State of Nebraska
Department of Environment & Energy

Drinking Water State Revolving Fund Annual Report

State Fiscal Year 2024

February 2025

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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) 2024 (July 1, 2023 through June 30, 2024).

This report describes the state's efforts to meet the goals and objectives, and reports out 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.

Due to enactment of the Infrastructure Investment and Jobs Act, more commonly referred to as the Bipartisan Infrastructure Law (BIL), the historical marketing strategy for Nebraska’s DWSRF was revised to focus meeting the BILs additional subsidization requirements, in part augmented to allow for the metrics identified in the EPAs SRF Implementation memorandum. This was successfully implemented last fiscal year. There were loans and an amendment signed for 20 projects with a cumulative amount of $102.9 million last fiscal year. With recent BABA guidance now in place over $70 million in loans are planned for SFY 2025.

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, 2024, the EPA has awarded a cumulative total of $333.7 million in capitalization grants to the state. Those awards required the state to contribute approximately $55.5 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.

A. MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2024. 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 and include the following: 1) Unaudited Statement of Net Position; 2) Unaudited Statement of Revenues, Expenses, and Changes in Net Position; 3) Unaudited Statement of Cash Flows; and 4) Notes to the Financial Statements.

1) Unaudited 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) Unaudited 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) Unaudited 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 the fiscal year ended June 30, 2024, the Total Liabilities and Net Position of the Program increased by 3.3% (approximately $8.6 million). Non-Current Assets increased by 28.4% as almost $31 million was loaned over the course of the fiscal year. Also driving the net position change was an increase in overall liabilities, a $1.6 million change, which represents an offsetting (from assets) effect. There was a $18 million decrease in cash over the course of the fiscal year, representing a 12.7% change.

Statement of Net Position

	2024	2023	% Change
Current Assets	$ 135,926,406	$ 157,149,562	-13.5%
Non-current Assets	134,844,237	105,005,358	28.4%
Total Assets	**270,770,643**	**262,154,920**	**3.3%**
Current Liabilities	6,491,992	7,978,898	-18.6%
Non-current Liabilities	220,105	169,733	-69.8%
Total Liabilities	**6,543,307**	**8,148,631**	**-19.7%**
Net Position:			
Net Investment in Capital Assets	220,105	410,509	-46.4%
Unrestricted	264,007,231	253,595,780	4.1%
Total Net Position	**$ 264,227,336**	**$ 254,006,289**	**4.0%**

CHANGES IN NET POSITION

	2024	2023	% Change
Loan Fees Administration	$ 642,440	$ 614,353	4.6 %
Interest on Loans	1,401,126	1,419,065	-1.3 %
Total Operating Revenues	2,043,566	2,033,418	0.5 %
Administration & Set-Asides	1,454,161	2,547,754	-42.9 %
Loan Forgiveness	17,978,161	9,949,795	80.7 %
Grant Activities	612,937	426,021	43.9 %
Total Operating Expenses	20,045,259	12,923,570	55.1 %
Operating Income (Loss)	(18,001,693)	(10,890,152)	65.3 %
Federal Grants	29,404,386	22,682,909	29.6 %
Interest Revenue	3,782,732	3,177,932	19.0 %
Non-Operating Transfers Out	(4,830,000)	-	-100 %
Net Bond Issuance Cost	(133,085)	788	-16,989.0 %
Other Non-Operating Revenue (Expense)	(1,293)	1,292	-200.1 %
Total Non-Operating Revenue (Expense)	28,222,740	25,862,921	9.1 %
Change in Net Position	10,221,047	14,972,769	-31.7 %
Beginning Net Position July 1	254,006,289	239,033,520	6.3 %
Ending Net Position June 30	$ 264,227,336	$ 254,006,289	4.0 %

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.

ECONOMIC OUTLOOK

The Program has continued to take steps to avert major economic impacts both statewide and within communities. The state’s small rural communities are financially challenged when faced with funding major capital projects. Aging and declining population bases make it difficult to draw the amount of user fees needed to fund capital infrastructure projects to address existing drinking water issues. Supply chain effects on equipment and material purchases, along with inflationary pressures due to funding availability resulted in twelve- to eighteen-month project start delays coupled with 5 to 90% cost overruns, and from all available information, those are still forecasted to average at least 30%.

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 $3,094,000, 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) 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:

- For fiscal year ended June 30, 2014: Planning of the implementation phases, business rules, and hardware and software installations.
- For fiscal year ended June 30, 2015 and 2016: LGTS system was used concurrently with existing systems to create a basis for reliability and consistency.
- For fiscal year ended June 30, 2017: Existing internal system was discontinued and LGTS became the sole system for use within the SRF Program alongside the State Accounting System.
- For fiscal year ended June 30, 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.
- For fiscal year ended June 30, 2021: Began building a cash flow model.
- For fiscal year ended June 30, 2022: LGTS is used in daily operations.
- LGTS continues to be instrumental in daily financial activities of the DWSRF Program.

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

The Environmental Protection Agency (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 2021, amended through February of 2025. A new contract is being negotiated between NDEE and Northbridge, ending (if optional one-year renewals are not taken) in 2029.

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

B. UNAUDITED BALANCE SHEET

Fiscal Year Ended June 30, 2024

	Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash & Cash Equivalents:	
Cash in State Treasury (Note 2)	$ 126,254,688
Due from Federal Government	2,631,237
Interest Receivable	613,594
Loans Receivable (Note 3)	6,426,887
TOTAL CURRENT ASSETS	135,926,406
NON-CURRENT ASSETS	
Loans Receivable (Note 3)	$ 134,624,131
Capital Assets, Net (Note 4)	574,249
Accumulated Depreciation	(354,143)
TOTAL NON-CURRENT ASSETS	134,844,237
TOTAL ASSETS	$ 270,770,643
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable & Accrued Liabilities	$ 148,316
Due to Grant Recipients (Note 1)	4,905,617
Due to Loan Recipients	1,429,705
Compensated Absences (Note 6)	8,354
TOTAL CURRENT LIABILITIES	**$ 6,491,992**
NON-CURRENT LIABILITIES	
Compensated Absences (Note 6)	51,316
TOTAL NON-CURRENT LIABILITIES	51,316
TOTAL LIABILITIES	**$ 6,543,308**
NET POSITION	
Net Investment in Capital Assets	220,105
Unrestricted	264,007,230
TOTAL NET POSITION	264,227,335
TOTAL LIABILITIES AND NET POSITION	$ 270,770,643

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

C. UNAUDITED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Fiscal Year Ended June 30, 2024

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration (Note 8)	$ 642,440
Interest on Loans	1,401,126
TOTAL OPERATING REVENUES	$ 2,043,566
OPERATING EXPENSES:	
Administrative Costs from Fees (Note 10)	404,520
15% Source Water Assessment Program (Note 10)	391,636
2% Technical Assistance to Small Systems (Note 10)	255,075
10% Public Water Supply System (Note 10)	82,641
4% Administrative Costs from Grants	320,289
Security Grants Activities	612,937
Loan Forgiveness (Note 10)	17,978,161
TOTAL OPERATING EXPENSES	$ 20,045,259
OPERATING LOSS	$ (18,001,693)
NONOPERATING REVENUE (EXPENSE)	
Capital Contributions - Federal Grants (Note 7)	$ 29,404,385
Interest on Fund Balance - State Operating Investment Pool (Note 9)	3,782,732
Revenue on Bond Issuance	(133,085)
Non-Operating Transfers Out	(4,830,000)
Other Non-Operating Revenue (Expense)	(1,293)
TOTAL NONOPERATING REVENUE (EXPENSE)	$ 28,222,739
CHANGE IN NET POSITION	10,221,046
TOTAL NET POSITION, BEGINNING OF YEAR	254,006,289
TOTAL NET POSITION, END OF YEAR	$ 264,227,335

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

D. UNAUDITED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2024

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	$ 7,303,282
Payments to Borrowers	(37,241,894)
Payments for Administration	(237,339)
Payments for 15% Source Water Assessment Program	(412,227)
Payments for 2% Technical Assistance to Small Systems	(215,693)
Payments for 10% Public Water Supply System	(104,240)
Payments for 4% Administration	(356,238)
Payments for Loan Forgiveness	(18,863,734)
Payments for Security Grants	(612,937)
NET CASH FROM OPERATING ACTIVITIES	$ (50,741,020)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Grants Received from the Environmental Protection Agency	$ 33,861,093
Receipts from bond issue (short-term)	3,094,000
Repayment of bond (short-term)	(3,094,000)
Non-Operating Transfers Out	(4,830,000)
Net Bond Issuance Costs	(133,085)
Other non-operating revenue (Expense)	(1,293)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	$ 28,896,715
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of Capital Assets	(1,013)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	$ (1,013)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	$ 3,467,992
NET CASH PROVIDED BY INVESTING ACTIVITIES	$ 3,467,992
Net Increase in Cash and Cash Equivalents	(18,377,326)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	144,632,014
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 126,254,688
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Net Operating Income	$ (18,001,693)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
(Increase)/Decrease in Accum. Depreciation	191,416
(Increase)/Decrease in Loans Receivable	(31,325,419)
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	72,434
Increase/(Decrease) in Compensated Absences	(135,426)
(Increase)/Decrease in Payments Due to Loan Recipients	(656,759)
Increase/(Decrease) in Payables to Grant Recipients	(885,573)
NET CASH FROM OPERATING ACTIVITIES	$ (50,741,020)

E. NOTES TO THE GENERAL FINANCIAL STATEMENTS – UNAUDITED

For the Fiscal Year Ended June 30, 2024

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 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 and 48418; and Repaid Principal Bond Funds 68481, 68482, 68483, 68484, 68485 and 68487
- 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 Annual Comprehensive Financial Report (ACFR). The ACFR 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. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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 Statement of Net Position. 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 having original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2024, 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.

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 3.7%, and the terms on these outstanding loans range from 5 to 40 years. Disadvantaged communities may have up to 40 years to repay.

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 on June 30, 2024, which is collectible in SFY 2025. Long-term loan receivable amounts were determined using calculations of total loans receivables, minus short-term loans receivables.

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 180 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.

I. Due to Grant Recipients

Planning Grants for Preliminary Engineering Reviews are awarded through the Administration Cash Fund. The Program awards Planning Grants to communities with populations below 10,000 where the Public Water System (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 preliminary engineering report. Planning Grants are intended to provide financial assistance to a PWS 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 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 PWSs 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. New disadvantaged community definition criteria were established in accordance with that presented in EPAs SRF BIL Implementation memorandum. Most notably, if a community has census tracks with a Social Vulnerability Index score higher than 0.80 per the Centers for Disease Control and Prevention mapping, which is part of the eleven added eligibility factors from the EPAs BIL Implementation memorandum. Loan recipients 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 public water system 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 system 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 two capital assets, the Loans and Grants Tracking System (LGTS) software and Certification Portal, which are recorded at cost. In the fiscal year ended June 30, 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 Certification Portal was created in 2021 to enhance, integrate and allow certification renewals to occur online.

The LGTS and Certification Portal are considered intangible capital assets, 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 and Certifications Portal have an estimated useful life of three years.

Depreciation/amortization of the LGTS capital asset is reflected in the June 30, 2024, financial statements and will continue over the useful life of the asset.

NOTES

1. Cash in State Treasury and Amounts Held by Trustee

Cash in State Treasury – Cash in State Treasury, as reported on the Statement of Net Position, 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 ACFR for the fiscal year ended June 30, 2024. 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 2024. Amounts are allocated on a monthly basis based on average balances of all invested funds.

Amounts Held by Trustee – As of June 30, 2024, there were no Program funds held by the Trustee, as all outstanding bonds were paid off.

2. Loans Receivable

As of June 30, 2024, the Program had 145 outstanding community loans that totaled $139,621,313. The outstanding balances of the 10 communities with the largest loan balances, which represent 57.5% of the total loans, were as follows:

Community	Outstanding Balance
Blair	$ 24,809,045
Kearney	8,933,411
Peru	8,609,564
Beatrice	8,528,192
Lincoln	8,196,884
Syracuse	7,312,273
South Sioux City	4,204,275
Wakefield	3,678,432
York	3,190,416
Valley	2,920,936
TOTAL	**$ 80,383,428**

3. Capital Assets

The Program's capital assets in-progress activity for the year ended June 30, 2024, was:

	Beginning Balance	Additions/Adj	Decreases	Ending Balance
Software Development Completed				
Loans and Grants Tracking System (LGTS)	488,180	-	-	488,180
Credentialling Portal	85,055	1,012	-	86,067
Total Software Development Completed	573,235	1,012	-	574,247
Less: Accumulated Depreciation (Portal)	-	(28,689)	-	(28,689)
Less: Accumulated Depreciation (LGTS)	(162,726)	(162,727)	-	(325,453)
Total Accumulated Depreciation	(162,726)	(191,416)	-	(354,142)
Total Capital Assets, Net	410,509	(190,404)	-	220,105

4. 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 issued and retired Series 2023A short-term revenue bonds for $3,094,000 for the fiscal year 2023 grants. Bond Payable activity for fiscal year 2024 on the short-term bond was as follows.

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds Payable	$ -	$ 3,094,000	$ 3,094,000	$ -

5. Non-current Liabilities

Changes in non-current liabilities for the year ended June 30, 2024, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within 1 Year
Compensated Absences	$ 169,733	$	$ 118,418	$ 51,315	$ 8,354

6. Capital Contributions

Included in the net position is the total amount of capitalization and Lead Service Line grants drawn from the EPA by the Department. The following summarizes the EPA capitalization and other DW SRF grants awarded and drawn, as well as the remaining balance as of June 30, 2024. 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, 2024, and may have been drawn over multiple years.

Federal Fiscal Year Available	Grant Amount	Amount Drawn	Balance
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	10,914,261	10,914,261	-
2019	11,103,000	11,103,000	-
2020	11,011,000	11,011,000	-
2021	11,100,000	10,760,635	339,365
2022	7,008,000	6,311,269	696,731
2022-BIL-Base	17,992,000	17,992,000	-
2022 – BIL - LSL Replacement*	28,350,000	486,010	27,863,990
2022 – BIL – Emerg Contaminants	8,033,000	7,754,283	278,717
2023	4,938,000	4,062,742	875,258
2023-BIL-Base	21,055,000	9,902,312	11,152,688
TOTAL	**$ 333,694,287**	**$ 292,487,538**	**$ 41,206,749**

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

The total amount of in-kind contributions utilized for the LGTS software as of June 30, 2024, was $325,682. Additional in-kind contributions were received and capitalized for the Clean Water State Revolving Fund Program which also utilizes the LGTS software.

7. **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.

8. **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.

9. **Operating Expenses**

The operating expenses of the Program are classified, for financial reporting purposes, into seven 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% Local Assistance and support for other state program (e.g., Source Water Assessment Program)
- 10% Public Water Supply System support
- 4% DWSRF Administration Grant funding
- 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 PWS 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 Project Planning Activities and Report grants.

For the fiscal year ended June 30, 2024, the DWSRF program utilized $237,339 of funding from fees for administrative expenditures. This amount does not include amounts expended for debt issuance services.

15% Source Water Assessment Program

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

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

and,

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

<u>10% Public Water Supply System support</u>

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.

<u>4% Administration Grant funding</u>

A state may use up to 4% of the grant funds awarded for 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.

<u>2% Technical Assistance to Small Systems</u>

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.

<u>Loan Forgiveness</u>

The total of expenses reported as Loan Forgiveness is the amount of loan principal payments subsidized to communities meeting the Disadvantaged Community Definition 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.

10. <u>State Employees Retirement Plan (Plan)</u>

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, 2024, employees contributed $22,385, and the Department contributed $34,921. 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 ACFR also includes pension-related disclosures. The ACFR 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.

11. 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 (coverage includes hot pursuit). There is an additional one-time corridor 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 $1,000 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 $200,700,000, with a self-insured retention of $300,000 per loss occurrence. Newly acquired properties are covered up to $5 million for 30 days and $1 million for 90 days, if the property has not been reported. If not reported after 90 days, the property is not covered. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self-insurance. State agencies have the option to purchase building contents and inland marine coverage.

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.

II. PROGRAM INFORMATION SECTION

A. FUND ACTIVITIES

1. Loan and Investment Status

The fund has a loan portfolio containing $543,922,955, which is comprised of $407,013,835 in loans and $136,909,120 of obligated loan forgiveness. Of the $407,013,835 in loans, $187,812,217 has been repaid and $79,610,612 has yet to be dispersed, leaving a current outstanding loan balance of $152,579,740. Of the $139,909,120 of loan forgiveness, $63,939,991 has been dispersed. Details on the fund portfolio of 306 loans are in Attachment 1. The blended interest rate on the SFY 2024 outstanding loan balance is 0.98%. The result was an overall 29 basis point decrease from the prior fiscal year. The blended rate will decrease again over the next year, as rates for the upcoming year will likely be no greater than 0.8%.

2. Sources of DWSRF Funds by Quarter

The $3,094,000 NIFA / DWSRF 2023A bond, state match for the Federal Fiscal Year (FFY) 2023 capitalization grants was issued on July 19, 2023.

SOURCE OF STATE MATCH PROGRAM FUNDING AND FFY 2022 CAPITALIZATION GRANT

NIFA Bond	Quarter	Bond Funds	Cash
2023A	SFY 2023-1Q	$3,094,000	$0

CAPITALIZATION GRANT PAYMENT SCHEDULE

FFY 2023 (Base)	SFY 2024-Q2	$4,938,000
FFY 2023 (BIL General)	SFY 2024-Q2	$21,055,000
FFY 2022 (EC)	SFY 2024-Q1	$8,033,000

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

The DWSRF entered into 21 new binding commitments in order to provide financial assistance to PWS projects totaling $102,864,033 in the past fiscal year. Of that amount, disadvantaged communities received $26,729,322 in forgiveness funding, with $9,537,030 addressing emerging contaminants and $40,868,000 to replace lead service lines. The minimum grant conditions for additional subsidization (e.g., principal forgiveness) were met except for the allocation of FFY 2023 BIL General additional subsidization. As of this report drafting, just over $1.4 million of the $2,956,600 forgiveness assistance noted in the table below remains to be assigned, and is intentionally being held back due to the amended Public Interest Waiver from BABA for projects that initiated Design Planning prior to May 14, 2022. That waiver amendment, driven to provide the same waiver for Congressionally Directed Spending projects, resulted in a planning need to hold back a level of additional subsidization flexibility while signed loan obligations complete the bidding project step.

Historical Unused Additional Subsidization Authority				
Fiscal Year	EPA Approved Amount*	Project # - Community	Added or Deducted Amount	Current Balance
FFY 2010	$ 9,491,775	D311691-LSL - M.U.D. of Omaha (less Set-Aside)	$ 3,832,064	
		D311692-LSL - Lincoln (less Set-Aside)	$ 3,198,000	
		D3111712 - Clay Center	$ 139,350	
		D311715-LSL - Lincoln (less Set-Aside)	$ 1,040,000	$ 1,282,361
FFY 2011	$ 4,558,107			$ 4,558,107
FFY 2012	$ 1,084,881			$ 1,084,881
FFY 2013	$ 1,189,794			$ 1,189,794
FFY 2014	$ 2,438			$ 2,438
FFY 2015	$ 1,064,133			$ 1,064,133
FFY 2016	$ 1,036,867	D311698 - Schuyler	$ 921,300	
		D311658 - Syracuse	$ 115,567	$ -
FFY 2017	$ 622,171	D311658 - Syracuse	$ 58,283	
		D311649 - Falls City	$ (149,864)	
		D311675 - Grant	$ 691,311	
		D311711 - Martinsburg	$ 22,441	$ -
FFY 2018	$ 2,192,051	D311711 - Martinsburg	$ 52,559	
		D311691-LSL - Hastings	$ 260,000	
		D311704 - Blair	$ 175,000	
		D311634 - Osceola	$ 894,383	
		D311677 - Atkinson	$ 63,037	
		D311691-LSL - Grand Island (less Set-Aside)	$ 585,000	
		D311691-LSL - Kearney (less Set-Aside)	$ 91,142	
		D311694 - Duncan	$ 70,930	$ -
FFY 2019	$ 475,678	D311691-LSL - Kearney (less Set-Aside)	$ 437,509	
		D311663 - Shelton	$ (19,292)	
		D311691-LSL - M.U.D. of Omaha (less Set-Aside)	$ 57,461	$ -
FFY 2021	$ -	D311675-EC – Wakefield**	$ (1,300,000)	
		D311663 - Fairmont	$ (10,475)	
		D311691-LSL - M.U.D. of Omaha (less Set-Aside)	$ 1,310,475	$ -
*EPA Approval given on 6/27/2022		**Wakefield converted to BIL EC Forgiveness via a loan amendment		

Base & BIL Subsidization Authority				
Fiscal Year	EPA Approved Amount	Project # - Community	Added or Deducted Amount	Current Balance
FFY 2022 Base*	$ 3,433,920	D311686-EC - David City	$ 2,581,600	
		D311680 - Bradshaw	$ 442,770	
		D311677 - Atkinson	$ 91,080	
		D311694 - Duncan	$ 318,470	$ -
FFY 2022 BIL	$ 8,816,080	D311682 - Blair	$ 8,050,000	
		D311708 - Ainsworth	$ 675,000	
		D311686-EC - David City	$ 91,080	$ -
FFY 2022 BIL LSL	$ 13,891,500	D311691-LSL - Hastings (less Set-Aside)	$ 980,000	
		D311691-LSL - Grand Island (less Set-Aside)	$ 2,205,000	
		D311691-LSL - Kearney (less Set-Aside)	$ 1,992,609	
		D311691-LSL - M.U.D. of Omaha (less Set-Aside)	$ 8,713,891	$ -
FFY 2022 BIL LSL ReAllottment	$ 1,075,550	D311715-LSL - Lincoln (less Set-Aside)	$ 1,075,550	$ -
FFY 2022 BIL EC**	$ 8,033,000	D311675-EC - Wakefield	$ 4,441,360	
		D311686-EC - Valley	$ 3,167,156	$ 424,484
* The IUP noted that the Maximum Authority would be used for the Base Program				
Of the $2,581,600 noted for David City, $2,452,800 is for SDWA Disadvantaged Assistance				
** A total of $424,484 is set-aside for PFAS Baseline testing in Public Water Systems				
FFY 2023 Base*	$ 2,419,620	D311689 - Superior	$ 2,365,200	
		D3111712 - Clay Center	$ 54,420	$ -
FFY 2023 BIL	$ 10,316,950	D311669 - Milford	$ 2,385,000	
		D311632 - Ponca	$ 1,541,250	
		D311703-EC - Oakland	$ 2,759,060	
		D311673 - Neligh	$ 675,040	$ 2,956,600
FFY 2023 BIL LSL	$ 14,038,500	D311691-LSL - M.U.D. of Omaha (less Set-Aside)	$ 10,886,109	
		D311715-LSL - Lincoln (less Set-Aside)	$ 2,844,450	
FFY 2023 BIL LSL ReAllottment	To Be Determined			
FFY 2023 BIL EC**	$ 8,728,000	D311686-EC - Valley	$ 997,142	
		D311705-EC - Fairmont	$ 225,000	
		D311707-EC - Butte	$ 257,250	
		D311686-EC - David City	$ 3,645,320	
		D311668-EC - Emerson	$ 3,375,000	$ 228,288
* The IUP noted that the Maximum Authority would be used for the Base Program				
Of the $2,365,200 noted for Superior, $1,728,300 is for SDWA Disadvantaged Assistance				
*** A total of $228,288 is set-aside for PFAS Baseline testing in Public Water Systems				

Attachment 2 provides information showing the loan agreements entered into during SFY 2024 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 $366,606,652. The DWSRF has reached a cumulative binding commitment amount of initial loan awards of $580,254,993 or 158% of the required amount.

4. Administration Cash Fund and 4% Set-aside

The Program is now utilizing the 4% Set-Aside for salaries and the Administration Cash Fund for associated expenses of personnel administering the DWSRF. The switch made this year is for increasing the ability for cash match the FFY 2024 capitalization grants.

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, including Geographical Information System and/or Storyboard reporting out.
- Implementation of BIL requirements.

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

During SFY 2024, the 2% Technical Assistance efforts continued to implement proactive assistance, increased board/owner involvement and training, and increased engagement with PWSs. This will continue to ensure water systems in Nebraska meet compliance standards, achieve long term self-sustainability, and promote discussion and education for systems to evolve with regulatory changes and industry challenges. Three new 2% Technical Assistance contracts were awarded in SFY 2023 to provide the following types of assistance:

- Board Training for Individual Systems and Regional Workshops: Lack of ownership knowledge of responsibilities for, management of, and engagement with, their water systems has been demonstrated through routine sanitary survey (RSS) deficiency, and violation data. This new contract will focus on individual system board training as required by administrative orders (AO) issued to community and non-transient, non-community systems to help build capacity of systems falling out of compliance with regulations. Training of individual boards has been difficult in prior years if not required by an AO to attend. Offering board training at a regional level, with promotion of such training, should attract those interested in advancing their understanding of managing a water system and thus making it easier to reach more systems. This contract was awarded to the Wichita State Environmental Finance Center (WSEFC). This past fiscal year, WSEFC conducted 5 regional workshops and 2 individual system board trainings.

- Lead Service Line Inventory (LSLI) Documentation Consultation: A contract was let to assist systems with the knowledge and resources to complete the inventory portion of the Lead and Copper Rule Revision (LCRR), including public posting of locations of lead service lines and submission of documentation to the Department. Assistance will include a road map of best practices and procedures the system can use to complete inventories and knowledge to comply with remaining LCRR requirements. This contract was awarded to Midwest Assistance Program (MAP). During the fiscal year MAP initiated assistance with 109 water systems to complete LSLI's.
- TMF Assistance, which includes new operator hands-on training, pre-RSS consultation, and other assistance as required/requested: Many new licensed operators each year are hired by very small systems without other operators present to mentor the new employee. Offering hands-on training/mentoring to these operators will ensure they understand day to day operations required for running their water system. Pre-RSS assistance will ensure operators understand that survey process and are prepared with the appropriate paperwork, decreasing the overall number of deficiencies and improved operation of systems. The third part of this contract will give the CD Coordinator and the Department flexibility to request assistance as needed to address such issues as water loss, rate setting, asset management, and regulatory compliance. This contract was also awarded to MAP. Through this contract, MAP provided mentoring assistance to new operators at 15 water systems, pre-RSS consultation to 5 systems and TMF assistance to 3 systems.

6. <u>Capacity Development</u>

RSS deficiency data has historically served as the primary metric is assessing the efficacy of the 2% TA efforts and will continue to play a significant role in that assessment. In SFY 2024, Field Services representatives performed 375 Routine Sanitary Surveys (RSS). 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 213 Community, 47 Non-Transient, and 115 Transient Non-Community RSSs performed.

Community Systems:
Significant: 326 Minor: 118
A total of 444 deficiencies. Average of ~2.0 significant or minor deficiencies per system

Non-Transient Non-Community Systems (NTNC):
Significant: 59 Minor: 6
A total of 46 deficiencies. Average of ~1.4 significant or minor deficiency per system.

Transient Non-Community Systems:
Significant: 92 Minor: 31
A total of 123 deficiencies. Average of ~1.0 significant or minor deficiencies per system.

Most of these deficiencies fall into the areas of monitoring and compliance, system management, and operator compliance.

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 just over 1 Full Time Equivalent staff employed 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. The sharp decrease from prior usage, from an estimated 11 to just over 1 FTE, was due to the agency's switch of the Drinking Water Division into the Performance Partnership Grant. However, use of the 10% set-aside will begin again at the previous 10% rate, if not above, in SFY 2025.

B. Operator Certification

Held 10 water operator training courses applicable to various grade levels during SFY 2024. Water operator licenses were issued to 195 individuals. The number issued per license grade is as follows:

Grade	I	–	5	licenses
Grade	II	–	8	licenses
Grade	III	–	31	licenses
Grade	IV	–	151	licenses

All PWSs 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 continues to disburse on its third land acquisition loan signed with the City of Springfield, from repaid land acquisition funds, when available.

B. Source Water Delineation and Assessment

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, coordinating efforts and collaborating with other local, state, and federal programs and agencies, education and outreach, promotion of available funding opportunities, developing and reviewing

Drinking Water Protection Management Plans, and updating Wellhead Protection Area maps (or adopted the acceptable work of others) for Nebraska public water supplies. As of June 30, 2024, a cumulative 120 PWS have completed state-approved wellhead protection plans, and 6 communities have completed EPA-approved Drinking Water Protection Management Plans.

The communities of Malcolm, Newman Grove, Platte Center, and Tecumseh were awarded Source Water Grants totaling approximately $318,800 from the FFY 2023 capitalization grant. Each of these four communities will be utilizing the funding for the development and implementation of Wellhead Protection Plans. To assist with this, the communities will be constructing groundwater flow models to delineate the 20-year and 50-year time of travel wellhead protection area. Well abandonment and aquifer analyses are also tasks that will be completed for some of these communities.

Funds were allocated from the DWSRF 15% set-aside to assist with Phase III of the “Know Your Well” project. This project trains high school students how to properly sample and test the quality of their water wells. The third phase of this project will provide over 50 Nebraska Schools with the training, equipment, and laboratory results to assess water well quality.

C. Project Planning Activities & Report (PPAR) Grants

The PPAR Grant program used DWSRF local assistance set-aside funds to provide financial assistance to eligible PWSs 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.

PPAR 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. No awards were made in SFY 2024. Since its inception in SFY 2002, the DWSRF has awarded PPAR grants to 152 communities for a total of $2,075,320.

D. Capacity Development

The DWSRF continues to use this set-aside to fund one program staff to administer 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 resources and education for PWS operators and owners in areas such as asset management; capacity development; emergency response planning; water loss accounting; consumer confidence reports; and rate setting.

E. Security Grants

Letters were sent to all PWSs with populations less than 10,000 notifying them of the security grant program in SFY 2024. 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 (4), backup power (4), buildings/doors/etc. (4), fencing/lighting (1), sampling stations (5), GIS mapping (22), and SCADA Alarm/Cyber Upgrades (12). A total of 52 grants for $459,141 were awarded.

F. Water Well Specialists

Water Well Specialists in Nebraska completed 76 well inspections within Wellhead Protection Areas (WHPA) throughout the state in SFY 2024. In addition to wells within WHPAs, Specialists utilized other funds to inspect over 22% of all new drinking water wells drilled in 2023 (580 inspections) among other duties. During the inspections, there was opportunity for technical assistance to PWS owners, board members, operators, and private well owners. The specialists also reviewed siting setbacks for new wells near public water systems.

G. PFAS Baseline Sampling

Since beginning the voluntary PFAS sampling project we have had approximately 1,298 PFAS samples collected in Nebraska. This equates to 416 of 449 eligible community water systems which have taken at least one PFAS sample. Most communities, 396/416, had no PFAS detects above the, then proposed, now finalized, MCLs/HALs. There were 20 individual communities identified during this project as having PFAS detects above their MCLs/HALs. The final rule being released April of this year provided guidelines for systems to meet initial monitoring requirements - for most of the systems eligible for the project, initial monitoring requires two PFAS samples from each POE, 5-7 months apart. With this information, the Department was able to provide funding for a second PFAS sample for each POE that fell within the rule's guidelines, thereby allowing these systems to complete initial monitoring early and at no cost to the consumers. Additional outreach is being conducted for those 20 communities that exceeded, and the Department plans to direct funding to these communities to ensure PFAS remediation is done prior to the regulations becoming effective.

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, 2024, the ACH draw was $217,432,953 and the match disbursement was $47,922,313 for an ACH draw as a percentage of grant plus match disbursements ratio of 81.94%. For BIL Grants with a match requirement, the ACH draw was $27,894,312 and the match disbursement was $3,904,700 for an ACH draw as a percentage of grant plus match disbursements ratio of 87.72%

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, managerial, and financial 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 and have an annual audit performed
- SRF Data System, Public Health Benefits Reporting, 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)
- Ensure compliance with the terms and conditions of all grants
- 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. For SFY 2024, FNSIs were issued for the Dakota City, Fairmont, Oakland, Syracuse, and Valentine projects. Categorical Exclusions were issued for the Butte, Clay Center, Kearney, Lincoln, and Omaha Metropolitan Utilities District projects. The Department distributes these EAs via mailings to relevant stakeholders and posts them online at the Department's website for public review and comment.

EPA allows states to utilize equivalency for some regulations or conditions of the capitalization grant, including FFATA requirements. FFATA entries were made for Bradshaw to meet the FFY 22 Base grant requirement and Superior to meet the FFY 23 Base grant requirement. The Milford, Neligh, Oakland and Ponca projects started the FFY 23 BIL General grant requirement. While not subject to equivalency Wakefield (revision) and Valley completed the FFY 22 BIL EC grant requirements, while Butte, David City, Emerson, Fairmont and Valley completed the FFY 23 BIL EC grant requirements. Grand Island, Kearney & M.U.D. of Omaha completed the FFY 22 BIL LSL grant requirement. Lincoln completed the FFY 22 BIL LSL ReAllottment requirement. Lincoln and M.U.D. of Omaha started the FFY 23 BIL LSL grant requirement. The Crete and Wahoo loans were subsequently reported for the FFY 24 BIL grant, post June 30th, 2024. Project signs were provided to all the noted projects for both Base and BIL requirements per the terms and conditions.

2. Short-Term Goals and Accomplishments

Seven short-term goals were described in the SFY 2024 IUP. The short-term goals support the implementation of the Program. With one exception, the DWSRF has made significant progress on most of the 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. *Over the next eighteen months the program will review the DWSRF priority setting system to reassess whether the most serious risks to public health, ensuring compliance, and assisting systems most in need based on the state's disadvantaged community definition is being met.*

An unanticipated consequence of inflation and supply chain impacts to the cost of water infrastructure projects eliminated the possibility of this goal being achieved. The SFY 2024 IUP was originally meant to be a 2-year IUP, as was the case with all other IUPs. But cost-overruns and Congressionally Directed Spending resulted in it being implemented for 3 capitalization grant award cycles. As such, with the SFY 2025 plan development likely focused on compliance projects, there is no longer a path to achieving this goal until the point of all ARPA and BIL funds are disbursed, therefore there is no goal achievement and it was deleted from the SFY 2025 IUP.

However, in SFY 2024 there was process improvement, the program established a standard operating procedure and a compendium of ranking occurrences. For new staff coming to program, this will allow them to gain a faster understanding of the ranking system process.

2. *Continue to attract customers to the Program with low interest rates.*

A transition from the 0% rate program was implemented to a below market rate setting policy tied to quarterly municipal bond rate updates. Each quarter of the fiscal year, interest rates and fees were determined from one-third of the average 10 and 30-year Municipal Bond rates, rounded down to the nearest even ten basis point level. Split between the rate and the fee, the combined range of no less than 1% and no more than 2%.

This has been increased to 40% of the average 10 and 30-year Municipal Bond rates, rounded down to the nearest even ten basis point level. Split between the rate and the fee, the combined range of no less than 1% and no more than 2.5%.

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

All loans closed this past fiscal year with the DWSRF met this goal, except for the planning loan to Fairmont. But the outcome of that loan will be a project design which meets the noted goal. In addition to the above, the vast majority of the loans primarily replaced aging and/or deteriorated water mains, lead service lines, water towers and/or water treatment plants. Three loans for the communities of Emerson, Martinsburg and Superior achieved compliance with regulations.

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

The DWSRF routinely provides technical, managerial, and financial (TMF) assistance to PWSs. The MAP and the Wichita State University Environmental Finance Center as the 2% Team Contractors, provided TMF assistance to small systems throughout Nebraska. All funded projects undergo an enhanced assessment of TMF capabilities. In SFY 2025, the program intends to bolster these initiatives through increased sub-recipient monitoring efforts.

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

Last fiscal year 16 of the 21 loans/amendments signed were with communities below 10,000 in population, with just over 44% of the provided DWSRF assistance to those small systems.

6. *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. Granted projects were funded and managed by the Source Water Protection Coordinator, which included a revisitation of older projects still needing to be closed.

7. *Establish and implement all requirements of BIL funding.*

Except for reporting and the allocation of FFY 2023 BIL General additional subsidization, this goal has been met. Just over $1.4 million of forgiveness assistance remains to be assigned, and is intentionally being held back due to the amended Public Interest Waiver from BABA for projects that initiated Design Planning prior to May 14, 2022. That waiver amendment, driven to provide the same waiver for Congressionally Directed Spending projects, resulted in a planning need to hold back a level of additional subsidization flexibility while signed loan obligations complete the bidding project step. As this is a temporary need, this goal will be removed from the upcoming SFY 2026 IUP.

3. Long-Term Goals and Accomplishments

Six 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, including an evaluation of the new rate setting policy. To request EPA capitalization grants and obtain state match in a timely manner, along with allocating recycled funds to projects, in a timely manner.*

Each quarter of the fiscal year, interest rates and fees were determined from one-third of the average 10 and 30-year Municipal Bond rates, rounded down to the nearest even ten basis point level. Split between the rate and the fee, the combined range of no less than 1% and no more than 2%. Due to market conditions though, rates remained at 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, which is continuing to drive project cost-overruns from 5 to 90 percent above initial estimates.

A disbursement plan for 100% of state match funds drawn first is in place, prior to any request for associated capitalization grant funds. In SFY 25, over $1 million in cash match was implemented for year three of BIL implementation, which would further cement the long-term financial footing of the fund. Changes were made to the Lead Service Line funding plan to ensure those grant awards are secured for the program. Progress continues to be made on driving the program to meet the financial indicators under which EPA evaluates Nebraska's SRF program.

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 updated every other year so that program resources and funds may address the most significant public health and compliance issues facing eligible PWSs. The survey is starts 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. With the needed BIL Lead Service Line Replacement grant, a separate priority list was established for replacing those lines which may be expanded in SFY 2026.

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

Last fiscal year, two of the new loan agreements were made to address regulated public health issues, and three other loans were signed to address manganese above the public health advisory level. Four lead service line replacement loans were signed. 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 solutions for public 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 typically 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. However, impacts of cost-overruns due to inflationary pressures and supply chain disruptions have continued to upend any measurable cost controls in the near-term to mid-term. The latter will continue until Build America Buy America requirements become customary.

5. *Continue working with the other federal, state, and local programs to provide affordable financing for public drinking water projects.*

Co-funding with American Rescue Plan Act (ARPA) assistance was implemented on the Atkinson, Butte, and Milford projects and is planned for at least two other ARPA projects in

SFY 25, along with several Congressional Directed Spending funded projects. The WWAC continues to evaluate co-funding opportunities with USDA-Rural Development and the Emerging Contaminants in Small or Disadvantaged Communities grant program.

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

Through implementation of wellhead protection programs, incorporating source water management concepts into community water systems has been a longstanding practice at NDEE. This past year, the Department doubled efforts through the addition of a new program staff.

C. FUNDED PROGRAM

The Annual Report reflects the results and changes from the SFY 2024 IUP approved by the EQC on June 22, 2023. Project information for the loans closed last fiscal year is provided in Attachment 4.

D. PROGRAM CHANGES AND PROGRAM CHANGES UNDER CONSIDERATION

The program will be developing a GIS based report out/marketing effort of what the DWSRF can accomplish and potentially work with the Nebraska Emergency Management Agency to encourage projects to be designed in a sustainable and resilient way, with the plan to educate potential borrowers about the availability of SRF assistance for resiliency projects.

ATTACHMENT 1
DWSRF - LOAN INVESTMENT STATUS REPORT

Project Number	Party	Amount to Obligate	Total Agreement Amount	Net Loan Agreement Amount	5/10 Year	Const. Int	Loan Rate	Term Years	Final Disb	Total Disbursements	Construction Period Interest	Grant Amount	Forgiven Amount	Principal Repayments	Loan Balance
D311708	Ainsworth	1,500,000.00	1,500,000.00	825,000.00	10	0.5	0.5	30	N	277,968.00	0.00	0.00	125,086.00	0.00	152,882.00
D311152	Albion	352,500.00	352,500.00	282,000.00		2	2	19	Y	352,500.00	0.00	0.00	70,500.00	128,688.49	153,311.51
D311630	Albion	605,520.00	605,520.00	454,140.00	5	0.5	1.5	20	Y	605,520.00	0.00	0.00	151,380.00	83,018.03	371,121.97
D311517	Alda	250,878.00	250,878.00	150,878.00		2	2	20	Y	250,878.00	0.00	0.00	100,000.00	95,142.99	55,735.01
D311677	Atkinson	342,483.00	342,483.00	188,366.00	10	0	0	30	Y	53,350.00	0.00	0.00	24,007.00	0.00	29,343.00
D311553	Aurora	800,000.00	589,673.00	472,387.00	5	2	2	19	Y	589,673.00	0.00	0.00	117,286.00	154,918.09	317,468.91
D311623	Aurora	902,000.00	594,873.00	475,898.00	5	0.5	2	20	Y	594,873.00	0.00	0.00	118,975.00	91,200.55	384,697.45
D311005	Bayard	211,280.00	211,280.00	112,065.00		2	2	20	Y	211,280.00	0.00	0.00	99,215.00	76,664.45	35,400.55
D311567	Bayard	235,845.00	235,845.00	188,676.00	5	2	2	19	Y	235,845.00	0.00	0.00	47,169.00	82,111.96	106,564.04
D311674-L	Beatrice	1,300,000.00	1,300,000.00	1,300,000.00	10	0	0	30	Y	1,299,856.00	0.00	0.00	0.00	21,664.27	1,278,191.73
D311685	Beatrice	7,250,000.00	7,250,000.00	7,250,000.00	10	0.07	0.07	30	N	7,250,000.00	0.00	0.00	0.00	0.00	7,250,000.00
D311389	Bee	309,139.00	309,139.00	247,311.00	5	2	2	19	Y	309,139.00	0.00	0.00	61,828.00	105,367.61	141,943.39
D311516	Bellwood	248,650.00	248,650.00	142,924.00		2	2	21	Y	248,650.00	0.00	0.00	105,726.00	86,149.65	56,774.35
D311073	Benedict	555,000.00	555,000.00	455,000.00		2	3.42	30	Y	555,000.00	0.00	0.00	100,000.00	197,445.62	257,554.38
D311530	Blair	2,794,587.00	2,794,587.00	2,794,587.00	10	2	2.25	29	Y	2,794,587.00	0.00	0.00	0.00	791,605.03	2,002,981.97
D311619	Blair	1,700,000.00	1,698,359.00	1,443,606.00	5	2	2	30	Y	1,698,359.00	0.00	0.00	254,753.00	166,714.75	1,276,891.25
D311647	Blair	16,000,000.00	10,000,000.00	7,843,003.00	10	0	0	30	N	9,500,000.00	0.00	0.00	2,049,146.00	124,180.90	7,326,673.10
D311682	Blair	23,000,000.00	23,000,000.00	14,950,000.00	10	0.5	0.5	30	N	21,850,000.00	0.00	0.00	7,647,501.00	0.00	14,202,499.00
D311636-E	Boyd Cnty RWD 2	2,000,000.00	1,626,104.00	1,626,104.00		0	0	40	Y	1,626,104.00	0.00	0.00	0.00	1,565,383.08	60,720.92
D311680	Bradshaw	1,102,000.00	1,102,000.00	659,230.00	10	0.5	0.5	30	N	879,834.00	0.00	0.00	353,506.00	0.00	526,328.00
D311081	Brady	731,093.00	731,093.00	365,547.00		3	3.3	30	Y	731,093.00	0.00	0.00	365,546.00	237,981.80	127,565.20
D311229	Broken Bow	1,922,222.00	1,922,222.00	1,822,222.00		1	2.62	20	Y	1,922,222.00	0.00	0.00	100,000.00	1,121,749.12	700,472.88
D311561	Brunswick	102,074.00	102,074.00	81,658.00		2	2	19	Y	102,074.00	0.00	0.00	20,416.00	39,961.06	41,696.94
D311549	Cairo	670,700.00	378,003.00	302,403.00		2	2.25	19	Y	378,003.00	0.00	0.00	75,600.00	143,167.81	159,235.19
D311456	Carroll	225,475.00	225,475.00	180,380.00	5	2	2	19	Y	225,475.00	0.00	0.00	45,095.00	95,817.34	84,562.66
D311603	Central City	542,509.00	542,509.00	434,007.00	5	2	2	19	Y	542,509.00	0.00	0.00	108,502.00	168,644.86	265,362.14
D311629	Central City	2,000,000.00	1,414,354.00	1,060,767.00	5	1.5	1.5	20	Y	1,414,354.00	0.00	0.00	353,587.00	166,506.82	894,260.18
D311294	Clarks	405,000.00	405,000.00	305,000.00		1	2.5	20	Y	405,000.00	0.00	0.00	100,000.00	248,619.95	56,380.05
D311509	Clarks	795,133.00	795,133.00	516,836.00		2	2	20	Y	795,133.00	0.00	0.00	278,297.00	298,036.20	218,799.80

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DWSRF - LOAN INVESTMENT STATUS REPORT

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D311712	Clay Center	450,000.00	450,000.00	256,230.00		0.5	0.5	30	N	400,735.00	0.00	0.00	172,556.00	0.00	228,179.00
D311645	Coleridge	200,000.00	163,168.00	163,168.00		1.25	1.25	20	Y	163,168.00	0.00	0.00	0.00	25,699.80	137,468.20
D311665	Cozad	1,565,000.00	1,565,000.00	1,330,250.00	10	0	0	20	N	840,459.00	0.00	0.00	126,070.00	35,719.46	678,669.54
D311506	Dalton	394,046.00	394,046.00	197,024.00		2	2	20	Y	394,046.00	0.00	0.00	197,022.00	124,215.61	72,808.39
D311686-EC	David City	12,000,000.00	12,000,000.00	5,682,000.00	10	0.5	0.5	30	N	5,011,809.00	0.00	0.00	2,661,039.00	0.00	2,350,770.00
D311569	Daykin	563,466.00	563,466.00	450,773.00	5	2	2	19	Y	563,466.00	0.00	0.00	112,693.00	186,490.38	264,282.62
D311633	Dorchester	302,000.00	302,000.00	241,600.00	10	0.5	1.5	20	N	267,000.00	0.00	0.00	53,400.00	32,193.41	181,406.59
D311571	Elgin	2,100,000.00	1,914,618.00	1,435,968.00	10	2	2	20	Y	1,914,618.00	0.00	0.00	478,650.00	287,884.73	1,148,083.27
D311668-EC	Emerson	4,500,000.00	4,500,000.00	1,125,000.00		0.2	0.2	30	N	1,986,057.00	0.00	0.00	1,512,273.00	0.00	473,784.00
D311639	Ewing	920,000.00	920,000.00	690,000.00	10	0.5	1.5	30	Y	885,068.00	0.00	0.00	221,267.00	43,774.62	620,026.38
D311601	Fairbury	3,700,000.00	3,700,000.00	2,775,000.00	5	0.5	1.5	20	N	1,518,239.00	0.00	0.00	379,559.00	124,432.34	1,014,247.66
D311641	Fairfield	780,000.00	660,000.00	330,000.00	5	0.5	1.5	20	N	660,000.00	0.00	0.00	330,000.00	48,986.00	281,014.00
D311176	Fairmont	183,582.00	183,582.00	183,582.00	10	2	3.54	20	Y	183,582.00	0.00	0.00	0.00	135,908.98	47,673.02
D311663	Fairmont	475,000.00	435,159.00	338,100.00	10	0	0	20	Y	435,159.00	0.00	0.00	97,059.00	33,810.00	304,290.00
D311705-EC	Fairmont	300,000.00	300,000.00	75,000.00	10	0.5	0.5	5	N	175,826.00	0.00	0.00	131,869.00	4,346.48	39,610.52
D311649	Falls City	3,000,000.00	2,000,906.00	1,700,770.00	10	0	0	20	Y	2,000,906.00	0.00	0.00	300,136.00	169,655.21	1,531,114.79
D311670	Filley	149,000.00	149,000.00	111,750.00	10	0	0	30	Y	149,000.00	0.00	0.00	37,250.00	7,450.00	104,300.00
D311536	Firth	326,301.00	326,301.00	326,301.00	5	2	2	20	Y	326,301.00	0.00	0.00	0.00	205,841.67	120,459.33
D311683	Firth	1,409,000.00	1,409,000.00	1,037,125.00		0	0	30	N	1,245,771.00	0.00	0.00	331,068.00	26,785.68	887,917.32
D311615	Fort Calhoun	643,800.00	450,578.00	450,578.00		2	2	20	Y	450,578.00	0.00	0.00	0.00	127,286.49	323,291.51
D311512	Friend	275,758.00	275,758.00	208,508.00		2	2	20	Y	275,758.00	0.00	0.00	67,250.00	137,549.21	70,958.79
D311535	Fullerton	366,000.00	366,000.00	366,000.00		2	2	20	Y	366,000.00	0.00	0.00	0.00	211,449.78	154,550.22
D311575	Garland	1,148,937.00	1,148,937.00	919,150.00	5	0.6	0.6	30	Y	1,148,937.00	0.00	0.00	229,787.00	212,155.22	706,994.78
D311595	Grant	2,756,730.00	2,693,519.00	2,154,815.00	10	2	2	20	Y	2,693,519.00	0.00	0.00	538,704.00	559,281.23	1,595,533.77
D311675	Grant	1,585,500.00	1,585,500.00	894,189.00	10	0	0	30	Y	1,444,951.00	0.00	0.00	663,201.00	13,029.17	768,720.83
D311309	Gretna	487,613.00	487,613.00	487,613.00		2	2	19	Y	487,613.00	0.00	0.00	0.00	165,533.61	322,079.39
D311028	Gurley	228,579.00	228,579.00	173,280.00		3	3.74	30	Y	228,579.00	0.00	0.00	55,299.00	121,798.99	51,481.01
D311566	Haigler	146,791.00	146,791.00	117,433.00	5	2	2	19	Y	146,791.00	0.00	0.00	29,358.00	48,597.94	68,835.06
D311552	Hartington	469,904.00	469,904.00	375,924.00	5	2	2	19	Y	469,904.00	0.00	0.00	93,980.00	127,641.79	248,282.21

ATTACHMENT 1
DWSRF - LOAN INVESTMENT STATUS REPORT

Project Number	Party	Amount to Obligate	Total Agreement Amount	Net Loan Agreement Amount	5/10 Year	Const. Int	Loan Rate	Term Years	Final Disb	Total Disbursements	Construction Period Interest	Grant Amount	Forgiven Amount	Principal Repayments	Loan Balance
D311691-LSL	Hastings	2,000,000.00	2,000,000.00	560,000.00	10	0	0	30	N	314,193.00	0.00	0.00	194,800.00	0.00	119,393.00
D311547	Hay Springs	307,083.00	307,083.00	245,667.00		2	2.5	19	Y	307,083.00	0.00	0.00	61,416.00	117,031.53	128,635.47
D311544	Holstein	270,121.00	270,121.00	216,097.00		2	2	20	Y	270,121.00	0.00	0.00	54,024.00	119,550.05	96,546.95
D311602	Holstein	130,000.00	130,000.00	104,000.00	5	2	2	19	Y	130,000.00	0.00	0.00	26,000.00	37,857.33	66,142.67
D311678	Johnson Cnty RWD 1	280,000.00	280,000.00	280,000.00	10	0	0	15	N	93,000.00	0.00	0.00	0.00	3,100.00	89,900.00
D311540	Kearney	212,927.00	212,927.00	212,927.00		2	2	20	Y	212,927.00	0.00	0.00	0.00	134,424.84	78,502.16
D311589	Kearney	301,029.00	301,029.00	301,029.00		2	2	19	Y	301,029.00	0.00	0.00	0.00	124,707.26	176,321.74
D311607	Kearney	1,500,000.00	1,500,000.00	1,500,000.00		2	2	20	Y	1,500,000.00	0.00	0.00	0.00	354,909.82	1,145,090.18
D311624	Kearney	915,000.00	369,017.00	369,017.00		0.5	2	20	Y	369,017.00	0.00	0.00	0.00	62,544.05	306,472.95
D311676	Kearney	8,000,000.00	8,000,000.00	8,000,000.00		0	0	20	N	7,227,024.00	0.00	0.00	0.00	0.00	7,227,024.00
D311576	Kenesaw	835,000.00	720,430.00	616,761.00	5	2	2	19	Y	720,430.00	0.00	0.00	103,669.00	194,970.17	421,790.83
D311504	Laurel	476,355.00	476,355.00	357,266.00	10	2	2	19	Y	476,355.00	0.00	0.00	119,089.00	230,489.83	126,776.17
D311651	Laurel	428,748.00	428,748.00	322,799.00	10	0	0	30	Y	371,441.00	0.00	0.00	88,052.00	23,615.75	259,773.25
D311548	Lincoln	14,977,829.00	14,977,829.00	14,977,829.00		2	2.25	20	Y	14,977,829.00	0.00	0.00	0.00	6,780,945.53	8,196,883.47
D311570	Lindsay	701,018.00	701,017.00	487,487.00	5	2	2	19	Y	701,017.00	0.00	0.00	213,530.00	200,251.35	287,235.65
D311618	Lindsay	1,650,500.00	1,650,500.00	1,320,400.00	5	2	2	30	Y	1,339,330.00	0.00	0.00	267,866.00	116,887.05	954,576.95
D311188	Louisville	843,275.00	843,275.00	843,275.00		1	3.5	20	Y	843,275.00	0.00	0.00	0.00	673,918.42	169,356.58
D311562	Loup City	186,422.00	186,422.00	149,137.00		2	2	19	Y	186,422.00	0.00	0.00	37,285.00	73,099.78	76,037.22
D311638	Marquette	280,000.00	280,000.00	210,000.00	10	0.5	1.5	30	Y	280,000.00	0.00	0.00	70,000.00	18,970.71	191,029.29
D311600	Maxwell	56,488.00	56,488.00	56,488.00		2	2	9	Y	56,488.00	0.00	0.00	0.00	53,416.43	3,071.57
D311560	McCook	1,650,090.00	1,650,090.00	1,320,072.00	5	2	2	19	Y	1,650,090.00	0.00	0.00	330,018.00	1,018,339.58	301,732.42
D311681	McCook	2,490,000.00	2,490,000.00	2,036,899.00		0	0	30	N	713,060.00	0.00	0.00	129,754.00	0.00	583,306.00
D311653	McCool Junction	848,500.00	848,500.00	636,375.00	10	0	0	30	N	827,950.00	0.00	0.00	206,987.00	39,413.66	581,549.34
D311373	Milford	1,441,301.00	1,239,405.00	991,524.00	5	2	2	20	Y	1,239,405.00	0.00	0.00	247,881.00	234,824.40	756,699.60
D311669	Milford	5,300,000.00	5,300,000.00	2,915,000.00	10	0.1	0.1	30	N	2,894,793.00	0.00	0.00	1,302,657.00	0.00	1,592,136.00
D311498	MUD - Omaha	6,886,837.00	6,886,837.00	5,797,062.00		2	2	20	Y	6,886,837.00	0.00	0.00	1,089,775.00	3,502,040.24	2,295,021.76
D311503	Oakland	104,883.00	104,883.00	104,883.00		2	2	20	Y	104,883.00	0.00	0.00	0.00	60,531.62	44,351.38
D311044	Ogallala	2,719,119.00	2,719,119.00	2,175,295.00	10	2	2	19	Y	2,719,119.00	0.00	0.00	543,824.00	769,481.92	1,405,813.08
D311616	Ogallala	2,176,684.00	3,000,000.00	2,106,909.00	5	2	2	20	N	2,144,300.00	0.00	0.00	428,860.00	284,302.66	1,431,137.34

ATTACHMENT 1
DWSRF - LOAN INVESTMENT STATUS REPORT

Project Number	Party	Amount to Obligate	Total Agreement Amount	Net Loan Agreement Amount	5/10 Year	Const. Int	Loan Rate	Term Years	Final Disb	Total Disbursements	Construction Period Interest	Grant Amount	Forgiven Amount	Principal Repayments	Loan Balance
D311620	O'Neill	2,618,425.00	2,228,785.00	1,671,591.00	5	2	2	20	Y	2,228,785.00	0.00	0.00	557,194.00	508,690.90	1,162,900.10
D311500	Osceola	446,598.00	446,598.00	270,772.00	5	2	2	20	Y	446,598.00	0.00	0.00	175,826.00	170,710.74	100,061.26
D311533	Osceola	1,173,391.00	1,173,391.00	938,713.00	5	2	2.25	19	Y	1,173,391.00	0.00	0.00	234,678.00	502,981.67	435,731.33
D311634	Osceola	2,200,000.00	2,200,000.00	1,305,617.00	10	0	0	30	N	1,649,636.00	0.00	0.00	670,639.00	0.00	978,997.00
D311605	Oshkosh	4,025,000.00	3,969,579.00	2,977,188.00	5	2	2	30	Y	3,969,579.00	0.00	0.00	992,391.00	462,575.57	2,514,612.43
D311585	Osmond	1,306,600.00	1,244,847.00	809,151.00	5	2	2	20	Y	1,244,847.00	0.00	0.00	435,696.00	242,154.69	566,996.31
D311614	Papio-Missouri River NRD	350,000.00	350,000.00	350,000.00		2	2	19	Y	350,000.00	0.00	0.00	0.00	110,342.76	239,657.24
D311627	Papio-Missouri River NRD	300,000.00	300,000.00	300,000.00		2	2	20	Y	300,000.00	0.00	0.00	0.00	71,198.57	228,801.43
D311652	Paxton	502,000.00	502,000.00	376,500.00	10	0.5	0.5	30	N	388,705.00	0.00	0.00	97,176.00	20,146.64	271,382.36
D311640-E	Peru	1,490,000.00	1,490,000.00	1,490,000.00		0	0	40	N	1,478,738.00	0.00	0.00	0.00	20,000.00	1,458,738.00
D311688-E	Peru	7,720,000.00	7,720,000.00	7,720,000.00		0	0	40	N	7,150,826.00	0.00	0.00	0.00	0.00	7,150,826.00
D311505	Phillips	263,800.00	263,800.00	166,643.00		2	2	20	Y	263,800.00	0.00	0.00	97,157.00	105,061.62	61,581.38
D311581	Phillips	575,000.00	570,663.00	370,930.00	5	2	2	19	Y	570,663.00	0.00	0.00	199,733.00	134,241.20	236,688.80
D311543	Pickrell	228,377.00	228,377.00	182,702.00		2	2	20	Y	228,377.00	0.00	0.00	45,675.00	89,828.66	92,873.34
D311625	Pierce	687,500.00	574,833.00	459,866.00	5	0.5	2	20	Y	574,833.00	0.00	0.00	114,967.00	84,013.96	375,852.04
D311532	Platte Center	631,712.00	631,712.00	505,371.00	10	2	2.25	20	Y	631,712.00	0.00	0.00	126,341.00	275,661.45	229,709.55
D311655	Platte Center	210,000.00	210,000.00	105,000.00	10	0	0	30	Y	183,771.00	0.00	0.00	91,885.00	7,657.15	84,228.85
D311518	Plattsmouth	872,957.00	872,957.00	872,957.00		2	2.3	30	Y	872,957.00	0.00	0.00	0.00	323,192.22	549,764.78
D311626	Plattsmouth	876,590.00	876,590.00	804,920.00	5	2	2	20	N	453,959.00	0.00	0.00	15,025.00	55,236.85	383,697.15
D311637-E	Plattsmouth	1,825,000.00	1,825,000.00	1,825,000.00		0	0	40	N	889,270.00	0.00	0.00	0.00	843,022.74	46,247.26
D311596	Pleasanton	400,000.00	232,931.00	212,922.00	5	2	2	19	Y	232,931.00	0.00	0.00	20,009.00	72,647.11	140,274.89
D311632	Ponca	3,425,000.00	3,425,000.00	1,883,750.00	10	0	0	30	N	97,680.00	0.00	0.00	43,956.00	0.00	53,724.00
D311621	Raven's Nest Homeowners Association	594,411.00	594,411.00	594,411.00		1.5	1.5	20	Y	593,344.00	0.00	0.00	0.00	77,131.94	516,212.06
D311438	Republican City	1,157,060.00	1,157,060.00	1,057,060.00		2	3	20	Y	1,157,060.00	0.00	0.00	100,000.00	1,017,844.91	39,215.09
D311606	Sarpy Cnty SID #29	572,010.00	572,010.00	572,010.00		2	2	19	Y	572,010.00	0.00	0.00	0.00	426,322.25	145,687.75
D311573	Scribner	3,660,000.00	3,660,000.00	2,928,000.00	5	2	2	30	Y	3,660,000.00	0.00	0.00	732,000.00	548,478.23	2,379,521.77
D311631	Shelton	700,000.00	700,000.00	560,000.00	5	0.5	1.5	30	Y	603,537.00	0.00	0.00	120,707.00	44,789.11	438,040.89
D311604	Sidney	7,500,000.00	3,245,414.00	3,241,951.00	5	2	2	20	Y	3,245,414.00	0.00	0.00	3,463.00	990,969.75	2,250,981.25

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D311584	South Sioux City	3,128,000.00	849,203.00	849,203.00		2	2	20	Y	849,203.00	0.00	0.00	0.00	282,677.78	566,525.22
D311642	South Sioux City	5,600,000.00	5,600,000.00	5,600,000.00		0.5	1.5	30	N	3,910,127.00	0.00	0.00	0.00	272,376.91	3,637,750.09
D311611	Springfield	3,250,000.00	3,250,000.00	2,600,000.00	10	0.5	0.5	20	N	2,733,868.00	0.00	0.00	545,488.00	0.00	2,188,380.00
D311559	St. Helena	279,539.00	279,539.00	233,025.00		2	2	19	Y	279,539.00	0.00	0.00	46,514.00	114,001.59	119,023.41
D311391	Stamford	200,000.00	200,000.00	100,000.00		1	2.83	30	Y	200,000.00	0.00	0.00	100,000.00	57,393.70	42,606.30
D311059	Stanton Cnty SID #1 - Woodland Park	353,805.00	353,805.00	353,805.00		2	4	20	Y	353,805.00	0.00	0.00	0.00	353,805.01	-0.01
D311672	Stromsburg	155,000.00	155,000.00	155,000.00		0	0	15	Y	140,919.00	0.00	0.00	0.00	18,789.20	122,129.80
D311689	Superior	6,000,000.00	6,000,000.00	3,634,800.00		0.5	0.5	20	N	900,298.00	0.00	0.00	354,898.00	0.00	545,400.00
D311644-L	Syracuse	1,000,000.00	999,991.00	799,993.00	5	0.5	1.5	40	Y	999,991.00	0.00	0.00	199,998.00	51,604.85	748,388.15
D311658	Syracuse	11,254,000.00	11,254,000.00	8,829,350.00	10	0	0	40	N	8,536,067.00	0.00	0.00	1,813,116.00	159,066.48	6,563,884.52
D311550	Terrytown	1,320,700.00	1,320,700.00	990,525.00		2	2	21	Y	945,529.00	0.00	0.00	236,381.00	86,603.82	622,544.18
D311590	Tobias	314,597.00	314,597.00	251,677.00	5	2	2	29	Y	314,597.00	0.00	0.00	62,920.00	58,047.63	193,629.37
D311273	Trenton	500,000.00	468,685.00	468,685.00		2	2	20	Y	468,685.00	0.00	0.00	0.00	143,202.07	325,482.93
D311664	Valentine	1,000,000.00	1,000,000.00	800,000.00		0	0	30	N	855,198.00	0.00	0.00	171,040.00	33,501.67	650,656.33
D311593	Valley	775,000.00	748,709.00	562,131.00	5	2	2	19	Y	748,709.00	0.00	0.00	186,578.00	231,988.30	330,142.70
D311666-EC	Valley	7,935,020.00	7,935,020.00	3,770,722.00		0	0	30	N	3,542,391.00	0.00	0.00	951,598.00	0.00	2,590,793.00
D311522	Wahoo	399,033.00	399,033.00	299,274.00		2	2	20	Y	399,033.00	0.00	0.00	99,759.00	196,743.30	102,530.70
D311275	Wakefield	1,200,000.00	1,200,000.00	960,000.00	5	2	2	29	Y	1,200,000.00	0.00	0.00	240,000.00	221,522.68	738,477.32
D311657-EC	Wakefield	6,500,000.00	8,800,000.00	4,138,040.00		0	0	30	N	6,252,141.00	0.00	0.00	3,312,186.00	0.00	2,939,955.00
D311527	Wausa	326,016.00	326,016.00	260,814.00		2	2.23	20	Y	326,016.00	0.00	0.00	65,202.00	135,632.29	125,181.71
D311519	Wayne	1,012,414.00	1,012,414.00	762,414.00		2	2	20	Y	1,012,414.00	0.00	0.00	250,000.00	460,692.71	301,721.29
D311643	Wayne	3,030,000.00	2,335,854.00	1,985,476.00	5	0.5	1.5	20	Y	2,335,854.00	0.00	0.00	350,378.00	306,050.81	1,679,425.19
D311608	Weeping Water	700,000.00	659,326.00	527,461.00	5	2	2	20	Y	659,326.00	0.00	0.00	131,865.00	174,527.67	352,933.33
D311558	West Knox RWD	1,107,567.00	1,107,567.00	886,054.00		2	2.5	20	N	948,921.00	0.00	0.00	189,784.00	303,842.13	455,294.87
D311646	West Point	3,500,000.00	3,500,000.00	2,800,000.00	5	0.5	1.5	19	N	2,739,948.00	0.00	0.00	547,988.00	296,339.53	1,895,620.47
D311592	Wisner	192,550.00	113,073.00	113,073.00		2	2	19	Y	113,073.00	0.00	0.00	0.00	46,851.12	66,221.88
D311622	Wisner	4,439,000.00	4,439,000.00	3,329,250.00	5	0.5	1.5	31	N	3,133,897.00	0.00	0.00	783,474.00	170,852.59	2,179,570.41
D311583	Wood Lake	116,647.00	116,647.00	75,820.00	5	2	2	19	Y	116,647.00	0.00	0.00	40,827.00	26,935.17	48,884.83

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D311520	York	3,112,807.00	3,112,807.00	2,334,605.00		2	2	20	Y	3,112,807.00	0.00	0.00	778,202.00	1,470,529.55	864,075.45
D311617	York	4,300,000.00	3,583,025.00	3,045,572.00	5	2	2	15	Y	3,583,025.00	0.00	0.00	537,453.00	719,231.07	2,326,340.93
D311662	Yutan	963,000.00	963,000.00	807,187.00	10	0	0	30	Y	823,045.00	0.00	0.00	133,169.00	0.00	689,876.00
Grand Total: (146 records)		**562,782,316.00**	**543,922,955.00**	**407,013,835.00**						**391,343,215.00**	**0.00**	**0.00**	**63,939,991.00**	**187,812,217.53**	**139,591,006.47**

ATTACHMENT 2
DWSRF - BINDING COMMITMENTS

			State Fiscal Year 2023				State Fiscal Year 2024			
Community Name	**Project #D31**	**Small System (<10,000)**	**1st QTR**	**2nd QTR**	**3rd QTR**	**4th QTR**	**1st QTR**	**2nd QTR**	**3rd QTR**	**4th QTR**
Duncan	1694	X		708,000						
Howells	1699	X		80,000						
Ainsworth	1708	X			1,500,000					
Hastings	1691-LSL				2,000,000					
Osceola	1634	X			2,200,000					
Wakefield Amd #1	1657-EC	X			2,300,000					
Blair	1682	X				23,000,000				
Blair	1704	X				2,500,000				
David City	1686-EC	X				12,000,000				
Bradshaw	1680	X					1,102,000			
Clay Center	1712	X					450,000			
Emerson	1668-EC	X					4,500,000			
Fairmont	1705-EC	X					300,000			
Martinsburg	1711	X					100,000			
Milford	1669	X					5,300,000			
Ponca	1632	X					3,425,000			
Schuyler	1698	X					3,000,000			
Atkinson	1677	X						342,483		
Butte	1707-EC	X							343,000	
Crete	1654	X							3,700,000	
Grand Island	1690-LSL								4,500,000	
Kearney	1709-LSL								4,066,550	
Metropolitan Utilities District	1693-LSL								40,000,000	
Neligh	1673	X							1,600,000	
Oakland	1703-EC	X							9,050,000	
Beatrice Amd #1	1685									1,000,000
Lincoln	1715-LSL									8,000,000
Loup City	1684	X								385,000
Superior	1689	X								6,000,000
Wahoo	1671	X								5,700,000
(1) BINDING COMMITMENT TOTALS			-	788,000	8,000,000	37,500,000	18,177,000	342,483	63,259,550	21,085,000
(2) CUMULATIVE BINDING COMMITMENTS			431,102,960	431,890,960	439,890,960	477,390,960	495,567,960	495,910,443	559,169,993	580,254,993
FY BINDING COMMITMENT TOTALS					FY23:	46,288,000			FY24:	102,864,033
(3) REQUIRED BINDING COMMITMENT*			63,268,156				59,072,633			
(4) CUMULATIVE REQUIRED AMOUNT			307,534,019	307,534,019	307,534,019	307,534,019	366,606,652	366,606,652	366,606,652	366,606,652
(5) BC AS % OF REQ'D BC AMOUNT			140	140	143	155	135	135	153	158
*100% of Capitalization Grant less set-aside plus match, lagged by 1 year from payment										

ATTACHMENT 3

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

JULY 1, 2022, THROUGH JUNE 30, 2023

Issued on April 16, 2024

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

TABLE OF CONTENTS

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. 2022). The Program has been established pursuant to both the Federal Safe Drinking Water Act and correlative State statutes to provide loans, at below market 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. Most loans made by the Program can have terms of repayment up to 30 years; however, disadvantaged communities may have a loan term up to 40 years. All repayments, including interest and principal, must be used for the purposes of the Program.

The United States Environmental Protection Agency (EPA) capitalized the Program 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, 2023, the EPA had awarded a cumulative total of $307.7 million in capitalization grants to the State of Nebraska. Of the $307.7 million awarded, approximately $19.5 million was funded by the American Recovery and Reinvestment Act (ARRA) and $54.4 million was funded by the Bipartisan Infrastructure Law (BIL). Of the $54.4 million funded by BIL, $18.0 million of the award required the State to contribute approximately $1.8 million. The $233.8 million not funded by ARRA or BIL required Nebraska to contribute approximately $46.8 million in matching funds. Since the inception of the Program, the State has appropriated $2.3 million to meet its matching requirement. Additional matching funds were obtained through the issuance of revenue bonds and the use of Administrative Cash Funds.

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.

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
Jerad Jelinek	Accounting & Finance Manager

* Jim Macy announced his retirement effective April 19, 2024, and Thad Fineran served as Interim Director starting April 1, 2024.

Nebraska Department of Environment and Energy
245 Fallbrook Blvd.
P.O. Box 98922 Lincoln, NE 68509
dee.ne.gov

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.

Financial Statement Errors

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

- When determining the allocation of the Loans Receivable balance between current and non-current assets, the Department identified loan repayments, totaling $7,266,681, due during fiscal year 2024 and recorded as current loans receivable. However, this amount included interest and fees that would not be included in the loans receivable balance. This caused current loans receivable to be overstated by $2,135,931 and non-current loans receivable to be understated by $2,135,931.

- During testing of accrual entries for grants payable and accrued compensated absences, it was noted that $6,073,287 of loan forgiveness and $183,000 of compensated absences was from Federal funds and, therefore, would also include an accrual to record a Due from Federal Government receivable and a Capital Contributions – Federal Grants revenue. As a result, Due from Federal Government receivable and Capital Contributions – Federal Grants revenue were understated by $6,256,287.

- During testing of the accrual of payments to subrecipients for reimbursement requests, it was determined that loan payments made for reimbursement requests received prior to June 30, 2023, but not paid until July 2023 should be accrued as fiscal year 2023 payables but were not accrued on the financial statements. As a result, Due to Loan Recipients payable and Loans Receivable were understated by $2,086,464. This included $735,678 of loan payments paid from Federal funds, which resulted in a $735,678 understatement of Due from Federal Government receivable and Capital Contributions – Federal Grants revenue.

- While completing the accrual entry for loan forgiveness and grant payments, the Department did not accrue $631,040 of loan forgiveness expenditures that were incurred by the subrecipient during fiscal year 2023 and did not review security grant payments for potential accrual. This caused Security Grants Activities expense to be understated by $93,866, Loan Forgiveness expense to be understated by $631,040, and Due to Grant Recipients payable to be understated by $724,906. Additionally, Due from Federal Government receivable and Capital Contributions – Federal Grants revenue were understated by $62,895 due to Security Grants that should be accrued and were paid from Federal funds.

- Errors were noted in the accrual entries made to correct a miscoded receipt of loan interest and a duplicate payment, which caused multiple lines on the Statement of Revenues, Expenses, and Changes in Net Position to be misstated. The following adjustment was proposed by the APA and made by the Department:

Other Non-Operating Revenue (Expense)	$	15,925
Interest on Loans	$	(23,816)
Administrative Costs from Fees	$	5,804
15% Source Water Assessment Program	$	2,087

- When reversing the fiscal year 2022 grants payable accrual entry, two errors were noted: 1) a $20,000 accrual of Federal revenue drawdowns was reversed from Other Non-Operating Revenue (Expense) but should be recorded to the Capital Contributions – Federal Grants; and 2) the grants payable accrual was reversed with $701,240 of accrued expenditures recorded to Loan Forgiveness but should be $681,240 of Loan Forgiveness and $20,000 of Security Grant Activities.

COMMENT AND RECOMMENDATION
(Concluded)

- While reviewing the allocation of the compensated absences accrual for operating expense classification, it was noted the amounts allocated for the 15% Source Water expense and 10% Public Water expense were reversed. This caused the 10% Public Water Supply System expense to be understated by $106,455 and the 15% Source Water Assessment Program expense to be overstated by $106,455.

- When preparing the Statement of Cash Flows, DEE included a line for a $162,727 cash flow from Depreciation Expense; however, as there were no cash flows when recording depreciation expense, it should be an adjustment to reduce the cash outflows for Payments for Administration and for Payments for 10% Public Water Supply System, which were overstated by $81,364 and $81,363, respectively.

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

A similar finding was noted during the previous seven audits.

A proper system of internal control and sound accounting practices require procedures to ensure that financial information is accurate and complete for proper financial statement presentation.

Without such procedures, there is an increased risk of materially misstating the financial statements.

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

Department Response: The agency agrees with the Financial Statement preparation audit finding. During Fiscal Year 22-23, the Accounting/Fiscal Team developed a revised template for DW & CW SRF Financial Statement creation/preparation. During the APA's audit, questions/recommendations were brought to the agency by the APA, to which the financial statement template was adjusted. We agree the adjustments are necessary to better reflect SRF financial activities in the financial statements. In conjunction with revised financial statement preparation file, the Accounting/Fiscal team will further develop procedures, supporting documentation and guidelines related to future SRF Financial Statement preparation. In SFY 22-23, NDEE continued to strengthen communication between program and accounting staff to help reduce coding errors and miscoded expenditures. NDEE continued reconciliations between program data and accounting system data, making corrections as needed, validating program data matches accounting transactions. All of the changes described above started in State Fiscal Year 22-23 and will continue to be refined and implemented in SFY 24-25. NDEE recognizes the upcoming DW & CW SRF audit could result in similar or repeat findings due to the timing of these changes. Implemented changes should result in more accurate Financial Statement preparation and financial data beginning SFY 23-24.

It should be noted this report is critical in nature, containing only our comment and recommendation on the areas noted for improvement and does not include our observation of any strengths of the Program.

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. Responses have been objectively evaluated and recognized as appropriate in the 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 Audit of the Financial Statements

Opinion
We have audited the financial statements of the business-type activities of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program (Program), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Program, as of June 30, 2023, 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.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter
As discussed in Note 1, the financial statements of the Program are intended to present the financial position, 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 Program. They do not purport to, and do not, present fairly the financial position of the Nebraska Department of Environment and Energy as of June 30, 2023, and 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.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 10 be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards* and Regulatory Requirements

Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2024, on our consideration of the 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 solely to 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 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 Program's internal control over financial reporting and compliance.

Regulatory Requirements
In accordance with the *U.S. Office of Management and Budget (OMB) Compliance Supplement*, we have also issued our report dated April 16, 2024, on our consideration of the Program's internal control over compliance and our tests of its compliance with certain provisions of laws, regulations, and grants.

Brad Ashley

Lincoln, Nebraska
April 16, 2024

Brad Ashley, CPA
Audit Manager

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, 2023. 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) Statement of Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position; 3) Statement of Cash Flows; and 4) Notes to the Financial Statements.

- The Statement of Net Position 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, 2023, the Ending Net Position of the Program increased by 6.3% (approximately $15 million). Non-Current Assets increased by 26.6% as $20.0 million was loaned over the course of the fiscal year, in excess of loan repayment receipts. Also driving the net position change was an increase in overall liabilities, a $7.2 million change, which represents an offsetting (from assets) increase of 736.4% over last fiscal year. The increase in current liabilities is mainly due to an increase in amounts due to grant recipients and an additional amount due to loan recipients. There was a $4.7 million decrease in cash over the course of the fiscal year, representing a 3.2% change.

Statement of Net Position

	2023	2022	% Change
Current Assets	$ 157,149,562	$ 157,033,394	0.1 %
Non-Current Assets	105,005,358	82,974,378	26.6 %
Total Assets	**262,154,920**	**240,007,772**	**9.2 %**
Current Liabilities	7,978,898	868,854	818.3 %
Non-Current Liabilities	169,733	105,398	61.0 %
Total Liabilities	**8,148,631**	**974,252**	**736.4 %**
Net Position:			
Net Investment in Capital Assets	410,509	575,593	-28.7 %
Unrestricted	253,595,780	238,457,927	6.3 %
Total Net Position	**$ 254,006,289**	**$ 239,033,520**	**6.3 %**

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Changes in Net Position

	2023	2022	% Change
Loan Fees Administration	$ 614,353	$ 707,580	-13.2 %
Interest on Loans	1,419,065	1,619,177	-12.4 %
Total Operating Revenues	**2,033,418**	**2,326,757**	**-12.6 %**
Administration & Set-Asides	2,547,754	2,452,026	3.9 %
Loan Forgiveness	9,949,795	3,034,031	227.9 %
Security Grants	426,021	-	100.0 %
Total Operating Expenses	**12,923,570**	**5,486,057**	**135.6 %**
Operating Income (Loss)	**(10,890,152)**	**(3,159,300)**	**244.7%**
Federal Grants	22,682,909	12,343,588	83.8 %
Interest Revenue	3,177,932	2,154,891	47.5 %
Bond Revenue (Expense)	788	790	-0.3 %
Other Non-Operating Revenue (Expense)	1,292	(30,390)	-104.3 %
Total Non-Operating Revenue (Expense)	**25,862,921**	**14,468,879**	**78.7 %**
Change in Net Position	**14,972,769**	**11,309,579**	**32.4 %**
Beginning Net Position July 1	**239,033,520**	**227,723,941**	**5.0 %**
Ending Net Position June 30	**$ 254,006,289**	**$ 239,033,520**	**6.3 %**

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.

ECONOMIC OUTLOOK

The State has continued to take steps to avert major economic impacts both statewide and within communities. The State's small rural communities are financially challenged when faced with funding major capital projects. Aging and declining population bases make it difficult to draw the amount of user fees needed to fund capital infrastructure projects to address existing drinking water issues. Supply chain effects on equipment and material purchases, along with inflationary pressures due to funding availability resulted in twelve- to eighteen-month project start delays coupled with an approximate 20 to 90% cost overruns, and from all available information, those are still forecasted to average at least 30%.

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 $3,195,000, which was repaid and retired within the same fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Concluded)

LOANS AND GRANTS TRACKING SYSTEM SOFTWARE (LGTS)

LGTS is a comprehensive software application developed by Northbridge Environmental, which is designed for Nebraska's State Revolving Fund (SRF) staff to track and manage all aspects of 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.

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 general ledger that each state can customize 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:

- For fiscal year ended June 30, 2014: Planning of the implementation phases, business rules, and hardware and software installations.
- For fiscal year ended June 30, 2015, and June 30, 2016: LGTS system was used concurrently with existing systems to create a basis for reliability and consistency.
- For fiscal year ended June 30, 2017: Existing internal system was discontinued and LGTS became the sole system for use within the SRF Program alongside the State Accounting System.
- For fiscal year ended June 30, 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.
- For fiscal year ended June 30, 2021: Began building a cash flow model.
- For fiscal year ended June 30, 2022: LGTS is used in daily operations.

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

The Environmental Protection Agency (EPA) recommended 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 the fiscal year ended June 30, 2020, which has been extended through February 2025.

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY DRINKING WATER STATE REVOLVING FUND

STATEMENT OF NET POSITION

June 30, 2023

	Enterprise Fund
ASSETS	
CURRENT ASSETS:	
Cash in State Treasury (Note 2)	$ 144,632,014
Due from Federal Government	7,087,944
Interest Receivable	298,854
Loans Receivable (Note 3)	5,130,750
TOTAL CURRENT ASSETS	157,149,562
NON-CURRENT ASSETS:	
Loans Receivable (Note 3)	104,594,849
Capital Assets, Net (Note 4)	410,509
TOTAL NON-CURRENT ASSETS	105,005,358
TOTAL ASSETS	$ 262,154,920
LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable & Accrued Liabilities	$ 75,882
Due to Grant Recipients (Note 1)	5,791,190
Due to Loan Recipients (Note 1)	2,086,464
Compensated Absences (Note 6)	25,362
TOTAL CURRENT LIABILITIES	7,978,898
NON-CURRENT LIABILITIES:	
Compensated Absences (Note 6)	169,733
TOTAL NON-CURRENT LIABILITIES	169,733
TOTAL LIABILITIES	8,148,631
NET POSITION	
Net Investment in Capital Assets	410,509
Unrestricted	253,595,780
TOTAL NET POSITION	254,006,289
TOTAL LIABILITIES AND NET POSITION	$ 262,154,920

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

NEBRASKA DEPARTMENT OF ENVIRONMENT AND
ENERGY DRINKING WATER STATE REVOLVING FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2023

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration (Note 8)	$ 614,353
Interest on Loans	1,419,065
TOTAL OPERATING REVENUES	2,033,418
OPERATING EXPENSES:	
Administrative Costs from Fees (Note 10)	293,006
15% Source Water Assessment Program (Note 10)	214,143
2% Technical Assistance to Small Systems (Note 10)	18,448
10% Public Water Supply System (Note 10)	1,540,041
4% Administrative Costs from Grants (Note 10)	482,116
Security Grants Activities (Note 10)	426,021
Loan Forgiveness (Note 10)	9,949,795
TOTAL OPERATING EXPENSES	12,923,570
OPERATING LOSS	(10,890,152)
NON-OPERATING REVENUE (EXPENSE):	
Capital Contributions - Federal Grants (Note 7)	22,682,909
Interest on Fund Balance - State Operating Investment Pool (Note 9)	3,177,932
Net (Bond Issuance Costs) and Debt Service Refund	788
Other Non-Operating Revenue (Expense)	1,292
TOTAL NON-OPERATING REVENUE (EXPENSE)	25,862,921
CHANGE IN NET POSITION	14,972,769
TOTAL NET POSITION, BEGINNING OF YEAR	239,033,520
TOTAL NET POSITION, END OF YEAR	$ 254,006,289

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

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts From Customers	$ 9,344,233
Payments for Administration	(274,991)
Payments for 15% Source Water Assessment Program	(214,187)
Payments for 2% Technical Assistance to Small Systems	(28,448)
Payments for 10% Public Water Supply System	(1,422,398)
Payments for 4% Administration Costs from Grants	(445,414)
Payments for Loan Forgiveness	(4,859,845)
Payments to Borrowers	(25,233,557)
Payments for Security Grants	(426,021)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(23,560,628)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Grants Received From the Environmental Protection Agency	15,755,304
Receipts from Bond Issue	3,195,000
Repayment of Bond	(3,195,000)
Payment for Bond Issuance Costs	788
Other Non-Operating Revenue (Expense)	1,292
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	15,757,384
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Capital Contributions	-
Purchase of Capital Assets	733
NET CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	733
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	3,082,627
NET CASH FROM INVESTING ACTIVITIES	3,082,627
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,719,884)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	149,351,898
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 144,632,014

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Income (Loss)	$ (10,890,152)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase/(Decrease) in Accum Depreciation	162,727
(Increase)/Decrease in Loans Receivable	(20,009,206)
Increase/(Decrease) in Compensated Absences	76,670
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	(77,081)
Increase/(Decrease) in Payables to Loan Recipients	2,086,464
Increase/(Decrease) in Payables to Grant Recipients	5,089,950
NET CASH USED BY OPERATING ACTIVITIES	$ (23,560,628)

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2023

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, 68485 and 68487.
- 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.

1. <u>Summary of Significant Accounting Policies</u> (Continued)

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 Annual Comprehensive Financial Report (ACFR). The ACFR 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. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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 Statement of Net Position. 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

In addition to bank accounts and petty cash, this classification includes all short-term investments, such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2023, 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.

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

1. Summary of Significant Accounting Policies (Continued)

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 10 to 40 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, 2023, which is collectible in fiscal year 2024. Loans receivable that were paid in full, prior to their due date, as of August 31, 2023, 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 180 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, 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 50 or 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.

1. **Summary of Significant Accounting Policies** (Continued)

I. Due to Grant Recipients

Planning Grants for Preliminary Engineering Reviews are awarded through the Administration Cash Fund. The Program awards Planning Grants to communities with populations below 10,000 where the Public Water System (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 preliminary engineering report. Planning Grants are intended to provide financial assistance to a PWS 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 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, security, 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 PWSs from the Program that are offered to eligible PWSs in accordance with the annual Intended Use Plan (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. New disadvantaged community definition criteria were established in accordance with that presented in EPAs SRF BIL Implementation memorandum. Most notably, if a community has census tracks with a Social Vulnerability Index score higher than 0.80 per the Centers for Disease Control and Prevention mapping, which are part of the eleven added eligibility factors from the BIL memorandum. Loan recipients 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 notrequired.

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 two capital assets, the Loans and Grants Tracking System (LGTS) software and Certification Portal, which are recorded at cost. In the fiscal year ended June 30, 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.

1. Summary of Significant Accounting Policies (Concluded)

The Certification Portal was created in 2021 to enhance, integrate, and allow certification renewals to occur online.

The LGTS and Certification Portal are considered intangible capital assets, 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 and Certifications Portal have an estimated useful life of three years.

Depreciation/amortization of the LGTS capital asset is reflected in the June 30, 2023, financial statements and will continue over the useful life of the asset.

2. Cash in State Treasury

Cash in State Treasury - Cash in State Treasury, as reported on the Statement of Net Position, 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), aninternal 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 ACFR for the fiscal year ended June 30, 2023. 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 2023. Amounts are allocated on a monthly basis based on average balances of all invested funds.

Amounts Held by Trustee – As of June 30, 2023, there were no Program funds held by the Trustee, as all outstanding bonds were paid off.

3. Loans Receivable

As of June 30, 2023, the Program had 138 outstanding community loans that totaled $109,725,599. The outstanding balances of the 10 communities with the largest loan balances, which represent 52.4% of the total loans, were as follows:

Community	Outstanding Balance
Blair	$ 10,852,496
Lincoln	8,920,194
Peru	7,429,017
Kearney	6,962,113
Syracuse	6,546,320
South Sioux City	4,287,059
York	3,501,173
Beatrice	3,326,698
Ogallala	3,020,058
MUD – Omaha	2,597,636
TOTAL	**$ 57,442,764**

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Capital Assets

The Program's capital assets activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions/ Adj	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Software Development-In-Progress	$ 87,412	$ (2,357)	$ -	$ 85,055
Total Capital Assets Not Being Depreciated	87,412	(2,357)	-	85,055
Software Development Completed				
Loans and Grants Tracking System (LGTS)	488,181	-	-	488,181
Less: Accumulated Depreciation	-	(162,727)	-	(162,727)
Total Software Development Completed	488,181	(162,727)	-	325,454
Total Capital Assets, Net	$ 575,593	$ (172,060)	$ -	410,509

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 issued and retired Series 2022A short-term revenue bonds for $3,195,000 for the fiscal year 2022 grant. Bond Payable activity for fiscal year 2023 on the short-term bond was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds Payable	$ -	$ 3,195,000	$ 3,195,000	$ -

6. Non-Current Liabilities

Changes in non-current liabilities for the year ended June 30, 2023, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Compensated Absences	$ 105,398	$ 64,335	$ -	$ 169,733	$ 25,362

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, 2023. 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, 2023, and may have been drawn over multiple years.

Federal Fiscal Year Available	Grant Amount	Amount Drawn	Balance
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	10,914,261	10,914,261	-
2019	11,103,000	11,103,000	-
2020	11,011,000	10,884,790	126,210
2021	11,100,000	10,122,721	977,279
2022	7,008,000	146,655	6,861,345
2022 – BIL - Base	17,992,000	13,265,775	4,726,225
2022 – BIL - LSL	28,350,000	-	28,350,000
2022 – BIL – EC	8,033,000	-	8,033,000
TOTAL	**$ 307,701,287**	**$ 258,627,228**	**$ 49,074,059**

* Lead Service Line Replacement
** Emerging Contaminants

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

The total amount of in-kind contributions utilized for the LGTS software as of June 30, 2023, was $325,682. 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 seven 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% Local Assistance and support for other state program (e.g., Source Water Assessment Program)
- 10% Public Water Supply System
- 4% Administrative Costs from Grant
- 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 PWS 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 Project Planning Activities and Report 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.

10. Operating Expenses (Continued)

10% Public Water Supply System

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

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

4% Administrative Costs from Grant

A state may use up to 4% of the grant funds awarded for 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.

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

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 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, 2023, employees contributed $54,862, and the Department contributed $85,585. 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 Annual Comprehensive Financial Report (ACFR) also includes pension-related disclosures. The ACFR 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 (coverage includes hot pursuit). There is an additional one-time corridor 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 $1,000 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.

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

12. Contingencies and Commitments (Concluded)

D. Real and personal property on a blanket basis for losses up to $200,700,000, with a self-insured retention of $300,000 per loss occurrence. Newly acquired properties are covered up to $5 million for 90 days. If not reported after 90 days, the property is covered for $5 million under the miscellaneous unnamed location coverage. There is a wind and hail limit on the real and personal property of $76,250,000. 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 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.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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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 (*Government Auditing Standards*), the financial statements of the business-type activities of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program (Program), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated April 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) as a basis for designing 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 Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the 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 financial statements. 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 Item
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 Findings
Government Auditing Standards requires the auditor to perform limited procedures on the Program's responses to the findings identified in our audit and described in the Comment Section of the report. The Program's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Program'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 Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brad Ashley

Lincoln, Nebraska	Brad Ashley, CPA
April 16, 2024	Audit Manager

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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

Opinion 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 (Program) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Program for the year ended June 30, 2023.

In our opinion, the Program complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Program for the year ended June 30, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Program and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Program. Our audit does not provide a legal determination of the Program's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts, or grant agreements applicable to the Program.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Program's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Program's compliance with the requirements of the Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Program's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Program's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Program's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined below. However, material weaknesses or significant deficiencies may exist that were not identified.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Brad Ashley

Lincoln, Nebraska	Brad Ashley, CPA
April 16, 2024	Audit Manager

ATTACHMENT 4
2024 DWSRF IUP FUNDING LIST RECONCILIATION

Community	F or P	Project #D31	Estimated Project Cost	2024 IUP Estimated SRF Loan	Total Assistance	Actual Forgiveness	Net Loan Amount	Agreement Date	Comments
SFY 2024 Planning List - Bypass Systems									
Butte	F	7-EC	343,000	343,000	343,000	257,250	85,750	1/10/2024	
Funded Projects, but Not on 2024 Priority List									
Atkinson	F	1677	550,000	342,483	342,483	154,117	188,366	12/28/2023	
Blair	F	1682	23,000,000	23,000,000	23,000,000	8,050,000	14,950,000	6/22/2023	
Blair	F	1704	2,500,000	2,500,000	2,500,000	175,000	2,325,000	6/22/2023	
Bradshaw	F	1680	1,225,000	1,102,000	1,102,000	442,770	659,230	7/27/2023	
Clay Center	F	1712	210,000	450,000	450,000	193,770	256,230	9/22/2023	
Crete	F	1654	3,850,000	3,700,000	3,700,000	1,295,000	2,405,000	2/21/2024	
David City	F	1686	500,000	12,000,000	12,000,000	6,318,000	5,682,000	4/5/2023	
Emerson	F	1668	2,750,000	4,500,000	4,500,000	3,375,000	1,125,000	7/26/2023	
Fairmont	F	1705	2,800,000	75,000	300,000	225,000	75,000	7/12/2023	
Grand Island	F	1690	24,732,625	4,500,000	4,500,000	3,240,000	1,260,000	2/1/2024	
Hastings	F	1691	4,540,000	2,000,000	2,000,000	1,300,000	700,000	3/15/2023	
Hastings Amd #1	F	1691	4,540,000	2,000,000	0	140,000	-140,000	7/20/2023	
Kearney	F	1709	28,087,100	4,066,550	4,066,550	2,928,000	1,138,550	3/6/2024	
Lincoln	F	1715	123,230,000	8,000,000	8,000,000	5,760,000	2,240,000	6/25/2024	
Loup City	F	1684	250,000	385,000	385,000	142,875	242,125	5/1/2024	
Martinsburg	F	1711	1,850,000	100,000	100,000	75,000	25,000	9/12/2023	
Metropolitan Utilities District	F	1693	329,543,000	40,000,000	40,000,000	28,800,000	11,200,000	2/13/2024	
Milford	F	1669	6,401,800	5,300,000	5,300,000	2,385,000	2,915,000	8/1/2023	
Neligh	F	1673	2,308,120	1,600,000	1,600,000	675,040	924,960	2/14/2024	
Oakland	F	1703	7,819,000	9,050,000	9,050,000	5,679,780	3,370,220	1/19/2024	
Ponca	F	1632	3,050,000	1,883,750	3,425,000	1,541,250	1,883,750	7/18/2023	
Schuyler	F	1698	20,575,550	2,078,700	3,000,000	921,300	2,078,700	7/21/2023	
Superior	F	1689	5,463,978	6,000,000	6,000,000	2,365,200	3,634,800	4/12/2024	
Wahoo	F	1671	8,499,000	5,700,000	5,700,000	1,995,000	3,705,000	5/6/2024	
Beatrice Amd #1	F	1685	6,250,000	6,250,000	1,000,000	0	1,000,000	4/15/2024	