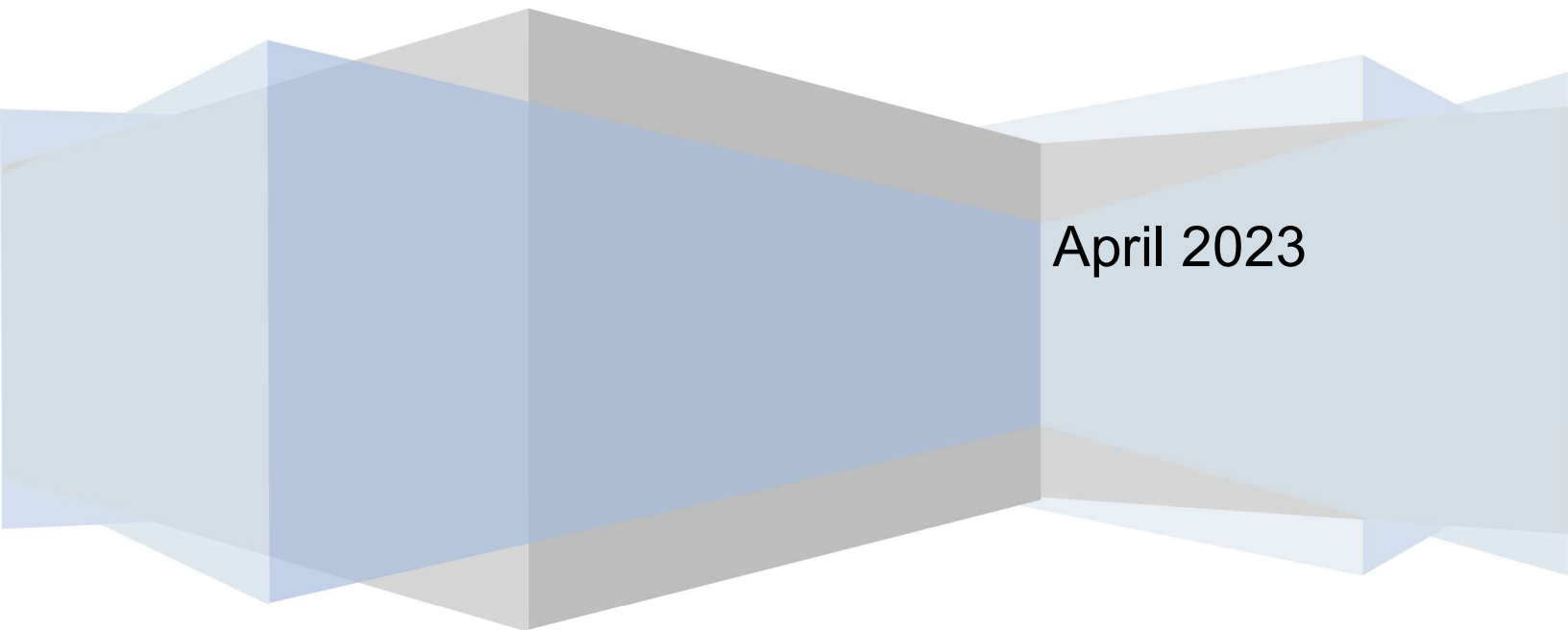


State of Nebraska
Department of Environment & Energy

Drinking Water State Revolving Fund Annual Report

State Fiscal Year 2022



April 2023

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ATTACHMENT 2 – BINDING COMMITMENTS

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AND ENERGY CLEAN WATER STATE REVOLVING FUND PROGRAM

ATTACHMENT 4 – 2022 DWSRF IUP FUNDING LIST RECONCILIATION

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) 2022 (July 1, 2021 through June 30, 2022).

The Nebraska DWSRF Annual Report for SFY 2022 describes the state's efforts to meet the goals and objectives and reports on the progress made for the DWSRF. The projects funded from the Intended Use Plan (IUP), the actual use of funds, and the financial position of the DWSRF are itemized in this report. The Financial Schedules Section, along with the notes to the financial schedules, is the report focus, with the Program Section serving to provide supplemental information tying back to the IUP. An effort has been made to avoid duplication of the information provided in the Program section with the information provided in the financial schedules.

Due to enactment of the Infrastructure Investment and Jobs Act, more commonly referred to as the Bipartisan Infrastructure Law (BIL), an amendment was made to the SFY 2022 IUP in November of 2021. As the issuance of guidance for BIL and the Build America Buy America (BABA) law was subsequently delayed, that IUP amendment resulted in achieving just one very notable goal, the split between pre- and post-BIL/BABA loan signings. It showed municipalities the initial CWSRF BIL plan and due to likely restrictions from BABA allowed the program to market CWSRF assistance that only needed to meet pre-BIL/BABA requirements. This was successful, as there were loans signed for 17 projects with a cumulative amount of \$74.3 million last fiscal year.

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, 2022, the EPA has awarded a cumulative total of \$226.7 million in capitalization grants to the state, plus \$19.5 million in American Recovery and Reinvestment Act (ARRA) funds. The award of the \$226.7 million required the state to contribute approximately \$49.24 million in matching funds. Matching funds have been obtained through the issuance of short and long-term revenue bonds, cash from the Special Reserve Accounts of retired bonds, or from transfers out of the Drinking Water Administration Fund.

The Department's primary activities include the making of loans for facilities, and the management and coordination of the Program. The Nebraska Environmental Quality Council (EQC) approves the rules and regulations of the Department and the DWSRF IUP.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of financial report presents a narrative overview and analysis of the financial activities of the Program for the SFY 2022. This analysis has been prepared by management of the Department and is intended to be read in conjunction with the Program's financial statements and related footnotes, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- 1) Balance Sheet. The Balance Sheet presents information on all of the Program's assets and liabilities, with the difference between the two reported as net position.
- 2) Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Program's net position changed during the most recent fiscal year.
- 3) Statement of Cash Flows. The Statement of Cash Flows presents the Program's flows of cash by defined categories. The primary purpose of the Statement of Cash Flows is to provide information about the Program's cash receipts and payments during the year; and

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

ANALYSIS OF BALANCES AND TRANSACTIONS – ENTERPRISE FUND

Changes in Net Position

For SFY 2022, the net position of the Program increased by 5.0%. The cash balance in current assets increased significantly due to several large loan payoffs, amounting to over \$6 million for the fiscal year. The change in net position occurred mainly due to an increase in Loans Receivables of approximately \$5.6 million.

	<u>NET POSITION</u>		
	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Current Assets	\$ 157,033,394	\$ 152,593,848	2.9%
Non-current Assets	82,974,378	75,915,057	9.3%
Total Assets	<u>240,007,772</u>	<u>228,508,905</u>	<u>5.0%</u>
Current Liabilities	868,854	762,480	14.0%
Non-current Liabilities	105,398	22,484	368.8%
Total Liabilities	<u>974,252</u>	<u>784,964</u>	<u>24.1%</u>
Net Position:			
Net Investment in Capital Assets	575,593	480,933	19.7%
Unrestricted	<u>238,457,927</u>	<u>227,243,008</u>	4.9%
Total Net Position	<u>\$ 239,033,520</u>	<u>\$ 227,723,941</u>	<u>5.0%</u>

CHANGES IN NET POSITION

	2022	2021	% Change
Loan Fees Administration	\$ 707,580	\$ 745,037	-5.0%
Interest on Loans	1,619,177	1,700,048	-4.8%
Other Operating Income	0	51,972	-100.0%
Total Operating Revenues	<u>2,326,757</u>	<u>2,497,057</u>	<u>-6.8%</u>
Administration & Set-Asides	2,452,026	2,140,216	14.6%
Loan Forgiveness	3,034,031	2,933,262	3.4%
Emergency Grants	0	12,076	-100.0%
Total Operating Expenses	<u>5,486,057</u>	<u>5,085,554</u>	<u>7.9%</u>
Operating Income (Loss)	<u>-3,159,300</u>	<u>-2,588,497</u>	<u>22.1%</u>
Federal Grants	12,343,588	9,432,276	30.9%
Interest Revenue	2,154,891	1,990,564	8.3%
Bond Revenue (Expenses)	790	-5,687	-113.9%
Other Non-Operating Revenue (Expense)	<u>(30,390)</u>	<u>0</u>	<u>-100.0%</u>
Total Non-Operating Revenue (Expense)	<u>14,468,879</u>	<u>11,417,153</u>	<u>26.7%</u>
Change in Net Position	<u>11,309,579</u>	<u>8,828,656</u>	<u>28.1%</u>
Beginning Net Position July 1	<u>227,723,941</u>	<u>218,895,285</u>	<u>4.0%</u>
Ending Net Position June 30	<u>\$ 239,033,520</u>	<u>\$ 227,723,941</u>	<u>5.0%</u>

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

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

ECONOMIC OUTLOOK

The 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 6 to 8-month project start delays coupled with ~60% cost increases, and from all available information, those are still forecasted.

DEBT ADMINISTRATION

Short-Term Debt

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

LOANS AND GRANTS TRACKING SYSTEM SOFTWARE (LGTS)

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

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

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

- 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.

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 fiscal year ended June 30, 2021.

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

B. UNAUDITED BALANCE SHEET

Fiscal Year Ended June 30, 2022

Enterprise Fund

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents:

Cash in State Treasury (Note 2)	\$ 149,351,898
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Due from Federal Government	160,339
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Interest Receivable	203,549
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Loans Receivable (Note 3)	7,317,608
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TOTAL CURRENT ASSETS	157,033,394
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NON-CURRENT ASSETS

Loans Receivable (Note 3)	\$ 82,398,785
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Capital Assets, Net (Note 4)	575,593
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TOTAL NON-CURRENT ASSETS	82,974,378
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TOTAL ASSETS	\$ 240,007,772
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable & Accrued Liabilities	\$ 154,587
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Due to Grant Recipients (Note 1)	701,240
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Compensated Absences (Note 6)	13,027
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TOTAL CURRENT LIABILITIES	\$ 868,854
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NON-CURRENT LIABILITIES

Compensated Absences (Note 6)	105,398
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TOTAL NON-CURRENT LIABILITIES	105,398
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TOTAL LIABILITIES	\$ 974,252
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NET POSITION

Net Investment in Capital Assets	575,593
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Unrestricted	238,457,927
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TOTAL NET POSITION	239,033,520
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TOTAL LIABILITIES AND NET POSITION	\$ 240,007,772
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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, 2022

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration (Note 8)	\$ 707,580
Interest on Loans	1,619,177
Other Operating Income	0
TOTAL OPERATING REVENUES	\$ 2,326,757
OPERATING EXPENSES:	
Administrative Costs from Fees (Note 10)	466,788
15% Source Water Assessment Program (Note 10)	691,575
2% Technical Assistance to Small Systems (Note 10)	146,912
10% Public Water Supply System (Note 10)	989,069
4% Administrative Costs from Grants	157,682
Loan Forgiveness (Note 10)	3,034,031
TOTAL OPERATING EXPENSES	\$ 5,486,057
OPERATING LOSS	\$ (3,159,300)
NONOPERATING REVENUE (EXPENSE)	
Capital Contributions - Federal Grants (Note 7)	\$ 12,343,588
Interest on Fund Balance - State Operating Investment Pool (Note 9)	2,154,891
Revenue on Bond Issuance	790
Other Non-Operating Revenue (Expense)	(30,390)
TOTAL NONOPERATING REVENUE (EXPENSE)	\$ 14,468,879
CHANGE IN NET POSITION	11,309,579
TOTAL NET POSITION, BEGINNING OF YEAR	227,723,941
TOTAL NET POSITION, END OF YEAR	\$ 239,033,520

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM
D. UNAUDITED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 11,357,178
Payments to Borrowers	(14,694,487)
Payments for Administration	(506,062)
Payments for 15% Source Water Assessment Program	(636,037)
Payments for 2% Technical Assistance to Small Systems	(136,912)
Payments for 10% Public Water Supply System	(906,662)
Payments for 4% Administration	(133,530)
Payments for Loan Forgiveness	<u>(2,979,190)</u>
NET CASH FROM OPERATING ACTIVITIES	\$ <u>(8,635,702)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Grants Received From the Environmental Protection Agency	\$ 12,653,570
Receipts from bond issue (short-term)	2,200,000
Repayment of bond (short-term)	(2,200,000)
Bond receipts (payments)	790
Other non-operating revenue (Expense)	<u>(30,390)</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$ <u>12,623,970</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of Capital Assets	<u>(93,036)</u>
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	\$ <u>(93,036)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	<u>\$ 2,124,505</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ <u>2,124,505</u>
Net Increase in Cash and Cash Equivalents	6,019,737
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	143,332,161
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u><u>149,351,898</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Net Operating Loss	\$ (3,159,300)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
(Increase)/Decrease in Loans Receivable	(5,664,066)
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	39,661
Increase/(Decrease) in Compensated Absences	93,162
Increase/(Decrease) in Payables to Grant Recipients	<u>54,841</u>
NET CASH FROM OPERATING ACTIVITIES	\$ <u>(8,635,702)</u>

NEBRASKA DEPARTMENT OF ENVIRONMENTAL AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM
E. NOTES TO THE GENERAL FINANCIAL STATEMENTS – UNAUDITED
For the Fiscal Year Ended June 30, 2022

1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Reporting Entity

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

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

C. Fund Structure

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

equities or balances, and changes therein. The State Accounting System includes the following Program funds, as identified in the DWSRF Act:

- Drinking Water Facilities Funds – Federal Funds 48416 and 48418; and Repaid Principal Bond Funds 68481, 68482, 68483, 68484, 68485, and 68486.
- Drinking Water Review Fund – Fund 48419, not supported by a grant
- Drinking Water Administration Fund – Cash Fund 28630

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

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

This fund classification differs from the classification used in the State of Nebraska's 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, that states special revenue funds are defined as funds used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes.

D. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. 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 balance sheet. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

E. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the State Treasury. This includes cash in bank accounts and petty cash, short-term investments, such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2022, 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 4.0%, and the terms on these outstanding loans range from 9 to 40 years.

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

The current loans receivable amount was determined using the amount of principal payment due to the Program on June 30, 2022, which is collectible for SFY 2022. Loans receivable that were paid in full, prior to their due date, as of August 31, 2022, 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 – or a younger age, if the employee meets all criteria necessary to retire under the primary retirement plan covering his/her State employment. Upon retirement, the State is liable for 25 percent of the employee's accumulated sick leave. Employees under certain labor contracts can only be paid a maximum of 60 days.

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

I. Due to Grant Recipients

Planning Grants for Preliminary Engineering Reviews (PERs) are awarded through the Administration Cash Fund. The Program awards Planning Grants to communities with populations below 10,000 where the PWS is operated by a political subdivision. Available grants are given upon evidence that the eligible PWS has entered into a contract with a professional engineer to develop a PER. Planning Grants are intended to provide financial assistance to PWSs for projects seeking funding through the Water Wastewater Advisory Committee (WWAC) common pre-application process. The grant covers 90% of the PER and other eligible costs and requires 10% matching funds from the PWS.

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

Loan Forgiveness Grants are additional subsidization for 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. Loan recipient will not be required to repay the portion of the loan principal that has been designated as Loan Forgiveness under the terms and conditions of the loan contract. Loan Forgiveness is considered a grant for purposes of the financial statements, since repayment is not required.

For Planning Grants, Source Water Protection Grants, and Loan Forgiveness awards, once the 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 LGTS software and Certification Portal, and are recorded at cost. In SFY 2020, the Department signed a contract directly with Northbridge to continue to provide technical support and guidance of the LGTS software. Additional work is being done to improve the software and allow easier access for staff working outside of the office.

The 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/or exceeds costs of \$5,000 and has an expected useful life of greater than one year. The LGTS software and Certification Portal have an estimated useful life of seven years.

Depreciation/amortization will begin upon completion of the developmental phase and the software being put into production and it will be computed using the straight-line method over the estimated useful life of the asset.

NOTES

1. Cash in State Treasury and Amounts Held by Trustee

Cash in State Treasury – The Cash in State Treasury, as reported on the balance sheet, is under the control of the Nebraska State Treasurer or other administrative bodies, as determined by law. Investment of all available cash is made by the State Investment Officer on a daily basis, based on total bank balances. These funds are held in the State of Nebraska Operating Investment Pool (OIP), an internal investment pool. Additional information on the deposits and investments portfolio, including investment policies, risks, and types of investments, can be found in the State of Nebraska's ACFR for the fiscal year ended June 30, 2022. 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 2022. Amounts are allocated on a monthly based on average balances of all invested funds.

Amounts Held by Trustee – As of June 30, 2022, there were no Program funds held by the Trustee, as all outstanding bonds were paid off.

2. Loans Receivable

As of June 30, 2022, the Program had 134 outstanding community loans that totaled \$89,716,393. The outstanding balances of the 10 communities with the largest loan balances, which represent 46.4% of the total loans, were as follows:

Community	Outstanding Balance
Lincoln	\$9,627,501
Blair	5,959,928
Syracuse	4,282,786
South Sioux City	4,048,271
York	3,805,806
Ogallala	3,199,557
MUD-Omaha	2,894,288
Oshkosh	2,674,880
Scribner	2,553,415
Sidney	2,548,483
TOTAL	<u><u>\$41,594,915</u></u>

3. **Capital Assets**

The Drinking Water SRF capital assets activity for the year ended June 30, 2022, was:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Software Development In-Progress				
Loans and Grants Tracking System (LGTS)	\$ 453,586	\$ 34,595		\$488,181
Certifications Portal	27,347	60,065		87,412
	<u>\$ 480,933</u>	<u>\$ 94,660</u>	<u>\$ -</u>	<u>\$575,593</u>

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 sometimes used by the Department to provide the 20% match requirements for the Department's Federal Capitalization Grants. Interest revenue from Program loans is pledged to pay off the bonds. During the fiscal year, the Program issued and retired 2021A short-term revenue bonds for \$2,200,000 and utilized \$200 of administrative cash funds to meet match requirements for the 2021 DWSRF grant.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Bonds Payable	\$ -	\$ 2,000,000	\$ 2,000,000	\$ -

5. Non-current Liabilities

Changes in non-current liabilities for the year ended June 30, 2022, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within 1 Year
Compensated Absences	<u>22,484</u>	<u>\$ 82,914</u>	<u>0</u>	<u>\$ 105,398</u>	<u>13,027</u>

6. 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, 2022. 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, 2022 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	10,017,009	993,991
2021	11,001,000	8,646,846	2,354,154
TOTAL	<u>\$ 246,219,287</u>	<u>\$242,871,142</u>	<u>\$3,348,145</u>

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

The total amount of in-kind contributions utilized for LGTS as of June 30, 2022, 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 five categories. There were expenses related to four set-aside activities established under §1452 of the Safe Drinking Water Act. The four set-aside activities are:

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

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

The following is an explanation of these categories:

Administrative Costs from Fees

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

15% Source Water Assessment Program

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

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

10% Public Water Supply System

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

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

4% Administration Grant Fund

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

2% Technical Assistance to Small Systems

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

Loan Forgiveness

The total of expenses reported as Loan Forgiveness is the amount of loan principal payments subsidized to communities meeting the definition of “disadvantaged” or which the Program expects to become disadvantaged as a result of the project. The amount of these subsidies during a particular fiscal year varies based on the capitalization grant conditions for that year.

10. State Employees Retirement Plan (Plan)

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

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

Contribution – Per statute, each member contributes 4.8% of his or her compensation.

The Department matches the member's contribution at a rate of 156%. The employee's and employer's contributions are kept in separate accounts.

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

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

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

For the fiscal year ended June 30, 2022, employees contributed \$33,490 and the Department contributed \$52,244. 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 ACFR also includes pension-related disclosures. The ACFR report is available from the Nebraska DAS – Accounting Division or on the Nebraska Auditor of Public Accounts' website at www.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. The DAS is responsible for maintaining the insurance and self-insurance Programs for the state. The state typically self-insures for general liability, employee health care, employee indemnification, and workers' compensation. The state has chosen to purchase insurance for the following:

- A. Motor vehicle liability, which is insured for the first \$4,700,000 of exposure per accident 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 \$200,000,000, 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 coverage 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 agency based on total agency payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or omissions, and natural disasters would be funded through the State General Fund or by individual agency assessments, as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Program's financial statements. Health care insurance is funded in the Insurance Trust Fund 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.

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 \$397,517,331, which is comprised of \$348,320,515 in loans and \$49,196,816 of obligated loan forgiveness. Of the \$348,320,515 in loans, \$175,241,687 has been repaid and \$92,433,868 has yet to be dispersed, leaving a current outstanding loan balance of \$89,716,393. Of the \$49,196,816 of loan forgiveness, \$40,125,383 has been dispersed. Details on the fund portfolio of 279 loans are in Attachment 1. The blended interest rate on the SFY 2022 outstanding loan balance is 1.66%. The result was an overall 28 basis point decrease from SFY 2021. The blended rate will decrease again over the next year, as rates for the upcoming year will likely be no greater than 1%.

2. Sources of DWSRF Funds by Quarter

The \$2,200,000 NIFA / DWSRF 2021A bond, state match for the Federal Fiscal Year (FFY) 2021 capitalization grant was issued on August 23, 2021, coupled with a transfer from the Administration Cash Fund for the capitalization grant award.

SOURCE OF STATE MATCH PROGRAM FUNDING AND FFY 2021 CAPITALIZATION GRANT

NIFA Bond	Quarter	Bond Funds	Cash
2021A	SFY 2021-Q1	\$2,200,000	\$200

CAPITALIZATION GRANT PAYMENT SCHEDULE

FFY 2021	SFY 2021-Q1	\$11,001,000
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3. Binding Commitments, Loan Assistance and Set-aside Allocations

The DWSRF entered into 17 binding commitments in order to provide financial assistance to PWS projects totaling \$78,129,836 in the past fiscal year. Of that amount, disadvantaged communities received \$10,995,070 in forgiveness funding. The minimum grant conditions for additional subsidization (e.g., principal forgiveness) were met.

Attachment 2 provides information showing the loan agreements entered into during SFY 2022 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 \$244,265,863. The DWSRF has reached a cumulative binding commitment amount of initial loan awards of \$431,102,960 or 176% 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 to the last two years of Bipartisan Infrastructure Law (BIL) program implementation.

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.
- Prepared for implementation of BIL requirements.

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

During SFY 2022, contracts were active with one assistance provider. This was the Midwest Assistance Program (MAP). This organization helped small systems:

- Determine what technical, financial and/or managerial assistance is needed.
- Explore different types of financial assistance available.
- Apply for financial assistance.
- Review management and organization structure and offer alternative methods of operation and management.
- Develop corrective action goals which are based on the findings of technical assessments.
- Provide technical, managerial, and financial assistance to PWS identified as needing such assistance.
- MAP made an average of 25 contacts each month.

6. Capacity Development

From July 1, 2021, through June 30, 2022, MAP, under the technical, financial, and managerial contract, made system visits with an average of 25 contacts per month for a total of 301 contacts involving 232 PWSs.

In SFY 2022, Field Services representatives performed 415 Routine Sanitary Surveys (RSS) and 9 Follow-up surveys. The normal rotation for sanitary surveys is every three years for Community and Non-Transient Non-Community systems and every five years for Transient Non-Community systems. There were 198 Community, 54 Non-Transient, and 163 Transient Non-Community Routine

Sanitary Surveys performed. The numbers of deficiencies found are as follows:

Community Systems:

Significant: 377 Minor: 123

A total of 500 deficiencies. Average of ~2.5 significant or minor deficiencies per system

Non-Transient Non-Community Systems (NTNC):

Significant: 71 Minor: 10

A total of 81 deficiencies. Average of ~1.5 significant or minor deficiency per system.

Transient Non-Community Systems:

Significant: 215 Minor: 55

A total of 270 deficiencies. Average of ~1.7 significant or minor deficiencies per system.

Most of these deficiencies fall into the areas of monitoring and compliance, system management, and operator compliance. Of the 851 significant and minor deficiencies found in SFY 2022 there are 149 left to be corrected, an 82% deficiency correction rate. There are 75 PWSs that had a Routine Sanitary Survey from the past fiscal year that still have at least one outstanding deficiency. Eighty-two percent of the PWSs surveyed during SFY 2022 have either fully corrected all deficiencies or had no deficiencies. The average number of deficiencies across all systems surveyed during SFY 2022 remained constant at 2.1 deficiencies per survey as compared to SFY 2021.

During SFY 2022, a program strategy was to put more emphasis on board/owner contacts when utilizing the 2% set-aside technical assistance contract concerning sanitary survey deficiencies. These additional contacts beyond the designated operator had a positive impact on deficiencies being resolved in a timely manner and on the educational aspect of boards and owners of PWSs. Lessons learned over SFY 2022 have shifted the focus of the 2% contracts to implement proactive technical assistance, more board/owner involvement and training, and more engaged assistance. This shift 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.

7. State Program Management (10% Set-aside)

A. Engineering & Field Services and Monitoring & Compliance Staff

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

B. Operator Certification

Held 12 water operator training courses applicable to various grade levels during SFY 2022. Water operator licenses were issued to 93 individuals. The number issued per

license grade is as follows:

- Grade I - 1 license
- Grade II - 1 licenses
- Grade III - 20 licenses
- Grade IV - 71 licenses

During SFY 2022, water operator training courses and examinations have resumed to normal scheduling with transitory COVID-19 measures in place.

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

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

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

A. Land Acquisition for Source Water Protection

The Program disbursed on its second land acquisition loan made for \$1.3 million with the City of Beatrice. The land is adjacent city's existing lower nitrate wellfield. The city's view was acquiring this land would put them in a better position to protect their source of supply and allow for the continued blending of the supply with their high nitrate wellfield, ensuring continued compliance with drinking water standards.

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

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

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

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 and updating Wellhead Protection Area maps (or adopted the acceptable work of others) for Nebraska public water supplies. As of June 30, 2022, a cumulative 120 PWS have completed state-approved wellhead protection plans.

The communities of Aurora and Central City were awarded Source Water Grants totaling approximately \$98,550 from the 2021 Federal Capitalization Grant. Activities that will be funded this year include developing a Drinking Water Protection Management Plan for the community of Aurora, aquifer vulnerability assessments to better understand communities' local hydrogeology, assisting with and implementing best management practices aimed at reducing groundwater nitrate levels, locating new sources of sustainable water, plus public education, and outreach.

Unutilized DWSRF 15% set-aside personnel funds were spent on the "Know Your Well" project, which trains high school students how to sample and test well water quality. Students will compare their results with the tests conducted at the University of Nebraska Water Sciences Laboratory. Over 300 wells will eventually be tested for nitrate, nitrite, metals, pesticides, and coliform bacteria. The data will collect land use and other data to determine vulnerability to contamination. Personnel funds were also utilized for the Groundwater Evaluation Toolbox for Wellhead Protection, a web-based subscription service that utilizes seven regional numeric groundwater models to run reverse particle tracking which creates time-of-travel capture zones. Statewide models cover 510 of the 522 community PWS with their own supply of water. This tool increases modeling speed and efficiency and produces an easily defensible peer-reviewed delineation.

C. 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. Two grant awards were made in SFY 2022 totaling \$40,000, to high priority ranked communities planning to address compliance with regulated drinking water standards. Since its inception in SFY 2002, the DWSRF has awarded PPAR grants to 146 communities for a total of \$1,955,320.

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 2022. 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 (8), backup power (9), buildings/doors/etc. (3), fencing/lighting (5), sampling stations (5), and mapping (8). A total of 34 grants for \$315,224 were awarded.

9. Match Discussion

The ratio for match purposes is initially 1/6 state, 5/6 federal, for an 83.33% Automatic Clearing House (ACH) draw as a percentage of total disbursement. However, the use of set-asides makes the actual percentage fluctuate. Since set-asides are not matched directly, the draws for set-asides must be matched by a later disbursement on a loan project. As of June 30, 2022, the ACH draw was \$211,076,384 and the match disbursement was \$44,846,978 for an ACH draw as a percentage of grant plus match disbursements ratio of 82.47%.

For SFY 2022, match disbursements were not completed with 100% of the state match drawn first, prior to any request for associated capitalization grant loan funds. There were several switches in funding sources that were not recognized by section staff until this past February. The needed \$189,474 in bond proceeds were disbursed at that time.

B. GOALS AND ACCOMPLISHMENTS

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

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

- Establish state instrumentality and authority
- Comply with applicable state laws and procedures
- Review technical, financial, and managerial capacity of assistance recipients
- Maintain loan, set-aside, and administration accounts
- Deposit all funds in appropriate accounts
- Follow state accounting and auditing procedures
- Require DWSRF loan recipient accounting and auditing procedures
- Submit IUP and use all funds in accordance with the plan
- Comply with enforceable requirements of the Act
- Establish capacity development authority (See II.A.6.E)
- Maintain system to minimize risk of waste, fraud, abuse, and corrective actions
- Develop and submit project priority ranking system
- Take payments based on payment schedule
- Deposit state matching funds

- Submit annual report 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)
- Conduct environmental reviews as listed below:

The Program is required by federal and state regulations to do a National Environmental Policy Act (NEPA) like review for funded projects. Last fiscal year, it was determined no Environmental Impact Statements (EIS) were necessary. Environmental Assessments were prepared and a FNSI was issued for the Firth, Valley, Bradshaw, Kearney, Fullerton, Beatrice [2], Osceola, Ponca, Crete, Peru, and Plattsmouth projects. Categorical Exclusions were provided for the McCook, Neligh, and Blair 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 Blair to meet the FFY 20 grant requirement. The Beatrice and Kearney loans will satisfy FFY 21 grant. Several smaller pending loans will address the last portions of the FFY 19 grant. Project signs were provided to all the noted projects.

2. Short-Term Goals and Accomplishments

Eight short-term goals were described in the SFY 2021 IUP. The short-term goals support the implementation of the Program. With one exception, the DWSRF has made significant progress on most of its short-term goals. The DWSRF continues to work with the systems identified by providing both technical and financial project support. The goals are listed and discussed as follows:

1. Continue to attract customers to the Program with low interest rates.

Following the 0% rate program for both interest and fee, rates were only increased to 1% overall. Rates will then be determined from one-third of the average of the 10 and 30-year Municipal Bond rates, rounded down to the nearest even ten basis point level, at the start of each quarter, beginning in January 2023.

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

Four of the seventeen loans closed during the fiscal year met this goal, with one project to address long-term concerns with nitrates, one for selenium, and the last two for manganese. In addition, while not tied to the ranking system, two projects funded are to address permanent source solutions for communities impacted by the March 2019 flood disaster and another is needed as the U.S. Army Corps of Engineers declared that the Missouri River level can be controlled to lower operating depths during periods of drought.

3. Assist systems which need to upgrade or construct new drinking water projects to attain and maintain compliance with the provisions of the Nebraska

Safe Drinking Water Act and the regulations adopted there under.

All loans closed this past fiscal year with the DWSRF met this goal. In addition to the above, the remaining loans primarily replaced aging and/or deteriorated water mains.

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

No projects funded last year resolved existing administrative orders; however, the priority ranking system gives equal weight to projects that proactively address developing public health concerns. The project in Beatrice will protect its' existing water supply from nitrates, that in Firth was to replace a supply well previously placed on emergency use only due to excessive levels of selenium, and those in Valley and Wakefield will treat high concentrations of manganese above the public health advisory level to that below the secondary maximum contaminant level.

5. 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 as the 2% Team Contractor, provided TMF assistance to small systems throughout Nebraska. All funded projects undergo an enhanced assessment of TMF capabilities. Lastly, a requirement of the Beatrice wellfield project was the preparation of a DWMPP, which could result in the community being eligible for 319 grant assistance.

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

Last fiscal year 14 out of 17 of the loans closed were with communities below 10,000 in population, with over 80% of the provided DWSRF assistance.

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

NDEE has delineated or adopted all community PWS Drinking Water Protection area maps (Wellhead Protection and Watershed Delineations). Maps are updated and drawn as needed for community PWSs. A relational database is utilized to manage Wellhead and Source Water Protection data.

8. Continue to develop a marketing program.

Achieving this goal also did not reach a conclusion from efforts developed by the NDEE. A transcendent increase in communities approaching the DWSRF simply occurred following passage of the BIL. Now paired with increasing market rates, it will likely be at least seven years before the need to market the program returns.

3. Long-Term Goals and Accomplishments

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

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

In establishing the financial structure of the DWSRF, the Program has tried to provide the lowest reasonable interest rate loans for projects that address human health problems. Reflective of recent economic concerns, the 0% program was continued into this past fiscal year. Rates were then increased to 0.5% Interest plus 0.5% Administrative Fee. This structure will ensure that the DWSRF will serve as a solid short-term source of funding by realizing an adequate rate of return with consideration for current market rates. Those rates will continue to be monitored with respect to inflation.

Except for this fiscal year, disbursements have been completed with 100% of the state match funds drawn first, prior to any request for associated capitalization grant funds. As a result for SFY 2023, it was verified that match funds were drawn down first, with a new internal control now put into place to ensure this requirement is always met moving forward. Long-term, substantial cash match is planned for years four and/or five of BIL implementation, which would further cement the long-term financial footing of the fund.

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

An infrastructure needs survey is updated annually so that program resources and funds may address the most significant public health and compliance issues facing eligible PWSs. The survey 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 lead service lines.

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

Last fiscal year, four of the seventeen loan agreements were made to proactively address public health issues. Further, a separate priority funding list was established for lead service line replacement projects. Through the WWAC monthly meetings, eligible projects are discussed by state and Federal agencies and evaluated for the health-related issues being addressed, project alternatives, cost-effectiveness, and long-term 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 accomplished through the Program's engineering report requirements in Title 131 and the WWAC process. Further, the Interagency PER Template developed by the federal agency leads of Nebraska's water infrastructure funding programs was adopted by the committee. The WWAC has been a collaboration since 1997 to help address water and wastewater infrastructure needs in our communities.

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

The DWSRF has provided low-interest loans and forgiveness since inception. With the continued mandatory subsidization requirement of not less than 20%, and for certain grants, up to 49% with the passage of the BIL, the ability to provide affordable financing continued to increase this past fiscal year. The WWAC now only includes USDA-Rural Development, providing both loan and grant assistance. These programs all ensure low-cost financial assistance will be available to fund water infrastructure projects in Nebraska.

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

The hopeful trails end of the COVID-19 pandemic and associated supply chain disruptions simply resulted in the need to suspend achieving this goal this past year. Further, in order to comply with the market rate program requirement, it is unlikely that it will be met next fiscal year, as rate increases by the Federal Reserve to control inflation coupled with the private market pricing in a forecasted recession has developed a bidding environment previously unseen for water infrastructure projects. Financial markets will be monitored to ensure that the program is returned to long-term stability when conditions permit.

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

Through implementation of wellhead protection programs, incorporating source water management concepts into community water systems has been a longstanding practice at NDEE. This year statewide PWS capacity surveys were developed to both identify and therefore provide assistance to systems that wish to formally establish wellhead protection areas and prepare DWMPPs, with another community (Aurora) starting the plan process this past year.

C. Funded Program

The Annual Report reflects the results and changes from the SFY 2022 IUP approved by the EQC on June 15, 2021, and amended on November 16, 2021. Project information for the loans closed last fiscal year is provided in Attachment 4.

D. Program Changes and Program Changes under Consideration

Program rates are presently set at 0.5% Interest plus 0.5% Administration Fee, beginning in 2023, rates will be determined from one-third of the average of the 10 and 30-year Municipal Bond rates, rounded down to the nearest even ten basis point level. That determination will be made at the start of each quarter, with a minimum combined range of no less than 1% and no more than 2%.

Major changes for Lead Service Line Replacement (LSLR) BIL funding are under evaluation. In Nebraska, as well as the majority of SRF programs have faced a firm response from PWSs against the concept of Congress authorizing LSLR funding through the DWSRFs, i.e., collectively, public water systems are requesting more grant assistance for replacing privately owned infrastructure.

**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
D311223	Adams	268,835.00	268,835.00	209,831.00		2.75	2.75	15	Y	268,835.00	0.00	0.00	59,004.00	209,831.00	0.00
D311613	Adams	3,832,316.00	2,473,623.00	1,978,898.00	5	2	2	30	Y	2,473,623.00	0.00	0.00	494,725.00	1,978,898.00	0.00
D311151	Ainsworth	919,790.00	919,790.00	919,790.00		2	2.5	20	Y	919,790.00	0.00	0.00	0.00	919,790.00	0.00
D311493	Ainsworth	350,000.00	350,000.00	350,000.00		2	2	15	Y	350,000.00	0.00	0.00	0.00	350,000.00	0.00
D311001	Albion	492,950.00	492,950.00	492,950.00		0	2	19	Y	492,950.00	0.00	0.00	0.00	492,950.00	0.00
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	105,596.71	176,403.29
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	42,185.13	411,954.87
D311224	Alda	697,000.00	697,000.00	697,000.00		2	2	20	Y	697,000.00	0.00	0.00	0.00	697,000.00	0.00
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	79,387.91	71,490.09
D311496	Alliance	4,694,666.00	4,694,666.00	3,513,951.00		2	2	20	Y	4,694,666.00	0.00	0.00	1,180,715.00	3,513,951.00	0.00
D311511	Alliance	695,224.00	695,224.00	595,224.00		2	2	20	Y	695,224.00	0.00	0.00	100,000.00	595,224.00	0.00
D311393	Ansley	595,260.00	595,260.00	595,260.00		2	2	20	Y	595,260.00	0.00	0.00	0.00	595,260.00	0.00
D311225	Arapahoe	550,000.00	550,000.00	450,000.00		2	2.5	20	Y	550,000.00	0.00	0.00	100,000.00	450,000.00	0.00
D311003	Arlington	2,092,435.00	2,092,435.00	1,592,435.00		3.47	3.47	20	Y	2,092,435.00	0.00	0.00	500,000.00	1,592,435.00	0.00
D311219	Auburn	630,784.00	630,784.00	630,784.00		2	3.5	30	Y	630,784.00	0.00	0.00	0.00	630,784.00	0.00
D311499	Auburn	6,002,003.00	6,002,003.00	4,501,502.00		2	2.5	29	Y	6,002,003.00	0.00	0.00	1,500,501.00	4,501,502.00	0.00
D311004	Aurora	300,000.00	300,000.00	300,000.00		2.8	2.8	15	Y	300,000.00	0.00	0.00	0.00	300,000.00	0.00
D311495	Aurora	226,733.00	226,733.00	226,733.00		2	2	12	Y	226,733.00	0.00	0.00	0.00	226,733.00	0.00
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	108,812.69	363,574.31
D311563	Aurora	247,653.00	247,653.00	198,122.00		2	2	14	Y	247,653.00	0.00	0.00	49,531.00	198,122.00	0.00
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	49,657.16	426,240.84
D311226	Bancroft	591,000.00	591,000.00	591,000.00		2	2.5	20	Y	591,000.00	0.00	0.00	0.00	591,000.00	0.00
D311227	Barneston	32,794.00	32,794.00	32,794.00		2	2.5	10	Y	32,794.00	0.00	0.00	0.00	32,794.00	0.00
D311091	Bassett	138,342.00	138,342.00	138,342.00		2	2.5	20	Y	138,342.00	0.00	0.00	0.00	125,398.95	12,943.05
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	64,722.43	47,342.57
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	63,234.02	125,441.98
D311147	Beatrice	826,223.00	826,223.00	826,223.00		3.18	3.18	20	Y	826,223.00	0.00	0.00	0.00	826,223.00	0.00
D311674-L	Beatrice	1,300,000.00	1,300,000.00	1,300,000.00	10	0	0	30	Y	1,243,296.00	0.00	0.00	0.00	0.00	1,243,296.00
D311685	Beatrice	6,250,000.00	6,250,000.00	6,250,000.00	10	0	0	30	N	0.00	0.00	0.00	0.00	0.00	0.00
D311006	Beaver Lake	3,276,647.00	3,276,647.00	3,276,647.00		2	4	20	Y	3,276,647.00	0.00	0.00	0.00	3,276,647.00	0.00
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	80,256.31	167,054.69
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	67,715.07	75,208.93
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	160,090.76	294,909.24
D311142	Bennet	216,310.00	216,310.00	216,310.00		2	2	10	Y	216,310.00	0.00	0.00	0.00	216,310.00	0.00
D311399	Bennet	725,000.00	725,000.00	612,697.00		2	2	20	Y	725,000.00	0.00	0.00	112,303.00	612,697.00	0.00
D311228	Big Springs	851,000.00	851,000.00	851,000.00		2	2.5	2	Y	851,000.00	0.00	0.00	0.00	851,000.00	0.00
D311007	Blair	6,815,700.00	6,815,700.00	6,815,700.00		2	3.0	15	Y	6,815,700.00	0.00	0.00	0.00	6,815,700.00	0.00
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	626,145.95	2,168,441.05

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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	91,237.83	1,352,368.17
D311647	Blair	10,000,000.00	10,000,000.00	7,843,003.00	10	0	0	30	N	3,109,929.00	0.00	0.00	670,810.00	0.00	2,439,119.00
D311131	Bloomfield	203,361.00	203,361.00	203,361.00		2	3	20	Y	203,361.00	0.00	0.00	0.00	203,361.00	0.00
D311491	Bloomfield	174,822.00	174,822.00	174,822.00			2.75	20	Y	174,822.00	0.00	0.00	0.00	174,822.00	0.00
D311093	Bloomington	151,697.00	151,697.00	151,697.00		1	1	0	Y	151,697.00	0.00	0.00	0.00	151,697.00	0.00
D311094	Blue Hill	599,762.00	599,762.00	459,656.00		2	2	20	Y	599,762.00	0.00	0.00	140,106.00	459,656.00	0.00
D311132	Boyd Cnty RWD 2	972,000.00	972,000.00	822,000.00		2	3.5	20	Y	972,000.00	0.00	0.00	150,000.00	822,000.00	0.00
D311636-E	Boyd Cnty RWD 2	2,000,000.00	2,000,000.00	2,000,000.00		0	0	40	N	1,626,104.00	0.00	0.00	0.00	1,320,436.88	305,667.12
D311288	Bradshaw	247,700.00	247,700.00	175,669.00		2	2	20	Y	247,700.00	0.00	0.00	72,031.00	175,669.00	0.00
D311081	Brady	731,093.00	731,093.00	365,547.00		2	3.5	30	Y	731,093.00	0.00	0.00	365,546.00	208,930.28	156,616.72
D311404	Bridgeport	1,550,136.00	1,550,136.00	775,068.00		2	2	20	Y	1,550,136.00	0.00	0.00	775,068.00	775,068.00	0.00
D311529	Bridgeport	1,499,943.00	1,499,943.00	833,728.00		2	2.14	20	Y	1,499,943.00	0.00	0.00	666,215.00	833,728.00	0.00
D311405	Bristow	80,000.00	80,000.00	80,000.00			2.75	15	Y	80,000.00	0.00	0.00	0.00	80,000.00	0.00
D311008	Broadwater	79,000.00	79,000.00	79,000.00		2	3	20	Y	79,000.00	0.00	0.00	0.00	79,000.00	0.00
D311229	Broken Bow	1,922,222.00	1,922,222.00	1,822,222.00			2.62	20	Y	1,922,222.00	0.00	0.00	100,000.00	928,999.14	893,222.86
D311009	Bruning	723,933.00	723,933.00	483,571.00		2	3.05	20	Y	723,933.00	0.00	0.00	240,362.00	483,571.00	0.00
D311350	Bruno	164,100.00	164,100.00	164,100.00			2.5	20	Y	164,100.00	0.00	0.00	0.00	164,100.00	0.00
D311010	Brunswick	248,000.00	248,000.00	219,500.00		0	3	20	Y	248,000.00	0.00	0.00	28,500.00	219,500.00	0.00
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	31,666.33	49,991.67
D311011	Butte	584,000.00	584,000.00	584,000.00		0	3	1	Y	584,000.00	0.00	0.00	0.00	584,000.00	0.00
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	114,268.52	188,134.48
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	76,688.83	103,691.17
D311628	Cass Cnty RWD 1	1,100,000.00	1,100,000.00	1,100,000.00		0.5	1.5	20	N	0.00	0.00	0.00	0.00	0.00	0.00
D311159	Cedar-Knox (L&C NRD)	399,000.00	399,000.00	249,000.00		2	3	20	Y	399,000.00	0.00	0.00	150,000.00	249,000.00	0.00
D311524	Cedar-Knox (L&C NRD)	134,090.00	134,090.00	67,112.00		2	2	20	Y	134,090.00	0.00	0.00	66,978.00	67,112.00	0.00
D311012	Central City	487,572.00	487,572.00	387,572.00			2.75	15	Y	487,572.00	0.00	0.00	100,000.00	387,572.00	0.00
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	126,346.19	307,660.81
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	71,937.51	988,829.49
D311096	Ceresco	1,178,586.00	1,178,586.00	1,178,586.00		2	3.65	20	Y	1,178,586.00	0.00	0.00	0.00	1,178,586.00	0.00
D311013	Chadron	713,008.00	713,008.00	713,008.00		0	3	10	Y	713,008.00	0.00	0.00	0.00	713,008.00	0.00
D311294	Clarks	405,000.00	405,000.00	305,000.00			2.5	20	Y	405,000.00	0.00	0.00	100,000.00	213,301.43	91,698.57
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	244,999.69	271,836.31
D311014	Clarkson	150,000.00	150,000.00	150,000.00		2	2	10	Y	150,000.00	0.00	0.00	0.00	150,000.00	0.00
D311163	Clay Center	521,158.00	521,158.00	521,158.00		2	3	17	Y	521,158.00	0.00	0.00	0.00	521,158.00	0.00
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	10,876.87	152,291.13
D311546	Cortland	2,175,589.00	2,175,589.00	1,740,472.00	5	2	2.55	30	Y	2,175,589.00	0.00	0.00	435,117.00	1,740,472.00	0.00
D311234	Cozad	1,142,471.00	1,142,471.00	1,142,471.00			2.75	20	Y	1,142,471.00	0.00	0.00	0.00	1,142,471.00	0.00
D311665	Cozad	1,565,000.00	1,565,000.00	1,330,250.00	10	0	0	20	N	535,674.00	0.00	0.00	80,351.00	0.00	455,323.00

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D311149	Crawford	668,700.00	668,700.00	668,700.00				20	Y	668,700.00	0.00	0.00	0.00	668,700.00	0.00
D311557	Creighton	942,873.00	942,873.00	754,298.00			2.29	19	Y	942,873.00	0.00	0.00	188,575.00	754,298.00	0.00
D311017	Culbertson	340,417.00	340,417.00	236,862.00				20	Y	340,417.00	0.00	0.00	103,555.00	236,862.00	0.00
D311018	Cuming Cnty RWD 1	765,005.00	765,005.00	643,981.00			3.08	20	Y	765,005.00	0.00	0.00	121,024.00	623,847.38	20,133.62
D311457	Cuming Cnty RWD 1	323,435.00	323,435.00	323,435.00			2.75	17	Y	323,435.00	0.00	0.00	0.00	261,817.31	61,617.69
D311506	Dalton	394,046.00	394,046.00	197,024.00				20	Y	394,046.00	0.00	0.00	197,022.00	103,642.90	93,381.10
D311167	Davenport	440,000.00	440,000.00	440,000.00			3.4	25	Y	440,000.00	0.00	0.00	0.00	440,000.00	0.00
D311169	David City	626,435.00	626,435.00	626,435.00			2.5	20	Y	626,435.00	0.00	0.00	0.00	626,435.00	0.00
D311569	Daykin	563,466.00	563,466.00	450,773.00	5			19	Y	563,466.00	0.00	0.00	112,693.00	142,115.57	308,657.43
D311555	Denton	686,844.00	686,844.00	522,208.00				20	Y	686,844.00	0.00	0.00	164,636.00	522,208.00	0.00
D311102	DeWitt	650,000.00	650,000.00	650,000.00			2.5	20	Y	650,000.00	0.00	0.00	0.00	650,000.00	0.00
D311238	Dodge	97,072.00	97,072.00	56,156.00			2.5	17	Y	97,072.00	0.00	0.00	40,916.00	56,156.00	0.00
D311240	Dorchester	1,805,993.00	1,805,993.00	1,444,796.00				20	Y	1,805,993.00	0.00	0.00	361,197.00	1,444,796.00	0.00
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	13,152.78	200,447.22
D311021	Duncan	565,000.00	565,000.00	465,000.00			4.3	30	Y	565,000.00	0.00	0.00	100,000.00	465,000.00	0.00
D311609	Edgar	291,100.00	291,100.00	218,325.00	5			20	Y	291,100.00	0.00	0.00	72,775.00	50,685.83	167,639.17
D311243	Elba	702,000.00	702,000.00	702,000.00				20	Y	702,000.00	0.00	0.00	0.00	702,000.00	0.00
D311571	Elgin	2,100,000.00	1,914,618.00	1,435,968.00	10			20	Y	1,914,618.00	0.00	0.00	478,650.00	148,672.33	1,287,295.67
D311022	Emerson	740,905.00	740,905.00	380,010.00			3.03	20	Y	740,905.00	0.00	0.00	360,895.00	380,010.00	0.00
D311639	Ewing	920,000.00	920,000.00	690,000.00	10	0.5	1.5	30	N	833,668.00	0.00	0.00	208,415.00	8,471.98	616,781.02
D311302	Fairbury	781,231.00	781,231.00	694,436.00			2.5	20	Y	781,231.00	0.00	0.00	86,795.00	694,436.00	0.00
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	24,515.90	1,114,164.04
D311641	Fairfield	660,000.00	660,000.00	330,000.00	5	0.5	1.5	20	Y	588,330.00	0.00	0.00	294,163.00	19,281.33	274,885.67
D311176	Fairmont	183,582.00	183,582.00	183,582.00	10		3.54	20	Y	183,582.00	0.00	0.00	0.00	114,467.38	69,114.62
D311663	Fairmont	475,000.00	475,000.00	367,466.00	10	0	0	20	Y	388,484.00	0.00	0.00	87,948.00	0.00	300,536.00
D311024	Falls City	1,900,000.00	1,900,000.00	1,900,000.00				20	Y	1,900,000.00	0.00	0.00	0.00	1,900,000.00	0.00
D311597	Falls City	5,334,412.00	4,543,438.00	3,634,751.00	5			20	Y	4,543,438.00	0.00	0.00	908,687.00	3,634,751.00	0.00
D311649	Falls City	3,000,000.00	3,000,000.00	2,550,000.00	10	0	0	20	Y	1,979,402.00	0.00	0.00	296,910.00	42,062.30	1,640,429.70
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	0.00	111,750.00
D311536	Firth	326,301.00	326,301.00	326,301.00	5			20	Y	326,301.00	0.00	0.00	0.00	171,804.68	154,496.32
D311683	Firth	1,409,000.00	1,409,000.00	1,037,125.00				20	N	0.00	0.00	0.00	0.00	0.00	0.00
D311615	Fort Calhoun	643,800.00	450,578.00	450,578.00				20	Y	450,578.00	0.00	0.00	0.00	86,341.97	364,236.03
D311512	Friend	275,758.00	275,758.00	208,508.00				20	Y	275,758.00	0.00	0.00	67,250.00	115,635.18	92,872.82
D311535	Fullerton	366,000.00	366,000.00	366,000.00				20	Y	366,000.00	0.00	0.00	0.00	192,531.52	173,468.48
D311575	Garland	1,148,937.00	1,148,937.00	919,150.00	5			29	Y	1,148,937.00	0.00	0.00	229,787.00	158,977.80	760,172.14
D311026 20 yr	Gering	445,110.00	445,110.00	445,110.00			3.24	20	Y	445,110.00	0.00	0.00	0.00	445,110.00	0.00
D311026 30 yr	Gering	8,473,128.00	8,473,128.00	6,252,963.00			2.5	30	Y	8,473,128.00	0.00	0.00	2,220,165.00	6,252,963.00	0.00

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
D311245	Giltner	795,462.00	795,462.00	795,462.00			3.26	20	Y	795,462.00	0.00	0.00	0.00	795,462.00	0.00
D311027	Gothenburg	163,038.00	163,038.00	163,038.00				10	Y	163,038.00	0.00	0.00	0.00	163,038.00	0.00
D311214	Grafton	353,076.00	353,076.00	207,998.00				20	Y	353,076.00	0.00	0.00	145,078.00	207,998.00	0.00
D311104	Grant	273,674.00	273,674.00	273,674.00				15	Y	273,674.00	0.00	0.00	0.00	273,674.00	0.00
D311595	Grant	2,756,730.00	2,693,519.00	2,154,815.00	10			20	Y	2,693,519.00	0.00	0.00	538,704.00	365,467.32	1,789,347.68
D311675	Grant	1,585,500.00	1,585,500.00	894,189.00	10			30	N	0.00	0.00	0.00	0.00	0.00	0.00
D311467	Gresham	176,237.00	176,237.00	88,119.00				20	Y	176,237.00	0.00	0.00	88,118.00	88,119.00	0.00
D311309	Gretna	487,613.00	487,613.00	487,613.00				19	Y	487,613.00	0.00	0.00	0.00	118,944.62	368,668.38
D311028	Gurley	228,579.00	228,579.00	173,280.00			3.74	30	Y	228,579.00	0.00	0.00	55,299.00	107,029.59	66,250.41
D311566	Haigler	146,791.00	146,791.00	117,433.00	5			19	Y	146,791.00	0.00	0.00	29,358.00	37,037.09	80,395.91
D311494	Hardy	224,000.00	224,000.00	224,000.00				20	Y	224,000.00	0.00	0.00	0.00	224,000.00	0.00
D311552	Hartington	469,904.00	469,904.00	375,924.00	5			19	Y	469,904.00	0.00	0.00	93,980.00	91,723.19	284,200.81
D311547	Hay Springs	307,083.00	307,083.00	245,667.00			2.5	19	Y	307,083.00	0.00	0.00	61,416.00	92,145.85	153,521.15
D311133	Hebron	871,000.00	871,000.00	688,640.00				10	Y	871,000.00	0.00	0.00	182,360.00	688,640.00	0.00
D311521	Hickman	2,361,366.00	2,361,366.00	2,196,778.00				20	Y	2,361,366.00	0.00	0.00	164,588.00	2,196,778.00	0.00
D311248	Holbrook	615,000.00	615,000.00	615,000.00			2.75	20	Y	615,000.00	0.00	0.00	0.00	615,000.00	0.00
D311031	Holdrege	277,480.00	277,480.00	277,480.00			3.5	15	Y	277,480.00	0.00	0.00	0.00	277,480.00	0.00
D311544	Holstein	270,121.00	270,121.00	216,097.00				20	Y	270,121.00	0.00	0.00	54,024.00	97,637.03	118,459.97
D311602	Holstein	130,000.00	130,000.00	104,000.00	5			19	Y	130,000.00	0.00	0.00	26,000.00	27,821.07	76,178.93
D311033	Hubbard	208,008.00	208,008.00	154,778.00			3.79	30	Y	208,008.00	0.00	0.00	53,230.00	154,778.00	0.00
D311109	Humboldt	2,370,080.00	2,370,080.00	1,896,065.00			2.3	30	Y	2,370,080.00	0.00	0.00	474,015.00	1,896,065.00	0.00
D311545	Humphrey	2,066,080.00	2,066,080.00	1,652,865.00			2.25	19	Y	2,066,080.00	0.00	0.00	413,215.00	1,652,865.00	0.00
D311067	Jackson	218,678.00	218,678.00	109,339.00				20	Y	218,678.00	0.00	0.00	109,339.00	109,339.00	0.00
D311678	Johnson Cnty RWD 1	280,000.00	280,000.00	280,000.00	10			15	N	0.00	0.00	0.00	0.00	0.00	0.00
D311034	Kearney	2,139,420.00	2,139,420.00	2,139,420.00			3.24	20	Y	2,139,420.00	0.00	0.00	0.00	2,139,420.00	0.00
D311282	Kearney	1,237,634.00	1,237,634.00	1,237,634.00			3.48	20	Y	1,237,634.00	0.00	0.00	0.00	1,237,634.00	0.00
D311398	Kearney	8,116,884.00	8,116,884.00	8,116,884.00			3.44	20	Y	8,116,884.00	0.00	0.00	0.00	8,116,884.00	0.00
D311540	Kearney	212,927.00	212,927.00	212,927.00				20	Y	212,927.00	0.00	0.00	0.00	112,243.27	100,683.73
D311589	Kearney	301,029.00	301,029.00	301,029.00				19	Y	301,029.00	0.00	0.00	0.00	95,066.94	205,962.06
D311607	Kearney	1,500,000.00	1,500,000.00	1,500,000.00				20	Y	1,500,000.00	0.00	0.00	0.00	221,335.79	1,278,664.21
D311624	Kearney	915,000.00	369,017.00	369,017.00		0.5		20	Y	369,017.00	0.00	0.00	0.00	30,649.77	338,367.23
D311676	Kearney	8,000,000.00	8,000,000.00	8,000,000.00				20	N	0.00	0.00	0.00	0.00	0.00	0.00
D311576	Kenesaw	835,000.00	720,430.00	616,761.00	5			19	Y	720,430.00	0.00	0.00	103,669.00	136,603.90	480,157.10
D311079	Kennard	480,000.00	480,000.00	460,128.00			4.22	30	Y	480,000.00	0.00	0.00	19,872.00	460,128.00	0.00
D311184	Kimball	750,000.00	750,000.00	750,000.00			2.52	20	Y	750,000.00	0.00	0.00	0.00	750,000.00	0.00
D311504	Laurel	476,355.00	476,355.00	357,266.00	10			19	Y	476,355.00	0.00	0.00	119,089.00	191,486.20	165,779.74
D311651	Laurel	428,748.00	428,748.00	322,799.00	10			30	N	371,441.00	0.00	0.00	88,052.00	4,723.15	278,665.85
D311564	Leigh	343,938.00	343,938.00	257,268.00	5			19	Y	343,938.00	0.00	0.00	86,670.00	257,268.00	0.00

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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
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	5,350,328.17	9,627,500.83
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	152,318.07	335,168.93
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	60,482.61	1,010,981.39
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	570,420.93	272,854.07
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	57,973.60	91,163.34
D311317	Lyons	695,000.00	695,000.00	695,000.00		1	2.5	20	Y	695,000.00	0.00	0.00	0.00	695,000.00	0.00
D311220	Madison Cnty SID #3	591,843.00	591,843.00	491,843.00		2	3.5	20	Y	591,843.00	0.00	0.00	100,000.00	491,843.00	0.00
D311638	Marquette	280,000.00	280,000.00	210,000.00	10	0.5	1.5	30	Y	180,000.00	0.00	0.00	45,000.00	6,829.89	128,170.11
D311600	Maxwell	56,488.00	56,488.00	56,488.00		2	2	9	Y	56,488.00	0.00	0.00	0.00	40,740.83	15,747.17
D311189	Maywood	479,000.00	479,000.00	479,000.00		1	2.55	20	Y	479,000.00	0.00	0.00	0.00	479,000.00	0.00
D311039	McCook	10,022,000.00	10,022,000.00	9,922,000.00		1	2.8	30	Y	10,022,000.00	0.00	0.00	100,000.00	9,922,000.00	0.00
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	949,743.32	370,328.68
D311681	McCook	2,490,000.00	2,490,000.00	2,036,899.00		0	0	30	N	0.00	0.00	0.00	0.00	0.00	0.00
D311653	McCool Junction	848,500.00	848,500.00	636,375.00	10	0	0	30	N	732,499.00	0.00	0.00	183,124.00	0.00	549,375.00
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	146,521.11	845,002.89
D311130	MUD - Omaha	938,000.00	938,000.00	755,593.00		3	3	14	Y	938,000.00	0.00	0.00	182,407.00	755,593.00	0.00
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	2,902,774.10	2,894,287.90
D311256	Niobrara	175,000.00	175,000.00	175,000.00		2	3	20	Y	175,000.00	0.00	0.00	0.00	165,459.92	9,540.08
D311155	Norfolk	1,781,318.00	1,781,318.00	1,781,318.00		3	3	16	Y	1,781,318.00	0.00	0.00	0.00	1,781,318.00	0.00
D311515	North Loup	312,565.00	312,565.00	156,283.00		2	2	20	Y	312,565.00	0.00	0.00	156,282.00	156,283.00	0.00
D311565	North Loup	2,099,700.00	2,004,629.00	1,303,008.00	5	2	2	29	Y	2,004,629.00	0.00	0.00	701,621.00	1,303,008.00	0.00
D311042	North Platte	3,077,844.00	3,077,844.00	3,077,844.00		3	3.36	20	Y	3,077,844.00	0.00	0.00	0.00	3,077,844.00	0.00
D311322	North Platte	6,070,005.00	6,070,005.00	6,070,005.00		2	3.72	20	Y	6,070,005.00	0.00	0.00	0.00	6,070,005.00	0.00
D311078	Oakland	800,000.00	800,000.00	400,000.00		0	3	12	Y	800,000.00	0.00	0.00	400,000.00	400,000.00	0.00
D311503	Oakland	104,883.00	104,883.00	104,883.00		2	2	20	Y	104,883.00	0.00	0.00	0.00	49,780.58	55,102.42
D311138	Odell	200,375.00	200,375.00	103,293.00		3	3.03	20	Y	200,375.00	0.00	0.00	97,082.00	99,895.12	3,397.88
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	556,048.24	1,619,246.76
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	135,129.48	1,580,310.52
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	171,234.53	1,500,356.47
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	142,437.40	128,334.54
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	405,700.20	533,012.80
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	302,308.09	2,674,879.91
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	170,313.62	638,837.38
D311591	Overton	624,713.00	624,713.00	624,713.00		2	2	19	Y	624,713.00	0.00	0.00	0.00	624,713.00	0.00
D311198	Palisade	808,000.00	808,000.00	808,000.00		2	3	20	Y	808,000.00	0.00	0.00	0.00	808,000.00	0.00
D311080	Papio-Missouri River NRD	338,800.00	338,800.00	338,800.00		4	4	20	Y	338,800.00	0.00	0.00	0.00	338,800.00	0.00
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	77,232.68	272,767.32
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	44,475.31	255,524.69

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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
D311650-E	Pawnee Cnty RWD 1	720,000.00	410,532.00	410,532.00		0	0	40	Y	410,532.00	0.00	0.00	0.00	410,532.00	0.00
D311049	Paxton	1,131,000.00	1,131,000.00	1,131,000.00		3	3	20	Y	1,131,000.00	0.00	0.00	0.00	1,131,000.00	0.00
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	1,788.82	289,740.18
D311326	Pender	1,128,735.00	1,128,735.00	1,028,735.00		1	2.5	20	Y	1,128,735.00	0.00	0.00	100,000.00	1,028,735.00	0.00
D311640-E	Peru	1,490,000.00	1,490,000.00	1,490,000.00		0	0	40	N	1,246,853.00	0.00	0.00	0.00	12,000.00	1,234,853.00
D311688-E	Peru	7,720,000.00	7,720,000.00	7,720,000.00		0	0	40	N	1,032,404.00	0.00	0.00	0.00	0.00	1,032,404.00
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	87,661.22	78,981.79
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	98,476.09	272,453.91
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	71,353.38	111,348.62
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	44,464.04	415,401.96
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	224,410.94	280,960.06
D311655	Platte Center	210,000.00	210,000.00	105,000.00	10	0	0	30	N	183,771.00	0.00	0.00	91,885.00	1,531.43	90,354.57
D311051	Plattsmouth	1,491,112.00	1,491,112.00	1,491,112.00		3	3	16	Y	1,491,112.00	0.00	0.00	0.00	1,491,112.00	0.00
D311261	Plattsmouth	396,733.00	396,733.00	296,733.00		1	3.45	20	Y	396,733.00	0.00	0.00	100,000.00	296,733.00	0.00
D311518	Plattsmouth	872,957.00	872,957.00	872,957.00		2	2.5	30	Y	872,957.00	0.00	0.00	0.00	269,573.22	603,383.78
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	18,047.11	420,886.89
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	613,523.00	275,747.00
D311687	Plattsmouth	17,520,000.00	17,520,000.00	17,520,000.00		0	0	40	N	0.00	0.00	0.00	0.00	0.00	0.00
D311513	Pleasant Dale	120,351.00	120,351.00	106,126.00		2	2	20	Y	120,351.00	0.00	0.00	14,225.00	106,126.00	0.00
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	52,289.22	160,632.78
D311525	Ravenna	2,702,783.00	2,702,783.00	2,162,228.00		2	2	19	Y	2,702,783.00	0.00	0.00	540,555.00	2,162,228.00	0.00
D311621	Raven's Nest Homeowners Association	594,411.00	594,411.00	594,411.00		1.5	1.5	20	Y	570,540.00	0.00	0.00	0.00	24,544.13	545,995.87
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	1,007,228.00	49,831.93
D311594	Riverdale	250,000.00	239,630.00	194,385.00	5	2	2	30	Y	239,630.00	0.00	0.00	45,245.00	24,950.50	169,434.50
D311542	Rogers	96,600.00	96,600.00	77,280.00		2	2	20	Y	96,600.00	0.00	0.00	19,320.00	77,280.00	0.00
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	335,082.09	236,927.91
D311659	Sarpy Cnty SID #79 Meadow Oaks	1,000,000.00	1,000,000.00	1,000,000.00		0	0	30	N	0.00	0.00	0.00	0.00	0.00	0.00
D311053	Schuyler	2,080,601.00	2,080,601.00	1,560,451.00		2	2	20	Y	2,080,601.00	0.00	0.00	520,150.00	1,560,451.00	0.00
D311334	Scotia	467,415.00	467,415.00	467,415.00		1	2.5	20	Y	467,415.00	0.00	0.00	0.00	467,415.00	0.00
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	374,585.37	2,553,414.63
D311501	Shelby	273,630.00	273,630.00	177,707.00		2	2	20	Y	273,630.00	0.00	0.00	95,923.00	177,707.00	0.00
D311537	Shelby	1,168,301.00	1,168,301.00	1,023,041.00		2	2	19	Y	1,168,301.00	0.00	0.00	145,260.00	1,023,041.00	0.00
D311514	Shelton	1,119,350.00	1,119,350.00	895,481.00		2	2	19	Y	1,119,350.00	0.00	0.00	223,869.00	895,481.00	0.00
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	18,240.78	464,589.22
D311056	Sidney	1,156,000.00	1,156,000.00	1,156,000.00		3	3	10	Y	1,156,000.00	0.00	0.00	0.00	1,156,000.00	0.00
D311351	Sidney	7,975,000.00	7,975,000.00	7,975,000.00		1	2.5	17	Y	7,975,000.00	0.00	0.00	0.00	7,975,000.00	0.00
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	693,467.94	2,548,483.06

**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
D311057	South Sioux City	267,732.00	267,732.00	267,732.00				16	Y	267,732.00	0.00	0.00	0.00	267,732.00	0.00
D311268	South Sioux City	1,331,150.00	1,331,150.00	1,331,150.00			2.79	13	Y	1,331,150.00	0.00	0.00	0.00	1,331,150.00	0.00
D311584	South Sioux City	3,128,000.00	849,203.00	849,203.00				20	Y	849,203.00	0.00	0.00	0.00	196,278.00	652,924.99
D311642	South Sioux City	5,600,000.00	5,600,000.00	5,600,000.00			1.5	30	N	3,441,842.00	0.00	0.00	0.00	46,496.16	3,395,345.84
D311611	Springfield	3,250,000.00	3,250,000.00	2,600,000.00	10		0.5	20	N	0.00	0.00	0.00	0.00	0.00	0.00
D311559	St. Helena	279,539.00	279,539.00	233,025.00				19	Y	279,539.00	0.00	0.00	46,514.00	90,324.20	142,700.79
D311218	St. Paul	808,000.00	808,000.00	606,000.00			2.375	20	Y	808,000.00	0.00	0.00	202,000.00	606,000.00	0.00
D311139	Stamford	306,000.00	306,000.00	306,000.00				20	Y	306,000.00	0.00	0.00	0.00	306,000.00	0.00
D311391	Stamford	200,000.00	200,000.00	100,000.00			2.85	30	Y	200,000.00	0.00	0.00	100,000.00	50,217.30	49,782.69
D311058	Stanton	689,981.00	689,981.00	344,991.00				13	Y	689,981.00	0.00	0.00	344,990.00	344,991.00	0.00
D311059	Stanton Cnty SID #1 - Woodland Park	353,805.00	353,805.00	353,805.00				20	Y	353,805.00	0.00	0.00	0.00	304,580.14	49,224.86
D311146	Stapleton	95,953.00	95,953.00	95,953.00			3.0	20	Y	95,953.00	0.00	0.00	0.00	95,953.00	0.00
D311060	Stratton	334,986.00	334,986.00	167,492.00				5	Y	334,986.00	0.00	0.00	167,494.00	167,492.00	0.00
D311336	Stratton	1,001,000.00	1,001,000.00	1,001,000.00			2.75	20	Y	1,001,000.00	0.00	0.00	0.00	1,001,000.00	0.00
D311539	Stromsburg	1,594,448.00	1,594,448.00	1,497,724.00				20	Y	1,594,448.00	0.00	0.00	96,724.00	1,497,724.00	0.00
D311672	Stromsburg	155,000.00	155,000.00	155,000.00				15	Y	140,919.00	0.00	0.00	0.00	0.00	140,919.00
D311502	Sutherland	1,551,791.00	1,551,791.00	1,180,291.00			2.02	20	Y	1,551,791.00	0.00	0.00	371,500.00	1,180,291.00	0.00
D311644-L	Syracuse	1,000,000.00	999,991.00	799,993.00	5		1.5	40	Y	999,991.00	0.00	0.00	199,998.00	21,289.20	778,703.77
D311658	Syracuse	11,254,000.00	11,254,000.00	9,003,200.00	10			40	N	4,380,102.00	0.00	0.00	876,020.00	0.00	3,504,082.00
D311089	Tecumseh	478,982.00	478,982.00	478,982.00				20	Y	478,982.00	0.00	0.00	0.00	478,982.00	0.00
D311077	Tekamah	1,322,818.00	1,322,818.00	1,247,818.00				20	Y	1,322,818.00	0.00	0.00	75,000.00	1,126,235.50	121,582.48
D311550	Terrytown	1,320,700.00	1,320,700.00	990,525.00				21	N	945,529.00	0.00	0.00	236,381.00	28,295.39	680,852.61
D311590	Tobias	314,597.00	314,597.00	251,677.00	5			29	Y	314,597.00	0.00	0.00	62,920.00	43,484.00	208,192.97
D311273	Trenton	500,000.00	468,685.00	468,685.00				20	Y	468,685.00	0.00	0.00	0.00	100,186.95	368,498.05
D311068	Utica	848,636.00	848,636.00	458,699.00				20	Y	848,636.00	0.00	0.00	389,937.00	458,699.00	0.00
D311577	Utica	2,950,000.00	2,950,000.00	2,360,000.00	5			20	Y	2,950,000.00	0.00	0.00	590,000.00	524,474.99	1,835,525.01
D311126	Valentine	450,000.00	450,000.00	450,000.00				20	Y	450,000.00	0.00	0.00	0.00	450,000.00	0.00
D311664	Valentine	1,000,000.00	1,000,000.00	800,000.00				30	N	0.00	0.00	0.00	0.00	0.00	0.00
D311593	Valley	775,000.00	748,709.00	562,131.00	5			19	Y	748,709.00	0.00	0.00	186,578.00	176,555.80	385,575.13
D311666	Valley	7,935,020.00	7,935,020.00	7,935,020.00				20	N	0.00	0.00	0.00	0.00	0.00	0.00
D311140	Waco	60,000.00	60,000.00	60,000.00				10	Y	60,000.00	0.00	0.00	0.00	60,000.00	0.00
D311522	Wahoo	399,033.00	399,033.00	299,274.00				20	Y	399,033.00	0.00	0.00	99,759.00	167,772.20	131,501.79
D311275	Wakefield	1,200,000.00	1,200,000.00	960,000.00	5			29	Y	1,200,000.00	0.00	0.00	240,000.00	165,979.69	794,020.31
D311657	Wakefield	6,500,000.00	6,500,000.00	4,979,400.00				20	N	0.00	0.00	0.00	0.00	0.00	0.00
D311071	Waterloo	297,522.00	297,522.00	297,522.00			3.36	15	Y	297,522.00	0.00	0.00	0.00	297,522.00	0.00
D311375	Wauneta	327,506.00	327,506.00	262,004.00			2.11	20	Y	327,506.00	0.00	0.00	65,502.00	262,004.00	0.00
D311276	Wausa	289,083.00	289,083.00	289,083.00				20	Y	289,083.00	0.00	0.00	0.00	251,837.34	37,245.66
D311527	Wausa	326,016.00	326,016.00	260,814.00			2.25	20	Y	326,016.00	0.00	0.00	65,202.00	109,451.60	151,362.38

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
D311582	Waverly	2,056,127.00	2,056,127.00	2,056,127.00		2	2	19	Y	2,056,127.00	0.00	0.00	0.00	2,056,127.00	0.00
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	381,863.03	380,550.97
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	129,207.00	1,856,268.94
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	125,695.5	401,765.49
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	225,132.48	534,004.52
D311635-E	West Knox RWD	370,000.00	370,000.00	370,000.00		0	0	40	N	136,422.00	0.00	0.00	0.00	6,000.00	130,422.00
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	96,830.47	2,095,129.53
D311592	Wisner	192,550.00	113,073.00	113,073.00		2	2	19	Y	113,073.00	0.00	0.00	0.00	35,717.25	77,355.75
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	43,233.9	2,307,189.09
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	21,439.9	54,380.09
D311066	Wood River	424,100.00	424,100.00	424,100.00		2	3.68	20	Y	424,100.00	0.00	0.00	0.00	424,100.00	0.00
D311497	Wymore	1,986,439.00	1,986,439.00	1,489,829.00		2	2	20	Y	1,986,439.00	0.00	0.00	496,610.00	1,489,829.00	0.00
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	1,226,376.3	1,108,228.63
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	347,994.63	2,697,577.37
D311662	Yutan	963,000.00	963,000.00	807,187.00	10	0	0	30	N	548,353.00	0.00	0.00	88,723.00	0.00	459,630.00
Grand Total: (279 records)		410,910,283.00	397,517,331.00	348,320,515.00						305,083,463.00	0.00	0.00	40,125,383.00	175,241,687.33	89,716,392.67

**Attachment 2
DWSRF - Binding Commitments**

Community Name	Project #D31	Small System (<10,000)	State Fiscal Year 2021				State Fiscal Year 2022			
			1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR
Marquette Amd #1	1638	X	30,000							
Paxton	1652	X	502,000							
Elgin Amd #2	1571	X		614,000						
Dorchester Amd #1	1633	X			35,000					
Ewing Amd #1	1639	X				220,000				
Falls City	1649	X				3,000,000				
Laurel	1651	X				428,748				
McCool Junction	1653	X				848,500				
Platte Center	1655	X				210,000				
Sarpy Cnty SID #79 Meadow Oaks	1659					1,000,000				
Syracuse	1658	X				11,254,000				
Yutan	1662	X				963,000				
Fairmont	1663	X					475,000			
Blair	1647	X					10,000,000			
Cozad	1665	X					1,565,000			
Stromsburg	1672	X					155,000			
Beatrice	1674							1,300,000		
Beatrice	1685							6,250,000		
Filley	1670	X						149,000		
Johnson Cnty RWD 1	1678							280,000		
Ogallala Amd #1	1616	X						823,316		
Grant	1675	X							1,585,500	
Kearney	1676								8,000,000	
Marquette Amd #2	1638	X							100,000	
Valentine	1664	X							1,000,000	
Valley	1666	X							7,935,020	
West Point Amd #1	1646	X							735,000	
Firth	1683	X								1,409,000
McCook	1681	X								2,490,000
Peru	1688-E	X								7,720,000
Plattsmouth	1687	X								17,520,000
Springfield Amd #1	1611	X								2,138,000
Wakefield	1657	X								6,500,000
(1) BINDING COMMITMENT TOTALS			532,000	614,000	35,000	17,924,248	12,195,000	8,802,316	19,355,520	37,777,000
(2) CUMULATIVE BINDING COMMITMENTS			334,399,876	335,013,876	335,048,876	352,973,124	365,168,124	373,970,440	393,325,960	431,102,960
FY BINDING COMMITMENT TOTALS					FY21:	19,105,248			FY22:	78,129,836
(3) REQUIRED BINDING COMMITMENT*			11,191,800				10,230,730			
(4) CUMULATIVE REQUIRED AMOUNT			234,035,133	234,035,133	234,035,133	234,035,133	244,265,863	244,265,863	244,265,863	244,265,863
(5) BC AS % OF REQ'D BC AMOUNT			143	143	143	151	149	153	161	176

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

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

JULY 1, 2020, THROUGH JUNE 30, 2021

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

**Modification of this document may change the accuracy of the original
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Issued on May 5, 2022

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

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

BACKGROUND

The Nebraska Department of Environment and Energy (Department) – Drinking Water State Revolving Fund Program (Program) was established pursuant to the Federal Safe Drinking Water Act of 1996. The Drinking Water State Revolving Fund Act is set out at Neb. Rev. Stat. §§ 71-5314 to 71-5327 (Reissue 2018, Cum. Supp. 2020). The Program has been established pursuant to both the Federal Safe Drinking Water Act and correlative State statutes to provide loans, at reduced interest rates, to finance the construction of publicly and privately owned drinking water facilities.

Instead of making grants to communities that pay for a portion of the building of drinking water facilities, the Program provides for low-interest loans with some forgiveness to finance the entire cost of qualified projects. The Program provides a flexible financing source, which can be used for a variety of projects. Loans made by the Program can have terms of repayment up to 30 years, and all repayments, including interest and principal, must be used for the purposes of the Program. Disadvantaged communities may choose to have up to 40 years to repay all loans.

The 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, 2021, the EPA had awarded \$235.2 million in capitalization grants to the State of Nebraska. Of the \$235.2 million awarded, approximately \$19.5 million was funded by the American Recovery and Reinvestment Act (ARRA). The \$215.7 million not funded by ARRA required Nebraska to contribute approximately \$43.1 million in matching funds. Since the inception of the Program, the State has appropriated \$2.33 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 Program is administered by the Department and the Nebraska Department of Health and Human Services – Division of Public Health. The Department’s primary activities with regard to the Program include the making of loans for facilities and the management and coordination of the Program. The Nebraska Environmental Quality Council approves the rules and regulations of the Department, the Program’s Intended Use Plan, loan interest rates, and revenue bonding amounts. The Nebraska Department of Health and Human Services – Division of Public Health sets the funding priorities.

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

KEY OFFICIALS AND DEPARTMENT CONTACT INFORMATION

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

Name	Title
Jim Macy	Director
Kevin Stoner	Deputy Director – Administration
Kara Valentine	Deputy Director – Water Programs
Ryan Phillips	Accounting & Finance Manager

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

COMMENT AND RECOMMENDATION

During our audit of the Nebraska Department of Environment and Energy (Department) – Drinking Water State Revolving Fund Program (Program), we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here. The following comment is required to be reported in accordance with *Government Auditing Standards* and is considered to be a material weakness.

Financial Statement Errors

The Department of Environment and Energy (Department) did not have adequate procedures to ensure the accuracy of its financial statements. During fiscal year 2021, the Department began using the financial statement functionality in the Loans and Grants Tracking System (LGTS) to create its financial statements. When provided to the Auditor of Public Accounts (APA), this included the financial statements and support for accrual entries performed but no other support for how the amounts were determined. Per discussion with the Department, balances from EnterpriseOne (E1), the State’s accounting system, were entered into LGTS with the intent that the financial statements would be based on the data accumulated in E1.

To test the accuracy of the financial statements, the APA reviewed the support for the accrual entries and formatted data from E1 into financial statements using a template created by the Department and used in previous fiscal years. The APA then compared the E1 financial statements to the LGTS financial statements and noted that the financial statements submitted to the APA for the fiscal year ended June 30, 2021, were materially misstated, resulting in revisions to 39 of the 47 line items therein.

The table below summarizes the number of lines that were revised by financial statement, with revisions ranging from \$2,189 to \$8,618,203.

Financial Statement	# of Errors	Available Line Items	Error Rate	Material Errors
Statement of Net Position	10	13	77%	5
Statement of Revenues, Expenses, and Changes in Net Position	10	13	77%	6
Statement of Cash Flows	19	21	90%	11
Total	39	47	83%	22

Exhibits A through C herein illustrate, by financial statement line item, all of the fiscal year 2021 financial statement adjustments made by the Department. The amounts shown in the exhibits represent the change in the value from the original financial statements provided to the APA to the final issued financial statements. A positive number represents the amount the number increased; therefore, the value had been originally understated. A negative number represents the amount the number decreased; therefore, the value had been originally overstated.

During testing, the APA was able to identify the following errors that contributed to the variances:

- An automated clearing house (ACH) receipt for \$330,090 was identified as having been miscoded to an expenditure account for government aid, rather than being coded to a Capital Contributions revenue account.
- An entry to complete the fiscal year 2020 short-term bond process was not completed until fiscal year 2021. This entry was not adequately included on the financial statements during the fiscal year 2020 audit, and a proposed adjustment was made during that audit. During the fiscal year 2021 audit, it appears an entry was not completed to remove this entry from the financial statements.

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

COMMENT AND RECOMMENDATION

(Continued)

- Loans Receivable was recorded to Non-Current Assets and was not adjusted to reflect the portion due within one year as Current Assets.
- During testing of a payment to DataBank, Inc., for the development of the DEE Certifications Portal, it was determined the Certifications Portal should be capitalized as Software Development In-Progress but was incorrectly expensed. In total, Capital Assets for the Drinking Water State Revolving Fund program were understated by \$27,347, and expenses were overstated by \$27,347.
- An entry for \$8,444 of work completed on the LGTS project in July 2021 was correctly identified as an expense for work completed during fiscal year 2021 and accrued on the financial statements. However, this entry was added to expenses instead of capitalized to Software Development In-Progress.

Due to the lack of supporting documentation for how the LGTS financial statements were prepared, some variances could not be explained. The APA discussed the errors identified with the Department, and adjustments were made to correct them.

A similar finding was noted during the previous five audits.

A good internal control plan 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 will have two plans to correct this issue. Plan A: The financial statements will be processed by the Accounting & Finance Manager (Clean Water) and an Accountant III (Drinking Water). The process will begin the first week of August. The fiscal team will have until October 31st to finish the statements, which includes a check of each other's work. If unsuccessful, then Plan B. Plan B: Outsource the financial statements to a professional accounting firm. The firm will be identified by the Accounting & Finance Manager by July 31st.

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

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

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

COMMENT AND RECOMMENDATION
(Continued)

Exhibit A

ADJUSTMENTS TO THE STATEMENT OF NET POSITION
June 30, 2021

ASSETS

CURRENT ASSETS

Cash in State Treasury	\$ 3,410,503
Due from Federal Government	44,594
Interest Receivable	-
Loans Receivable	8,618,203
TOTAL CURRENT ASSETS	<u>12,073,300</u>

NON-CURRENT ASSETS

Loans Receivable	(7,669,934)
Capital Assets, Net	35,791
TOTAL NON-CURRENT ASSETS	<u>(7,634,143)</u>
TOTAL ASSETS	<u>\$ 4,439,157</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable & Accrued Liabilities	\$ (72,877)
Due to Grant Recipients	(187,914)
Compensated Absences	-
Bonds Payable	1,500,000
TOTAL CURRENT LIABILITIES	<u>1,239,209</u>

NON-CURRENT LIABILITIES

Compensated Absences	-
TOTAL NON-CURRENT LIABILITIES	<u>-</u>
TOTAL LIABILITIES	<u>1,239,209</u>

NET POSITION

Net Investment in Capital Assets	31,831
Unrestricted	3,164,158
TOTAL NET POSITION	<u>3,195,989</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,435,198</u>

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

COMMENT AND RECOMMENDATION
(Continued)

Exhibit B

**ADJUSTMENTS TO THE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**
For the Year Ended June 30, 2021

OPERATING REVENUES	
Loan Fees Administration	\$ -
Interest on Loans	-
Other Operating Income	(2,189)
TOTAL OPERATING REVENUES	<u>(2,189)</u>
 OPERATING EXPENSES	
Administrative Costs from Fees	(129,751)
15% Source Water Assessment Program	423,211
2% Technical Assistance to Small Systems	187,552
10% Public Water Supply System	864,553
Loan Forgiveness	-
Emergency Grants	12,076
TOTAL OPERATING EXPENSES	<u>1,357,641</u>
OPERATING LOSS	(1,359,830)
 NON-OPERATING REVENUE (EXPENSE)	
Capital Contributions - Federal Grants	1,930,978
Interest on Fund Balance - State OIP	173,163
Bond Revenue (Expense)	(7,082)
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>2,097,059</u>
CHANGE IN NET POSITION	737,229
TOTAL NET POSITION, BEGINNING OF YEAR	<u>(16,273)</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 720,956</u>

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

COMMENT AND RECOMMENDATION
(Concluded)

Exhibit C

ADJUSTMENTS TO THE STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 3,808
Payments to Borrowers	184,106
Payments for Administration	(543,016)
Payments for 15% Source Water Assessment Program	(496,135)
Payments for 2% Technical Assistance to Small Systems	(187,552)
Payments for 10% Public Water Supply System	(858,123)
Payments for Loan Forgiveness	(187,914)
Payments for Emergency Grants	(12,076)
Receipts from Other Operating Income	<u>(2,189)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>(2,099,091)</u></u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Grants Received from the EPA	1,886,384
Receipts from Bond Issue	1,500,000
Repayment of Bond	-
Bond Interest Payments	37,472
Bond Receipts (Payments)	<u>(44,554)</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u><u>3,379,302</u></u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of Capital Assets	<u>(24,893)</u>
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u><u>(24,893)</u></u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	<u>173,163</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u><u>173,163</u></u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 3,410,503

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR -

CASH AND CASH EQUIVALENTS, END OF YEAR **\$ (3,410,503)**

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

Operating Income	\$ (2,008,316)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
(Increase)/Decrease in Loans Receivable	(948,269)
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	(83,775)
Increase/(Decrease) in Compensated Absences	-
Increase/(Decrease) in Payables to Grant Recipients	<u>(187,914)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ (3,808,456)</u></u>



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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

INDEPENDENT AUDITOR'S REPORT

Nebraska Department of Environment and
Energy Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program (Program) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities of the Program, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the 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, 2021, 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.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2022, 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 to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 21, 2022, 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.



Mark Avery, CPA
Assistant Deputy Auditor

Lincoln, Nebraska
April 21, 2022

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nebraska Department of Environment and Energy (Department) – Drinking Water State Revolving Fund Program's (Program) financial report presents a narrative overview and analysis of the financial activities of the Program for the fiscal year ended June 30, 2021. This analysis has been prepared by management of the Department and is intended to be read in conjunction with the Program's financial statements and related footnotes, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis 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, 2021, the Ending Net Position of the Program increased by 4.0%. The increase in Net Position was largely impacted for three reasons. The first is due to the volume of Operating Revenues collected, \$2,497,057, which is loan interest and fees with an additional \$1,990,564 interest earned through the Operating Investment Pool on the fund balance. The second is the Program continued to receive Federal grants and drew down \$9,432,276, which contributed on a FIFO basis in accordance with the request from the EPA. The third is the costs of administering the Program were maintained at a low level.

Changes in Net Investment in Capital Assets

The fiscal year over year comparison represents the accumulated amount invested in the development of software-in-progress projects. In fiscal year 2020, the Program invested \$20,232 in the Loan and Grant Tracking System (LGTS). In fiscal year 2021, \$101,582 was invested in LGTS software development and \$27,347 on the Certifications Portal.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Current Assets	\$ 152,593,848	\$ 134,090,044	13.8 %
Non-Current Assets	<u>75,915,057</u>	<u>85,476,127</u>	<u>-11.2 %</u>
Total Assets	<u>228,508,905</u>	<u>219,566,171</u>	<u>4.1 %</u>
Current Liabilities	762,480	641,351	18.9 %
Non-Current Liabilities	<u>22,484</u>	<u>29,535</u>	<u>-23.9 %</u>
Total Liabilities	<u>784,964</u>	<u>670,886</u>	<u>17.0 %</u>
Net Position:			
Net Investment in Capital Assets	480,933	352,004	36.6 %
Unrestricted	<u>227,243,008</u>	<u>218,543,281</u>	<u>4.0 %</u>
Total Net Position	<u>\$ 227,723,941</u>	<u>\$ 218,895,285</u>	<u>4.0 %</u>

Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Loan Fees Administration	\$ 745,037	\$ 802,475	-7.2 %
Interest on Loans	1,700,048	1,847,553	-8.0%
Other Operating Income	<u>51,972</u>	<u>62,677</u>	<u>-17.1 %</u>
Total Operating Revenues	<u>2,497,057</u>	<u>2,712,705</u>	<u>-8.0 %</u>
Administration & Set-Asides	2,152,292	2,278,893	-5.6 %
Loan Forgiveness	<u>2,933,262</u>	<u>2,766,926</u>	<u>6.0 %</u>
Total Operating Expenses	<u>5,085,554</u>	<u>5,045,819</u>	<u>0.8 %</u>
Operating Income (Loss)	(2,588,497)	(2,333,114)	-10.9%
Federal Grants	9,432,276	13,480,138	-30.0 %
Interest Revenue	1,990,564	2,613,611	-23.8 %
Bond Revenue (Expense)	<u>(5,687)</u>	<u>33,757</u>	<u>-116.9 %</u>
Total Non-Operating Revenue (Expense)	<u>11,417,153</u>	<u>16,127,506</u>	<u>-29.2 %</u>
Change in Net Position	8,828,656	13,794,392	-36.0 %
Beginning Net Position July 1	<u>218,895,285</u>	<u>205,100,893</u>	<u>6.7 %</u>
Ending Net Position June 30	<u>\$ 227,723,941</u>	<u>\$ 218,895,285</u>	<u>4.0 %</u>

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Concluded)

ECONOMIC OUTLOOK

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

DEBT ADMINISTRATION

Short-Term Debt

The Program had debt activity during the fiscal year that was short-term in nature resulting from a bond issue. The issue was for \$1,500,000, which was repaid and retired within the same fiscal year.

LOANS AND GRANTS TRACKING SYSTEM SOFTWARE (LGTS)

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

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

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

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

Nebraska's State Revolving Fund programs have begun implementation of the LGTS system. During fiscal year 2014, planning of the implementation phases, business rules, and hardware/software installations occurred. During fiscal year 2015 through 2020, the system was used concurrently with existing systems, to create a basis for reliability and consistency. Once dependable, reconciled results were established, the existing internal system was discontinued, and LGTS became the sole system for use within the SRF Program alongside the State Accounting system.

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

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

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM
STATEMENT OF NET POSITION
June 30, 2021

	Enterprise Fund
ASSETS	
CURRENT ASSETS:	
Cash in State Treasury (Note 2)	\$ 143,332,161
Due from Federal Government	470,321
Interest Receivable	173,163
Loans Receivable (Note 3)	8,618,203
TOTAL CURRENT ASSETS	152,593,848
NON-CURRENT ASSETS:	
Loans Receivable (Note 3)	75,434,124
Capital Assets, Net (Note 4)	480,933
TOTAL NON-CURRENT ASSETS	75,915,057
TOTAL ASSETS	\$ 228,508,905
LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable & Accrued Liabilities	\$ 113,302
Due to Grant Recipients (Note 1)	646,399
Compensated Absences (Note 6)	2,779
TOTAL CURRENT LIABILITIES	762,480
NON-CURRENT LIABILITIES:	
Compensated Absences (Note 6)	22,484
TOTAL NON-CURRENT LIABILITIES	22,484
TOTAL LIABILITIES	784,964
NET POSITION	
Net Investment in Capital Assets	480,933
Unrestricted	227,243,008
TOTAL NET POSITION	227,723,941
TOTAL LIABILITIES AND NET POSITION	\$ 228,508,905

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

NEBRASKA DEPARTMENT OF ENVIRONMENT AND ENERGY
DRINKING WATER STATE REVOLVING FUND PROGRAM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2021

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration (Note 8)	\$ 745,037
Interest on Loans	1,700,048
Other Operating Income	<u>51,972</u>
TOTAL OPERATING REVENUES	<u><u>2,497,057</u></u>
OPERATING EXPENSES:	
Administrative Costs from Fees (Note 10)	578,383
15% Source Water Assessment Program (Note 10)	491,807
2% Technical Assistance to Small Systems (Note 10)	176,503
10% Public Water Supply System (Note 10)	893,523
Loan Forgiveness (Note 10)	2,933,262
Emergency Grants (Note 10)	<u>12,076</u>
TOTAL OPERATING EXPENSES	<u><u>5,085,554</u></u>
OPERATING LOSS	(2,588,497)
NONOPERATING REVENUE (EXPENSE):	
Capital Contributions - Federal Grants (Note 7)	9,432,276
Interest on Fund Balance - State Operating Investment Pool (Note 9)	1,990,564
Bond Revenue (Expense)	<u>(5,687)</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u><u>11,417,153</u></u>
CHANGE IN NET POSITION	8,828,656
TOTAL NET POSITION, BEGINNING OF YEAR	218,895,285
TOTAL NET POSITION, END OF YEAR	<u><u>\$ 227,723,941</u></u>

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

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

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2021

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 22,887,973
Payments to Borrowers	(13,946,835)
Payments for Administration	(550,016)
Payments for 15% Source Water Assessment Program	(496,135)
Payments for 2% Technical Assistance to Small Systems	(187,552)
Payments for 10% Public Water Supply System	(913,734)
Payments for Loan Forgiveness	(2,822,861)
Payments for Emergency Grants	(12,076)
Receipts from Other Operating Income	51,972
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>4,010,736</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Grants Received from the Environmental Protection Agency	9,214,851
Receipts from Bond Issue	1,500,000
Repayment of Bond	(1,500,000)
Bond Receipts (Payments)	(5,687)
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>9,209,164</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Capital Contributions	-
Purchase of Capital Assets	(118,031)
NET CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	<u>(118,031)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	1,999,712
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>1,999,712</u>
Net Increase in Cash and Cash Equivalents	15,101,581
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	128,230,580
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 143,332,161</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Loss	\$ (2,588,497)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
(Increase)/Decrease in Loans Receivable	6,496,053
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	702
Increase/(Decrease) in Compensated Absences	(7,923)
Increase/(Decrease) in Payables to Grant Recipients	110,401
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 4,010,736</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2021

1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Reporting Entity

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

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

C. Fund Structure

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

- Drinking Water Review Fund – Federal Fund 48419, not supported by a grant
- Drinking Water Administration Fund – Cash Fund 28630

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

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

This fund classification differs from the classification used in the State of Nebraska's 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. 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. These short-term investments may have original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2021, approximates fair value due to their short-term nature. Banks pledge collateral, as required by law to guarantee State funds held in time and demand deposits.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Loans Receivable

The State operates the Program as a direct loan program, whereby loans are made to communities. Loan funds are disbursed to the local agencies as they expend funds for the purposes of the loan. Interest is calculated from the date the funds are advanced. After the final disbursement has been made, the amortization schedule identified in the loan agreement is adjusted for the actual amounts disbursed. The interest rates on loans range from 0.0% to 4.0%, and the terms on outstanding loans range from 9.5 to 30 years. Disadvantaged communities may have up to 40 years to repay.

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

The current loans receivable amount was determined using the amount of principal payment due to the Program at June 30, 2021, which is collectible in fiscal year 2022. Loans receivable that were paid in full, prior to their due date, as of August 31, 2021, were included in the current loans receivable balance as opposed to the long-term loans receivable balances.

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

G. Use of Estimates

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

H. Compensated Absences

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

I. Due to Grant Recipients

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

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

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

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

J. Operating Revenues and Expenses

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

K. Capital Assets

The Program has two capital assets, the Loans and Grants Tracking System (LGTS) software and Certifications Portal, which are recorded at cost. The Department began the development phase of the LGTS software during the fiscal year ended June 30, 2014, and is anticipating this phase to be completed during the fiscal year ended June 30, 2022. The Certifications Portal entered the development phase during

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Concluded)

the fiscal year ended June 30, 2021, and is expected to be completed by June 30, 2022. Both the LGTS software and the Certifications Portal are considered intangible capital assets. 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 seven years. Depreciation/amortization will begin upon completion of the developmental phase and the software being put into production, and it will be computed using the straight-line method over the estimated useful life of the asset.

2. Cash in State Treasury

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, 2021. All interest revenue is allocated to the General Fund except allocations required by law to be made to other funds. All funds of the Program were designated for investment during fiscal year 2021. Amounts are allocated on a monthly basis based on average balances of all invested funds.

3. Loans Receivable

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

Community	Outstanding Balance
Lincoln	\$ 10,319,158
York	3,884,752
Blair	3,637,430
Sidney	3,612,547
Ogallala	3,375,520
South Sioux City	3,204,433
MUD - Omaha	3,185,095
Oshkosh	2,752,653
Scribner	2,679,367
Wayne	2,361,533
TOTAL	\$ 39,012,488

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Capital Assets

The Program's capital assets activity for the year ended June 30, 2021, was:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Software Development In-Progress				
Loans and Grants Tracking System (LGTS)	\$ 352,004	\$ 101,582	\$ -	\$ 453,586
Certifications Portal	-	27,347	-	27,347
	<u>\$ 352,004</u>	<u>\$ 128,929</u>	<u>\$ -</u>	<u>\$ 480,933</u>

5. Bonds Payable

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

The proceeds of short-term revenue bonds are used by the Department to provide the 20% match requirements for the Department's Federal Capitalization Grants. Interest revenue from Program loans is pledged to pay off the bonds. During the fiscal year, the Program utilized \$702,200 of administrative cash funds and issued and retired Series 2020A short-term revenue bonds to meet their match requirements for the 2020 Drinking Water State Revolving Fund grant. Bond Payable activity for fiscal year 2021 on the short-term bond was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Bonds Payable	\$ -	\$ 1,500,000	\$ 1,500,000	\$ -

6. Non-Current Liabilities

Changes in non-current liabilities for the year ended June 30, 2021, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 29,535	\$ -	\$ 7,051	\$ 22,484	\$ 2,779

7. Capital Contributions

Included in the net position is the total amount of capitalization grants drawn from the EPA by the Department. The following summarizes the EPA capitalization grants awarded and drawn, as well as the remaining balance as of June 30, 2021. The year column relates directly to the grant amount column and represents the fiscal year the grant funds were appropriated by Congress. The amount drawn column is as of June 30, 2021, and may have been drawn over multiple years.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. **Capital Contributions** (Concluded)

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	10,307,711	795,289
2020	11,011,000	6,204,283	4,806,717
TOTAL	\$ 235,218,287	\$ 229,616,281	\$ 5,602,006

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

The amount of in-kind contributions utilized for the LGTS software during the fiscal year ending June 30, 2021, was \$0. The total amount utilized for LGTS as of June 30, 2021, 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. This fee is not included in the loan principal. It is calculated on a semi-annual basis and billed when the loan principal and interest payments are due. The fee is applied to all loans in accordance with Title 131 Nebraska Administrative Code (NAC) Chapter 2 and the loan agreement.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9. Interest on Fund Balance – State Operating Investment Pool

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

10. Operating Expenses

The operating expenses of the Program are classified, for financial reporting purposes, into six 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:

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

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

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

The following is an explanation of these categories:

Administrative Costs from Fees

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

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.

4% Admin Cash

The Drinking Water Administration Fund is established to receive funds available for administering loans or fees collected pursuant to the Drinking Water State Revolving Fund Act. In 2007, the Legislature authorized that up to 65% of this fund could be used to: 1) provide grants for emergency water system construction; 2) provide principal forgiveness, and 3) provide financial assistance for studies relating to compliance with the Safe Drinking Water Act. The director of the Department is authorized to transfer money in the Drinking Water Administration Fund to the Drinking Water Facilities Loan Fund to match Federal funds or for the purpose of loan forgiveness.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. Operating Expenses (Concluded)

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.

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.

Loan Forgiveness

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

11. State Employees Retirement Plan (Plan)

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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 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, 2021, employees contributed \$14,507, and the Department contributed \$22,631. 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. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

(Concluded)

12. Contingencies and Commitments (Concluded)

- 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.



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

Independent Auditor's Report

Nebraska Department of Environment and
Energy Lincoln, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program (Program), as of and for the year ended June 30, 2021, 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 21, 2022.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the Comment Section of this report, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the following deficiency described in the Comment Section of this report to be a material weakness: Comment Number 1 (Financial Statement Errors).

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Purpose of this Report

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



Mark Avery, CPA
Assistant Deputy Auditor

Lincoln, Nebraska
April 21, 2022



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

INDEPENDENT AUDITOR’S REPORT

Nebraska Department of Environment and Energy
Lincoln, Nebraska

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

We have audited the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program’s (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, 2021.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Program.

Auditor’s Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the Program. However, our audit does not provide a legal determination of the Program’s compliance.

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

In our opinion, the Program complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



Mark Avery, CPA
Assistant Deputy Auditor

Lincoln, Nebraska
April 21, 2022

Attachment 4
2022 DWSRF IUP Funding List Reconciliation

Community	F or P	Project #C31	Estimated Project Cost	2022 IUP Estimated SRF Loan	Total Assistance	Actual Forgiveness	Net Loan Amount	Agreement Date	Comments
SFY 2022 Planning List - Bypass Systems									
Beatrice	F	1674	1,300,000	1,300,000	1,300,000	0	1,300,000	11/30/2021	
Beatrice	F	1685	6,250,000	6,250,000	6,250,000	0	6,250,000	11/30/2021	
Blair	F	1647	10,000,000	10,000,000	10,000,000	2,156,997	7,843,003	8/23/2021	
Cozad	F	1665	1,565,000	1,565,000	1,565,000	234,750	1,330,250	9/29/2021	
Filley Amd #0	F	1670	149,000	149,000	149,000	37,250	111,750	11/11/2021	
Firth	F	1683	1,409,000	1,409,000	1,409,000	371,875	1,037,125	5/12/2022	
Grant	F	1675	1,585,500	1,585,500	1,585,500	691,311	894,189	3/9/2022	
Johnson Cnty RWD 1	F	1678	280,000	280,000	280,000	0	280,000	11/28/2021	
Kearney	F	1676	8,000,000	8,000,000	8,000,000	0	8,000,000	3/3/2022	
McCook	F	1681	2,490,000	2,490,000	2,490,000	453,101	2,036,899	5/12/2022	
Peru	F	88-E	7,720,000	7,720,000	7,720,000	0	7,720,000	4/20/2022	
Plattsmouth	F	1687	17,520,000	17,520,000	17,520,000	0	17,520,000	5/10/2022	
Stromsburg	F	1672	155,000	155,000	155,000	0	155,000	7/19/2021	
Valentine	F	1664	1,000,000	1,000,000	1,000,000	200,000	800,000	3/25/2022	
Valley	F	1666	7,935,020	7,935,020	7,935,020	0	7,935,020	2/16/2022	
Wakefield	F	1657	6,500,000	4,979,400	6,500,000	1,520,600	4,979,400	5/10/2022	
Funded Projects, but Not on 2022 Priority List									
Falls City	F	1649	3,000,000	3,000,000	3,000,000	450,000	2,550,000	4/28/2021	
Laurel	F	1651	428,748	428,748	428,748	105,949	322,799	4/21/2021	
McCool Junction	F	1653	848,500	848,500	848,500	212,125	636,375	6/28/2021	
Platte Center	F	1655	210,000	210,000	210,000	105,000	105,000	5/19/2021	
Sarpy Cnty SID #79 Meadow O	F	1659	1,000,000	1,000,000	1,000,000	0	1,000,000	5/18/2021	
Syracuse	F	1658	11,254,000	11,254,000	11,254,000	2,250,800	9,003,200	5/26/2021	
Yutan	F	1662	963,000	963,000	963,000	155,813	807,187	6/25/2021	
Ewing Amd #1	F	1639	700,000	700,000	220,000	55,000	165,000	6/2/2021	
Marquette Amd #2	F	1638	150,000	150,000	100,000	25,000	75,000	2/16/2022	
West Point Amd #1	F	1646	2,765,000	2,765,000	735,000	147,000	588,000	1/28/2022	
Ogallala Amd #1	F	1616	2,176,684	1,741,347	823,316	457,754	365,562	12/15/2021	
Springfield Amd #1	F	1611	1,112,000	1,112,000	2,138,000	427,600	1,710,400	5/12/2022	