longstanding practice at NDEE. This year statewide PWS capacity surveys were developed to both identify and therefore provide assistance to systems that wish to formally establish wellhead protection areas and prepare DWMPPs.

C. Funded Program

The Annual Report reflects the results and changes from the SFY 2021 IUP approved by the EQC on June 15, 2020, and amendments approved on December 15, 2020 and January 27, 2021. Project information for the loans closed last fiscal year is provided in Attachment 4.

D. Program Changes and Program Changes under Consideration

Program rates are presently set at 0.5% Interest plus 0.5% Administration Fee, which will be re-evaluated in early spring of 2022.

The SRF Program will undergo a Lean Six Sigma Kaizen process improvement in the upcoming fiscal year.

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D311223	Adams		P	209,831.00	209,831.00	0.00	2.75	0.00		
D311613	Adams	FFATA	F	1,978,898.00	124,617.51	1,854,280.49	2	3,708,560.98		
D311151	Ainsworth		P	919,790.00	919,790.00	0.00	2.5	0.00		
D311493	Ainsworth		P	350,000.00	350,000.00	0.00	3	0.00		
D311001	Albion		P	492,950.00	492,950.00	0.00	3	0.00		
D311152	Albion		F	282,000.00	94,390.94	187,609.06	2	375,218.12		
D311630	Albion		F	454,140.00	22,221.80	431,918.20	1.5	647,877.30		
D311224	Alda		P	697,000.00	697,000.00	0.00	2	0.00		
D311517	Alda	ARRA	F	150,878.00	71,742.43	79,135.57	2	158,271.14		
D311496	Alliance	ARRA	P	3,513,951.00	3,513,951.00	0.00	2	0.00		
D311511	Alliance		P	595,224.00	595,224.00	0.00	2	0.00		
D311393	Ansley		P	595,260.00	595,260.00	0.00	3	0.00		
D311225	Arapahoe		P	450,000.00	450,000.00	0.00	2.5	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	P	4,501,502.00	4,501,502.00	0.00	2.3	0.00		
D311004	Aurora		P	300,000.00	300,000.00	0.00	2.8	0.00		
D311495	Aurora		P	226,733.00	226,733.00	0.00	3	0.00		
D311553	Aurora	FFATA	F	472,387.00	86,439.08	385,947.92	2	771,895.84		
D311563	Aurora	GP11	P	198,122.00	198,122.00	0.00	2	0.00		
D311623	Aurora		F	475,898.00	29,497.36	446,400.64	2	892,801.28		
D311226	Bancroft		P	591,000.00	591,000.00	0.00	2.5	0.00		
D311227	Barneston		P	32,794.00	32,794.00	0.00	2.5	0.00		
D311091	Bassett		F	138,342.00	117,034.42	21,307.58	2.5	53,268.95		
D311005	Bayard	ARRA	D	112,065.00	58,927.32	53,137.68	2	106,275.36		
D311567	Bayard		F	188,676.00	54,073.10	134,602.90	2	269,205.80		
D311147	Beatrice		P	826,223.00	826,223.00	0.00	3.18	0.00		
D311006	Beaver Lake	UNPL	P	3,276,647.00	3,276,647.00	0.00	4	0.00		
D311389	Bee		F	247,311.00	68,070.61	179,240.39	2	358,480.78		
D311516	Bellwood	ARRA	F	142,924.00	64,136.94	78,787.06	2	157,574.12		
D311073	Benedict		F	455,000.00	142,342.17	312,657.83	3.42	1,069,289.78		
D311142	Bennet	ARRA	P	216,310.00	216,310.00	0.00	3	0.00		
D311399	Bennet		P	612,697.00	612,697.00	0.00	2	0.00		

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D311228	Big Springs		P	851,000.00	851,000.00	0.00	2.5	0.00		
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	546,151.88	2,248,435.12	2.25	5,058,979.02		
D311619	Blair	FFATA	F	1,443,606.00	54,611.07	1,388,994.93	2	2,777,989.86		
D311131	Bloomfield		P	203,361.00	203,361.00	0.00	3	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	0.00		
D311094	Blue Hill		P	459,656.00	459,656.00	0.00	3	0.00		
D311132	Boyd Cnty RWD 2		P	822,000.00	822,000.00	0.00	3.3	0.00		
D311636-E	Boyd Cnty RWD 2			2,000,000.00	1,316,636.86	309,467.14	0	0.00		
D311288	Bradshaw	ARRA	P	175,669.00	175,669.00	0.00	2	0.00		
D311081	Brady		F	365,547.00	195,102.31	170,444.69	3.3	562,467.48		
D311404	Bridgeport	ARRA	P	775,068.00	775,068.00	0.00	2	0.00		
D311529	Bridgeport		P	833,728.00	833,728.00	0.00	2.14	0.00		
D311405	Bristow		P	80,000.00	80,000.00	0.00	2.75	0.00		
D311008	Broadwater		P	79,000.00	79,000.00	0.00	3	0.00		
D311229	Broken Bow		F	1,822,222.00	836,322.42	985,899.58	2.62	2,583,056.90		
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	2.5	0.00		
D311010	Brunswick		P	219,500.00	219,500.00	0.00	3	0.00		
D311561	Brunswick		F	81,658.00	27,641.10	54,016.90	2	108,033.80		
D311011	Butte		P	584,000.00	584,000.00	0.00	3	0.00		
D311549	Cairo		F	302,403.00	100,296.66	202,106.34	2.25	454,739.27		
D311456	Carroll	GP10	F	180,380.00	67,406.33	112,973.67	2	225,947.34		
D311628	Cass Cnty RWD 1			1,100,000.00	0.00	0.00	1.5	0.00		
D311159	Cedar-Knox (L&C NRD)		P	249,000.00	249,000.00	0.00	3	0.00		
D311524	Cedar-Knox (L&C NRD)		P	67,112.00	67,112.00	0.00	2	0.00		
D311012	Central City		F	387,572.00	354,544.09	33,027.91	2.75	90,826.75		
D311603	Central City		F	434,007.00	105,819.87	328,187.13	2	656,374.26		
D311629	Central City	FFATA		1,500,000.00	25,895.05	1,034,871.95	1.5	1,552,307.93		
D311096	Ceresco		P	1,178,586.00	1,178,586.00	0.00	3.63	0.00		

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D311013	Chadron		P	713,008.00	713,008.00	0.00	3	0.00		
D311294	Clarks		F	305,000.00	196,289.49	108,710.51	2.5	271,776.28		
D311509	Clarks		F	516,836.00	219,262.61	297,573.39	2	595,146.78		
D311014	Clarkson		F	150,000.00	49,140.77	100,859.23	2	201,718.46		
D311163	Clay Center		P	521,158.00	521,158.00	0.00	3	0.00		
D311645	Coleridge		F	163,168.00	3,602.79	159,565.21	1.25	199,456.51		
D311546	Cortland	GP10	P	1,740,472.00	1,740,472.00	0.00	2.55	0.00		
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	0.00		
D311557	Creighton		P	754,298.00	754,298.00	0.00	2.29	0.00		
D311017	Culbertson		F	236,862.00	229,059.26	7,802.74	3	23,408.22		
D311018	Cuming Cnty RWD 1		F	643,981.00	582,067.23	61,913.77	3.08	190,694.41		
D311457	Cuming Cnty RWD 1		F	323,435.00	232,247.93	91,187.07	2.75	250,764.44		
D311506	Dalton	ARRA	F	197,024.00	93,659.56	103,364.44	2	206,728.88		
D311167	Davenport		P	440,000.00	440,000.00	0.00	3.4	0.00		
D311169	David City		F	626,435.00	602,788.32	23,646.68	2.51	59,353.17		
D311569	Daykin		F	450,773.00	120,581.76	330,191.24	2	660,382.48		
D311555	Denton		P	522,208.00	522,208.00	0.00	2	0.00		
D311102	DeWitt		P	650,000.00	650,000.00	0.00	2.5	0.00		
D311238	Dodge		F	56,156.00	52,142.12	4,013.88	2.51	10,074.84		
D311240	Dorchester	GP10	P	1,444,796.00	1,444,796.00	0.00	2	0.00		
D311633	Dorchester			241,600.00	3,891.42	209,708.58	1.5	314,562.87		
D311021	Duncan		P	465,000.00	465,000.00	0.00	4.3	0.00		
D311609	Edgar	GP	F	218,325.00	40,808.46	177,516.54	2	355,033.08		
D311243	Elba		P	702,000.00	702,000.00	0.00	2	0.00		
D311571	Elgin		F	1,435,968.00	81,123.83	1,354,844.17	2	2,709,688.34		
D311022	Emerson		P	380,010.00	380,010.00	0.00	3.03	0.00		
D311639	Ewing			690,000.00	0.00	485,219.00	1.5	727,828.50		
D311302	Fairbury		F	694,436.00	694,436.00	0.00	2.5	0.00		
D311601	Fairbury	FFATA		2,775,000.00	0.00	767,524.00	1.5	1,151,286.00		
D311641	Fairfield			330,000.00	6,469.51	287,697.49	1.5	431,546.24		
D311176	Fairmont		F	183,582.00	99,345.35	84,236.65	3.54	298,197.74		

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D311024	Falls City		P	1,900,000.00	1,900,000.00	0.00	3	0.00		
D311597	Falls City		P	3,634,751.00	3,634,751.00	0.00	2	0.00		
D311649	Falls City	FFATA		2,550,000.00	0.00	719,361.00	0	0.00		
D311536	Firth		F	326,301.00	155,287.51	171,013.49	2	342,026.98		
D311615	Fort Calhoun		F	450,578.00	66,472.78	384,105.22	2	768,210.44		
D311512	Friend	ARRA	F	208,508.00	104,776.67	103,731.33	2	207,462.66		
D311535	Fullerton		F	366,000.00	173,986.03	192,013.97	2	384,027.94		
D311575	Garland	FFATA	F	919,150.00	133,172.43	785,977.57	2	1,571,955.14		
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	2.3	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	0.00		
D311214	Grafton		P	207,998.00	207,998.00	0.00	3	0.00		
D311104	Grant		P	273,674.00	273,674.00	0.00	3	0.00		
D311595	Grant	FFATA	F	2,154,815.00	271,415.04	1,883,399.96	2	3,766,799.92		
D311467	Gresham		P	88,119.00	88,119.00	0.00	2	0.00		
D311309	Gretna		F	487,613.00	96,336.34	391,276.66	2	782,553.32		
D311028	Gurley		F	173,280.00	100,045.35	73,234.65	3.74	273,897.59		
D311566	Haigler		F	117,433.00	31,426.94	86,006.06	2	172,012.12		
D311494	Hardy		P	224,000.00	224,000.00	0.00	3	0.00		
D311552	Hartington	FP11	F	375,924.00	74,292.93	301,631.07	2	603,262.14		
D311547	Hay Springs		F	245,667.00	80,159.12	165,507.88	2.5	413,769.70		
D311133	Hebron		P	688,640.00	688,640.00	0.00	3	0.00		
D311521	Hickman		P	2,196,778.00	2,196,778.00	0.00	2	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	3.5	0.00		
D311544	Holstein	GP10	F	216,097.00	87,003.28	129,093.72	2	258,187.44		
D311602	Holstein		F	104,000.00	22,950.76	81,049.24	2	162,098.48		
D311033	Hubbard		P	154,778.00	154,778.00	0.00	3.79	0.00		
D311109	Humboldt		P	1,896,065.00	1,896,065.00	0.00	2.3	0.00		
D311545	Humphrey		P	1,652,865.00	1,652,865.00	0.00	2.25	0.00		
D311067	Jackson		P	109,339.00	109,339.00	0.00	3	0.00		

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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	101,479.20	111,447.80	2	222,895.60		
D311589	Kearney	FFATA	F	301,029.00	80,683.36	220,345.64	2	440,691.28		
D311607	Kearney	FFATA	F	1,500,000.00	156,516.18	1,343,483.82	2	2,686,967.64		
D311624	Kearney		F	369,017.00	15,172.40	353,844.60	2	707,689.20		
D311576	Kenesaw		F	616,761.00	108,280.44	508,480.56	2	1,016,961.12		
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	172,558.95	184,707.05	2	369,414.10		
D311651	Laurel			322,799.00	0.00	63,422.00	0	0.00		
D311564	Leigh		P	257,268.00	257,268.00	0.00	2	0.00		
D311548	Lincoln	U/FFATA	F	14,977,829.00	4,658,671.27	10,319,157.73	2.25	23,218,104.89		
D311570	Lindsay	GP11	F	487,487.00	129,057.44	358,429.56	2	716,859.12		
D311618	Lindsay			1,320,400.00	33,969.10	928,371.90	2	1,856,743.80		
D311188	Louisville		F	843,275.00	521,304.03	321,970.97	3.5	1,126,898.40		
D311562	Loup City	GP10	F	149,137.00	50,633.40	98,503.60	2	197,007.20		
D311317	Lyons		P	695,000.00	695,000.00	0.00	2.5	0.00		
D311220	Madison Cnty SID #3		P	491,843.00	491,843.00	0.00	3.51	0.00		
D311638	Marquette			135,000.00	1,477.54	125,077.46	1.5	187,616.19		
D311600	Maxwell		F	56,488.00	34,589.73	21,898.27	2	43,796.54		
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	2.8	0.00		
D311560	McCook	FFATA	F	1,320,072.00	916,455.53	403,616.47	2	807,232.94		
D311653	McCool Junction			636,375.00	0.00	0.00	0	0.00		
D311373	Milford		F	991,524.00	103,670.08	887,853.92	2	1,775,707.84		
D311130	MUD - Omaha		P	755,593.00	755,593.00	0.00	3	0.00		
D311498	MUD - Omaha	U/FFATA	F	5,797,062.00	2,611,967.59	3,185,094.41	2	6,370,188.82		
D311256	Niobrara		F	175,000.00	152,622.70	22,377.30	3	67,131.90		
D311155	Norfolk		P	1,781,318.00	1,781,318.00	0.00	3	0.00		

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**SFY 2021
ANNUAL REPORT**

PROJ #	COMMUNITY NAME	PROJ INDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE	FUND GROWTH RATE
D311515	North Loup	ARRA	P	156,283.00	156,283.00	0.00	2	0.00		
D311565	North Loup	FFATA	P	1,303,008.00	1,303,008.00	0.00	2	0.00		
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	0.00		
D311503	Oakland		F	104,883.00	44,563.42	60,319.58	2	120,639.16		
D311138	Odell		F	103,293.00	93,250.87	10,042.13	3.03	30,427.65		
D311044	Ogallala	FFATA	F	2,175,295.00	452,475.05	1,722,819.95	2	3,445,639.90		
D311616	Ogallala			1,741,347.00	62,740.05	1,652,699.95	2	3,305,399.90		
D311620	O'Neill	FFATA	F	1,671,591.00	100,260.48	1,571,330.52	2	3,142,661.04		
D311500	Osceola	ARRA	F	270,772.00	128,717.26	142,054.74	2	284,109.48		
D311533	Osceola		F	938,713.00	358,667.78	580,045.22	2.25	1,305,101.75		
D311605	Oshkosh	FFATA	F	2,977,188.00	224,534.92	2,752,653.08	2	5,505,306.16		
D311585	Osmond	FFATA	F	809,151.00	135,451.23	673,699.77	2	1,347,399.54		
D311591	Overton		P	624,713.00	624,713.00	0.00	2	0.00		
D311198	Palisade		P	808,000.00	808,000.00	0.00	3	0.00		
D311080	Papio-Missouri River NRD		P	338,800.00	338,800.00	0.00	4	0.00		
D311614	Papio-Missouri River NRD		F	350,000.00	61,165.32	288,834.68	2	577,669.36		
D311627	Papio-Missouri River NRD		F	300,000.00	31,507.29	268,492.71	2	536,985.42		
D311650-E	Pawnee Cnty RWD 1		F	410,532.00	300,000.00	110,532.00	0	0.00		
D311049	Paxton		P	1,131,000.00	1,131,000.00	0.00	3	0.00		
D311652	Paxton			376,500.00	0.00	64,309.00	0.5	32,154.50		
D311326	Pender		P	1,028,735.00	1,028,735.00	0.00	2.5	0.00		
D311640-E	Peru			1,490,000.00	8,000.00	1,057,106.00	0	0.00		
D311505	Phillips	ARRA	F	166,643.00	79,217.30	87,425.70	2	174,851.40		
D311581	Phillips	ARRA	F	370,930.00	81,120.32	289,809.68	2	579,619.36		
D311543	Pickrell		F	182,702.00	62,387.86	120,314.14	2	240,628.28		
D311625	Pierce		F	459,866.00	25,271.60	434,594.40	2	869,188.80		
D311532	Platte Center		F	505,371.00	199,632.99	305,738.01	2.25	687,910.52		

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D311655	Platte Center			105,000.00	0.00	0.00	0	0.00		
D311626	Plattsmouth			804,920.00	0.00	438,934.00	2	877,868.00		
D311637-E	Plattsmouth			1,825,000.00	609,523.00	279,747.00	0	0.00		
D311513	Pleasant Dale	ARRA	P	106,126.00	106,126.00	0.00	2	0.00		
D311596	Pleasanton		F	212,922.00	42,410.20	170,511.80	2	341,023.60		
D311525	Ravenna	GP11/FFATA	P	2,162,228.00	2,162,228.00	0.00	2	0.00		
D311621	Raven's Nest Homeowners Association			594,411.00	0.00	570,540.00	1.5	855,810.00		
D311438	Republican City		F	1,057,060.00	1,002,152.10	54,907.90	3	164,723.70		
D311594	Riverdale		F	194,385.00	17,220.49	177,164.51	2	354,329.02		
D311542	Rogers		P	77,280.00	77,280.00	0.00	2	0.00		
D311606	Sarpy Cnty SID #29		F	572,010.00	320,551.90	251,458.10	2	502,916.20		
D311659	Sarpy Cnty SID #79 Meadow Oaks			1,000,000.00	0.00	0.00	0	0.00		
D311053	Schuyler		P	1,560,451.00	1,560,451.00	0.00	2	0.00		
D311334	Scotia		P	467,415.00	467,415.00	0.00	2.57	0.00		
D311573	Scribner		F	2,928,000.00	248,633.20	2,679,366.80	2	5,358,733.60		
D311501	Shelby		P	177,707.00	177,707.00	0.00	2	0.00		
D311537	Shelby		P	1,023,041.00	1,023,041.00	0.00	2	0.00		
D311514	Shelton		P	895,481.00	895,481.00	0.00	2	0.00		
D311631	Shelton			560,000.00	5,306.20	469,381.80	1.5	704,072.70		
D311056	Sidney		P	1,156,000.00	1,156,000.00	0.00	3	0.00		
D311351	Sidney		F	7,975,000.00	7,126,418.96	848,581.04	2.52	2,138,424.22		
D311604	Sidney		F	3,241,951.00	477,984.69	2,763,966.31	2	5,527,932.62		
D311057	South Sioux City		P	267,732.00	267,732.00	0.00	3	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	F	849,203.00	154,350.70	694,852.30	2	1,389,704.60		
D311642	South Sioux City			5,600,000.00	0.00	2,509,581.00	1.5	3,764,371.50		
D311611	Springfield	FFATA		889,600.00	0.00	0.00	2	0.00		

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D311559	St. Helena		F	233,025.00	78,834.26	154,190.74	2	308,381.48		
D311218	St. Paul	ARRA	P	606,000.00	606,000.00	0.00	2	0.00		
D311139	Stamford		P	306,000.00	306,000.00	0.00	3	0.00		
D311391	Stamford		P	100,000.00	46,777.56	53,222.44	2.83	150,619.51		
D311058	Stanton		P	344,991.00	344,991.00	0.00	3	0.00		
D311059	Stanton Cnty SID #1 - Woodland Park		F	353,805.00	281,391.84	72,413.16	4	289,652.64		
D311146	Stapleton		P	95,953.00	95,953.00	0.00	3.01	0.00		
D311060	Stratton		P	167,492.00	167,492.00	0.00	3	0.00		
D311336	Stratton		P	1,001,000.00	1,001,000.00	0.00	2.75	0.00		
D311539	Stromsburg		P	1,497,724.00	1,497,724.00	0.00	2	0.00		
D311502	Sutherland	ARRA	P	1,180,291.00	1,180,291.00	0.00	2.021	0.00		
D311644	Syracuse	LAND	F	799,993.00	6,467.84	793,525.16	1.5	1,190,287.74		
D311658	Syracuse	FFATA		9,003,200.00	0.00	0.00	0	0.00		
D311089	Tecumseh			478,982.00	478,982.00	0.00	3	0.00		
D311077	Tekamah		F	1,247,818.00	1,048,145.64	199,672.36	3	599,017.08		
D311550	Terrytown	GP10		990,525.00	0.00	709,148.00	2	1,418,296.00		
D311590	Tobias		F	251,677.00	36,416.73	215,260.27	2	430,520.54		
D311273	Trenton		F	468,685.00	79,312.96	389,372.04	2	778,744.08		
D311068	Utica		P	458,699.00	458,699.00	0.00	3	0.00		
D311577	Utica		F	2,360,000.00	424,375.36	1,935,624.64	2	3,871,249.28		
D311126	Valentine		P	450,000.00	450,000.00	0.00	3	0.00		
D311593	Valley		F	562,131.00	149,656.12	412,474.88	2	824,949.76		
D311140	Waco		P	60,000.00	60,000.00	0.00	3	0.00		
D311522	Wahoo	ARRA	F	299,274.00	153,713.38	145,560.62	2	291,121.24		
D311275	Wakefield		F	960,000.00	139,026.29	820,973.71	2	1,641,947.42		
D311071	Waterloo		P	297,522.00	297,522.00	0.00	3.36	0.00		
D311375	Wauneta		P	262,004.00	262,004.00	0.00	2.11	0.00		
D311276	Wausa		F	289,083.00	234,029.95	55,053.05	3	165,159.15		
D311527	Wausa		F	260,814.00	96,790.35	164,023.65	2.23	365,772.74		
D311582	Waverly	U/FFATA	F	2,056,127.00	550,002.10	1,506,124.90	2	3,012,249.80		
D311519	Wayne	ARRA	F	762,414.00	343,609.27	418,804.73	2	837,609.46		

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D311643	Wayne	FFATA	F	1,985,476.00	42,747.61	1,942,728.39	1.5	2,914,092.59		
D311608	Weeping Water	FFATA	F	527,461.00	101,998.68	425,462.32	2	850,924.64		
D311558	West Knox RWD	FFATA		886,054.00	187,397.76	571,739.24	2.5	1,429,348.10		
D311635-E	West Knox RWD			370,000.00	2,000.00	134,422.00	0	0.00		
D311646	West Point	FFATA		2,212,000.00	0.00	2,140,115.00	1.5	3,210,172.50		
D311592	Wisner		F	113,073.00	30,314.31	82,758.69	2	165,517.38		
D311622	Wisner	FFATA		3,329,250.00	0.00	1,418,455.00	1.5	2,127,682.50		
D311583	Wood Lake		F	75,820.00	14,981.77	60,838.23	2	121,676.46		
D311066	Wood River		P	424,100.00	424,100.00	0.00	3.68	0.00		
D311497	Wymore	ARRA	P	1,489,829.00	1,489,829.00	0.00	2	0.00		
D311520	York	U/FFATA	F	2,334,605.00	1,107,895.90	1,226,709.10	2	2,453,418.20		
D311617	York	FFATA		3,655,000.00	166,400.93	2,658,043.07	2	5,316,086.14		
D311662	Yutan			807,187.00	0.00	0.00	0	0.00		
Grand Total: (262 records)				278,070,112.00	166,211,266.19	84,052,326.81		161,745,358.13	1.94	1.94

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

**Attachment 2
DWSRF - Binding Commitments**

			State Fiscal Year 2020				State Fiscal Year 2021			
Community Name	Project #D31	Small System (<10,000)	1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR
Blair Amd #1	1619	X	300,000							
Boyd Cnty RWD 2	36-E		2,000,000							
Cass Cnty RWD 1	1628		1,100,000							
Peru	40-E	X	1,490,000							
Plattsmouth	37-E	X	1,825,000							
Raven's Nest Homeowners Association	1621		594,411							
Wisner	1622	X	4,439,000							
Albion	1630	X		605,520						
Central City	1629	X		2,000,000						
Dorchester	1633	X		267,000						
Ewing	1639	X		700,000						
Fairbury	1601	X		3,700,000						
Marquette	1638	X		150,000						
West Knox RWD	35-E			370,000						
Coleridge	1645	X			200,000					
Fairfield	1641	X			660,000					
South Sioux City	1642				5,600,000					
West Point	1646	X			2,765,000					
Pawnee Cnty RWD 1	50-E					720,000				
Shelton	1631	X				700,000				
Syracuse	1644	X				1,000,000				
Wayne	1643	X				3,030,000				
Marquette Amd #1	1638	X					30,000			
Paxton	1652	X					502,000			
Elgin Amd #2	1571	X						614,000		
Dorchester Amd #1	1633	X							35,000	
Ewing Amd #1	1639	X								220,000
Falls City	1649	X								3,000,000
Laurel	1651	X								428,748
McCool Junction	1653	X								848,500
Platte Center	1655	X								210,000
Sarpy Cnty SID #79 Meadow Oaks	1659									1,000,000
Syracuse	1658	X								11,254,000
Yutan	1662	X								963,000
(1) BINDING COMMITMENT TOTALS			11,748,411	7,792,520	9,225,000	5,450,000	532,000	614,000	35,000	17,924,248
(2) CUMULATIVE BINDING COMMITMENTS			311,400,356	319,192,876	328,417,876	333,867,876	334,399,876	335,013,876	335,048,876	352,973,124
FY BINDING COMMITMENT TOTALS					FY20:	34,215,931			FY21:	19,105,248
(3) REQUIRED BINDING COMMITMENT*			11,115,300				11,191,880			
(4) CUMULATIVE REQUIRED AMOUNT			222,843,253	222,843,253	222,843,253	222,843,253	234,035,133	234,035,133	234,035,133	234,035,133
(5) BC AS % OF REQ'D BC AMOUNT			140	143	147	150	143	143	143	151

*100% of Capitalization Grant less set-aside plus match, lagged by 1 year from payment



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

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March 23, 2021

Ryan Phillips, Accounting & Finance
Manager Nebraska Department of
Environment and Energy 245 Fallbrook
Blvd. P.O. Box 98922
Lincoln, NE 68509

Dear Mr. Phillips:

Attached is a copy of the audit report of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program for the fiscal year ended June 30, 2020. You can also access the report on our website at auditors.nebraska.gov.

If you have any questions concerning this report, please do not hesitate to write or call.

Sincerely,

A handwritten signature in black ink that reads "C. J. Janssen".

Charlie Janssen
State Auditor

Enclosure

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

JULY 1, 2019, THROUGH JUNE 30, 2020

**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 March 23, 2021

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

The Nebraska Department of Environment and Energy (Department) – 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, Cum. Supp. 2020). 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 30 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 40 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, 2020, the EPA had awarded \$224.1 million in capitalization grants to the State. Of the \$224.1 million awarded, approximately \$19.5 million was funded by the American Recovery and Reinvestment Act (ARRA). The \$204.6 million not funded by ARRA required the State to contribute approximately \$40.9 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
Kevin Stoner	Deputy Director – Administration
Kara Valentine	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 that caused balancing issues between the Balance Sheet, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows:

- A cash clearing account with a credit balance of \$10,855 was not included on the Balance Sheet. This was caused by a delay in the processing of the actual payment. Because the credit balance was not included, Cash and Cash Equivalents was overstated.
- An account with \$24,960 of expenses was not included on the Statement of Revenues, Expenses, and Changes in Net Position. This caused Administrative Costs from Fees to be understated by \$24,960.
- Adjustments made to two expense lines on the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year 2019 financial statements were reversed incorrectly on the fiscal year 2020 financial statements. The adjustments were made in fiscal year 2019 to correct errors in how the expenses were recorded and had no effect on the fiscal year 2020 financial statements, so no reversing entry was necessary. This caused Administrative Costs from Fees to be understated by \$18,436 and Loan Forgiveness to be understated by \$24,743.
- One expense for \$31,129 of loan forgiveness was coded incorrectly to the expense account used for loan payments, which caused it not to be included in the Statement of Revenues, Expenses, and Changes in Net Position. This caused Loan Forgiveness to be understated by \$31,129.
- Each year, the Department issues a short-term bond to meet the matching requirements of its capitalization grant from the Environmental Protection Agency. The bond is then paid off before fiscal year end, and there is no balance on the financial statements. An error was made in the process of recording this activity on the financial statements, which caused Cash and Cash Equivalents to be understated by \$30,390.

In addition to the errors causing balancing issues, we noted the following errors, which also resulted in proposed adjustments:

- During review of the financial statements, we noted that the amount used to reverse the fiscal year 2019 interest accrual was incorrect and caused both Interest Receivable and Interest on Fund Balance – State OIP to be overstated by \$24,955.
- The calculation of the compensated absences accrual amount is done based on the amount of time worked on the Program using payroll from the fiscal year. When preparing the accrual for fiscal year 2020, the calculation was based incorrectly on payroll for fiscal year 2019, which caused the accrual to be understated by \$16,031. Consequently, the following accounts were misstated:
 - Administrative Costs from Fees expense was understated by \$9,159.
 - 15% Source Water Assessment Program expense was understated by \$2,846.
 - 10% Public Water Supply System expense was understated by \$4,026.
 - Compensated Absences – Current was understated by \$1,764.
 - Compensated Absences – Non-Current was understated by \$14,267.

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

COMMENT AND RECOMMENDATION

(Concluded)

1. Financial Statement Errors (Concluded)

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 four audits.

A good internal control plan and sound accounting practices require procedures to ensure that 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 complete the DWSRF financials led to multiple financial statement errors. The agency has an agreement with Northbridge, the Loan Grant Tracking Software provider, to create a set of financials statements which will prevent most of the manual errors. The agency will use the EnterpriseOne trial balance while relying on the Northbridge 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.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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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, 2020, 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, 2020, 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, 2020, 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 March 10, 2021, 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 March 10, 2021, 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
March 10, 2021

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
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, 2020. 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, 2020, the Ending Net Position of the Program increased by 6.7%. The increase in Net Position was largely impacted for three reasons. The first is due to the volume of Operating Revenues collected, \$2,712,705, which is loan interest and fees with an additional \$2,613,611 interest earned through the Operating Investment Pool on the fund balance. The second is the Program continued to receive Federal grants and drew down \$13,480,138, 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 2019, the Program invested \$80,441 in LGTS. In fiscal year 2020, \$20,232 was invested in LGTS software development.

	Balance Sheet		
	2020	2019	% Change
Current Assets	\$ 134,090,044	\$ 122,878,935	9.1%
Non-current Assets	85,476,127	82,662,404	3.4%
Total Assets	219,566,171	205,541,339	6.8%
Current Liabilities	641,351	417,350	53.7%
Non-current Liabilities	29,535	23,096	27.9%
Total Liabilities	670,886	440,446	52.3%
Net Investment in Capital Assets	352,004	331,771	6.1%
Unrestricted	218,543,281	204,769,122	6.7%
Total Net Position	\$ 218,895,285	\$ 205,100,893	6.7%

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
DRINKING WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CHANGES IN NET POSITION

	2020	2019	% Change
Loan Fees Administration	\$ 802,475	\$ 841,446	-4.6%
Interest on Loans	1,847,553	1,918,849	-3.7%
Other Operating Income	62,677	46,616	34.5%
Total Operating Revenues	2,712,705	2,806,911	-3.4%
Administration & Set-Asides	2,278,893	1,812,271	25.7%
Loan Forgiveness	2,766,926	1,672,464	65.4%
Total Operating Expenses	5,045,819	3,484,735	44.8%
Operating Income (Loss)	(2,333,114)	(677,824)	-244.2%
Federal Grants	13,480,138	6,687,586	101.6%
Interest Revenue	2,613,611	2,680,325	-2.5%
Bond Revenue (Expense)	33,757	8,567	294.0%
Total Non-Operating Revenue (Expense)	16,127,506	9,376,478	72.0%
Change in Net Position	13,794,392	8,698,654	58.6%
Beginning Net Position July 1	205,100,893	196,402,239	4.4%
Ending Net Position June 30	\$ 218,895,285	\$ 205,100,893	6.7%

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 \$2,220,000, 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 2020, 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 previously had been handled through the existing Northbridge contract with the Federal Environmental Protection Agency (EPA) procurement. Therefore, expenditures were withheld as an "in-kind" deduction to the total annual grant, which was awarded to the Program each year. The Federal EPA staff negotiated, monitored, and managed the Northbridge contract for LGTS. The EPA program contract was cancelled and the final expenditures were in October 2019. Beginning in May 2020, the Agency funds the program enhancements by paying Northbridge invoices directly.

The Department is capitalizing the costs that NDEE pays 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, 2020

	Enterprise Fund
ASSETS	
CURRENT ASSETS:	
Cash in State Treasury (Note 2)	\$ 28,230,580
Due from Federal Government	252,896
Interest Receivable	182,311
Loans Receivable (Note 3)	<u>5,424,257</u>
TOTAL CURRENT ASSETS	134,090,044
NON-CURRENT ASSETS:	
Loans Receivable (Note 3)	85,124,123
Capital Assets, Net (Note 4)	<u>352,004</u>
TOTAL NON-CURRENT ASSETS	<u>85,476,127</u>
TOTAL ASSETS	<u>\$ 219,566,171</u>
LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable & Accrued Liabilities	101,702
Due to Grant Recipients (Note 1)	535,998
Compensated Absences (Note 6)	<u>3,651</u>
TOTAL CURRENT LIABILITIES	<u>641,351</u>
NON-CURRENT LIABILITIES:	
Compensated Absences (Note 6)	<u>29,535</u>
TOTAL NON-CURRENT LIABILITIES	<u>29,535</u>
TOTAL LIABILITIES	<u>\$ 670,886</u>
NET POSITION	
Net Investment in Capital Assets	352,004
Unrestricted	<u>218,543,281</u>
TOTAL NET POSITION	<u>218,895,285</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 219,566,171</u>

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

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, 2020

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration (Note 8)	\$ 802,475
Interest on Loans	1,847,553
Other Operating Income	<u>62,677</u>
TOTAL OPERATING REVENUES	<u>\$ 2,712,705</u>
OPERATING EXPENSES:	
Administrative Costs from Fees (Note 10)	467,899
15% Source Water Assessment Program (Note 10)	684,033
2% Technical Assistance to Small Systems (Note 10)	129,345
10% Public Water Supply System (Note 10)	997,616
Loan Forgiveness (Note 10)	<u>2,766,926</u>
TOTAL OPERATING EXPENSES	<u>\$ 5,045,819</u>
OPERATING LOSS	(2,333,114)
NONOPERATING REVENUE (EXPENSE):	
Capital Contributions - Federal Grants (Note 7)	13,463,865
Capital Contributions - Federal Grants - Capital Assets	16,273
Interest on Fund Balance - State Operating Investment Pool (Note 9)	2,613,611
Bond Revenue (Expense)	<u>33,757</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>16,127,506</u>
CHANGE IN NET POSITION	<u>13,794,392</u>
TOTAL NET POSITION, BEGINNING OF YEAR	205,100,893
TOTAL NET POSITION, END OF YEAR	<u>\$ 218,895,285</u>

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

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

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

Enterprise Fund

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers	\$ 14,157,375
Payments to Borrowers	(14,387,694)
Payments for Administration	(452,491)
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	(975,657)
Payments for Loan Forgiveness	(2,557,813)
Receipts from Other Operating Income	<u>62,677</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (4,983,021)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Grants Received from the Environmental Protection Agency	13,595,362
Receipts from Bond Issue	2,220,000
Repayment of Bond	(2,220,000)
Bond Receipts (Payments)	<u>33,757</u>
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>13,629,119</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Capital Contributions	16,273
Purchase of Capital Assets	<u>(20,233)</u>
NET CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	<u>(3,960)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	<u>2,665,831</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>2,665,831</u>

Net Increase in Cash and Cash Equivalents	11,307,969
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>116,922,611</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 128,230,580</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Loss	\$ (2,333,114)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
(Increase)/Decrease in Loans Receivable	(2,880,347)
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	13,521
Increase/(Decrease) in Compensated Absences	7,806
Increase/(Decrease) in Payables to Grant Recipients	<u>209,113</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (4,983,021)</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

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. 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:

- Drinking Water Facilities Funds – Federal Funds 48416 and 48418; Repaid Principal and Bond Funds 68481, 68482, 68483, 68484, and 68485.

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 Review Fund – Federal Fund 48419, not supported by a grant
- 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 may have original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2020, 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 0.0% to 4.0%, and the terms on outstanding loans range from 9.5 to 30 years. Disadvantaged communities may have up to 40 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 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 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, 2020, which is collectible in fiscal year 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 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.

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.

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)

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 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.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. Cash in State Treasury and Amounts Held by Trustee

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.

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 44.1% of the total loans, were as follows:

<u>Community</u>	<u>Outstanding Balance</u>
Lincoln	\$ 10,995,511
Sidney	3,958,808
Blair	3,751,559
MUD - Omaha	3,610,596
York	3,556,206
Falls City	3,103,395
Ogallala	3,072,976
Oshkosh	2,821,353
Scribner	2,720,522
Alliance	<u>2,341,789</u>
TOTAL	\$ 39,932,715

4. Capital Assets

The Program's 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	\$ 20,233	\$ -	\$ 352,004

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

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 is pledged to pay off the bonds. During the fiscal year, the Program utilized \$800 of administrative cash funds and issued and retired Series 2019A short-term revenue bonds to meet their match requirements for the 2019 Drinking Water State Revolving Fund grant. Bond Payable activity for fiscal year 2020 on the short term bond was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds Payable	\$ -	\$ 2,220,000	\$ 2,220,000	\$ -

6. Non-current Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$ 23,096	\$ 6,439	\$ -	\$ 29,535	\$ 3,651

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, 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.

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	7,786,126	-
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	8,299,000	-
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	10,914,261	9,709,945	1,204,316
2019	11,004,000	9,102,749	1,901,251
TOTAL	\$ 224,108,287	\$ 221,002,720	\$ 3,105,567

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, 2020, was \$16,273. The total amount utilized for LGTS as of June 30, 2020, was \$352,003. 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 semiannual basis and billed when loan principal and interest payments are due. The fee is applied to all loans in accordance with Title 131 Nebraska Administrative Code (NAC) Chapter 2 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:

- 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, 2020, employees contributed \$13,843, and the Department 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 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 \$10,975,000 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, sublimits, 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, 2020, 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 March 10, 2021.

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
March 10, 2021



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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, 2020.

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, 2020.

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.



Lincoln, Nebraska
March 10, 2021

Mark Avery, CPA
Assistant Deputy
Auditor

Attachment 4
2021 IUP Funding List Reconciliation

Community	Project #D31	Estimated Project Cost	2021 IUP Estimated SRF Loan	Total Assistance	Actual Forgiveness	Net Loan Amount	Agreement Date	Comments
Blair	1647	8,992,000	8,992,000	0	0	0		Signed Aug 2021
Chadron		1,500,000	1,500,000	0	0	0		Coming in 2022
Crete	1654	3,860,000	3,860,000	0	0	0		Funding in 2022
Dunning		550,000	550,000	0	0	0		Coming in 2022
Falls City	1649	3,750,000	3,750,000	2,550,000	450,000	300,000	4/28/2021	
Fullerton	1679	860,000	860,000	0	0	0		Funding in 2022
Grant	1675	1,331,160	1,331,160	0	0	0		Funding in 2022
Hartington		795,000	795,000	0	0	0		Privately funded
Hay Springs	1648	377,300	377,300	0	0	0		Funding in 2022
Hickman		8,000,000	8,000,000	0	0	0		Funding in 2023
Laurel	1651			322,799	105,949	428,748	4/21/2021	
Martinsburg		66,750	66,750	0	0	0		Funded in WIIN
McCool Junction	1653	860,000	860,000	636,375	212,125	848,500	6/28/2021	
Metropolitan Utilities District		6,552,655	6,552,655	0	0	0		Funding in 2023
Minden	1656	1,790,000	1,790,000	0	0	0		Funding in 2023
Pawnee County RWD #1	1650-E	670,000	670,000	720,000	0	720,000	6/11/2020	
Paxton	1652	580,000	580,000	251,000	125,000	376,500	9/30/2020	
Peru		6,250,000	6,250,000	0	0	0		Funding in 2022
Platte Center	1655	400,000	400,000	105,000	105,000	210,000	5/19/2021	
Plattsmouth		16,000,000	16,000,000	0	0	0		Funding in 2022
Sarpy County SID #79	1659			800,000		800,000	5/18/2021	
Seward		3,070,000	3,070,000	0	0	0		Funding in 2022
Syracuse	1658	8,340,963	8,340,963	11,254,000	2,250,800	13,504,800	5/26/2021	
Wayne		2,500,000	2,500,000	0	0	0		Funded in 2020
Yutan	1662			807,187	155,813	963,000	6/25/2021	

ATTACHMENT 5

SUMMARY LOAN LIST - SFY 2021

DW BENEFITS SUMMARY LOAN LIST FOR NEBRASKA - SFY 2020					
	SYSTEM NUMBER	RECEIPT	TRACKING NUMBER	ASSISTANCE AMOUNT	INITIAL AGREEMENT
NE	1314	COLERIDGE	D311645	-36,832	1/25/2021
NE	1302	DORCHESTER	D311633	35,000	2/11/2021
NE	1191	ELGIN	D311571	428,618	12/16/2020
NE	1305	EWING	D311639	220,000	6/2/2021
NE	1334	FALLS CITY	D311649	3,000,000	4/28/2021
NE	1333	LAUREL	D311651	428,748	4/21/2021
NE	1304	MARQUETTE	D311638	30,000	7/21/2020
NE	1341	MCCOOL JUNCTION	D311653	848,500	6/28/2021
NE	1282	O'NEILL	D311620	-389,640	4/1/2021
NE	1229	OSHKOSH	D311605	-55,421	7/8/2020
NE	1326	PAWNEE CNTY RWD 1	D311650-E	-309,468	2/4/2021
NE	1329	PAXTON	D311652	502,000	9/30/2020
NE	1283	PIERCE	D311625	-112,667	11/23/2020
NE	1337	PLATTE CENTER	D311655	210,000	5/19/2021
NE	1336	SARPY CNTY SID #79	D311659	1,000,000	5/18/2021
NE	1324	SYRACUSE	D311644	-9	11/20/2020
NE	1339	SYRACUSE	D311658	11,254,000	5/26/2021
NE	1319	WAYNE	D311643	-694,146	11/18/2020
NE	1340	YUTAN	D311662	963,000	6/25/2021
		TOTAL FOR ALL 19 LOANS		\$17,321,683	