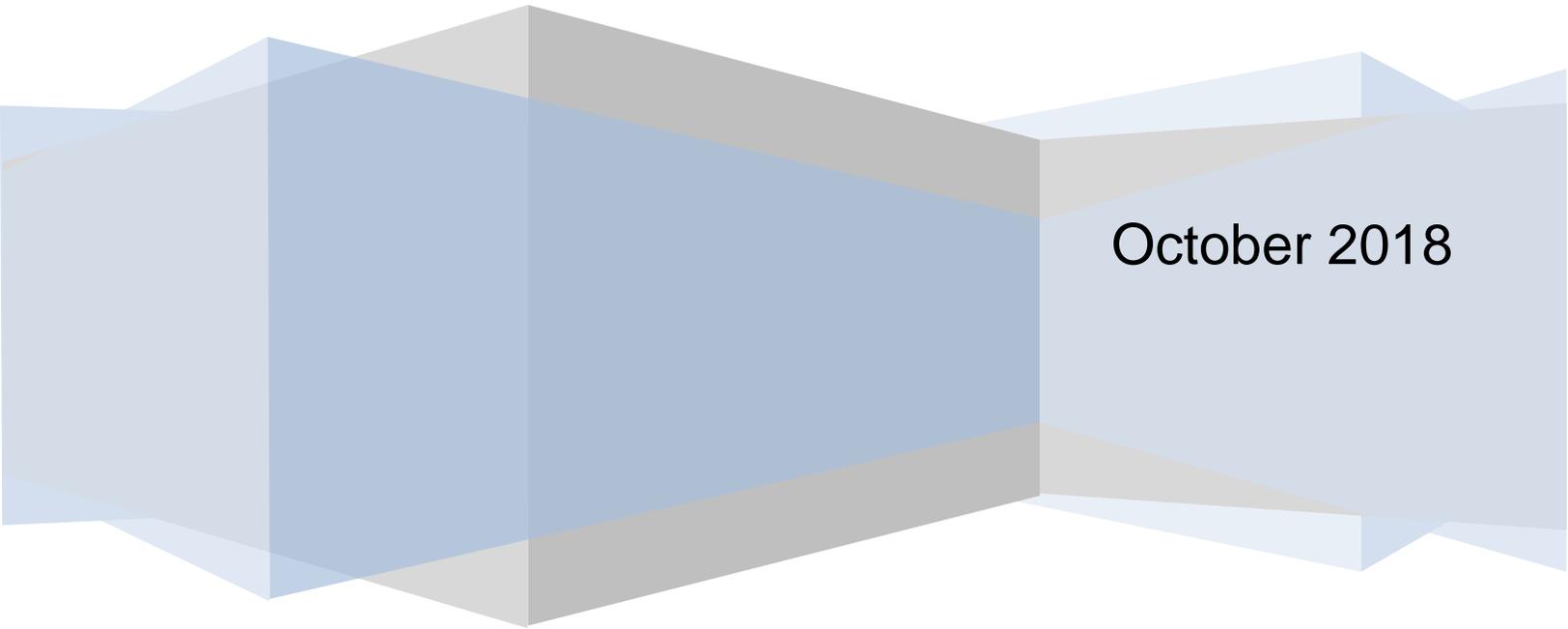


**State of Nebraska
Department of Environmental Quality**

Clean Water State Revolving Fund Annual Report

State Fiscal Year 2018



October 2018

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EXECUTIVE SUMMARY

The Nebraska Clean Water State Revolving Loan Fund Annual Report for state fiscal year 2018 (7/1/17 - 6/30/18) describes the state's efforts to meet the goals and objectives of its Clean Water State Revolving Loan Program (CWSRF). The projects identified in the Intended Use Plan (IUP), the actual use of funds, and the financial position of the CWSRF are summarized in this report. The report is organized into two sections; the first is the Financial Schedule Section along with the notes to the financial schedules; the second is the Program Section serving to provide supplemental information tying back to the (IUP). The reader should be aware that the financial information provided in the Program Section is cash based, while the information provided in the Financial Section is accrual based. It may be difficult to compare numbers between the two sections.

Since 1989, the CWSRF has provided loans for 301 projects with a cumulative loan award amount of \$569.6 million dollars.

FINANCIAL SCHEDULES SECTION

BACKGROUND

The Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program (Program) was established pursuant to Title VI of the Federal Clean Water Act, as amended by the Water Quality Act of 1987. Nebraska Revised Statute § 81-15,147 created the Wastewater Treatment Facilities Construction Assistance Act. The Federal Water Quality Act and State statutes established the Clean Water State Revolving Fund Program to provide loans, at reduced interest rates, to finance the construction of publicly owned water pollution control facilities, nonpoint source pollution control projects, and estuary management plans. Instead of making grants to communities that pay for a portion of the building of wastewater treatment facilities, the Program provides for low interest loans to finance the entire cost of qualified projects. The Program provides a flexible financing source which can be used for a variety of projects. Prior to this year, loans were to be repaid within 20 years of project completion. As of June 13, 2017, the Program extended the maximum loan term to 30 years for eligible borrowers. All repayments, including interest and principal, must be used for the purposes of the Program. The Program is capitalized by the United States Environmental Protection Agency (EPA) by a series of annual grants starting in 1989. States are required to provide an additional 20 percent of the Federal capitalization grant as matching funds in order to receive the Federal grant.

As of June 30, 2018, the EPA had awarded \$216.2 million in Capitalization grants to the State. Of the \$216.2 million awarded, approximately \$20 million was funded by the American Recovery and Reinvestment Act (ARRA). The \$196.2 million not funded by ARRA required the State to contribute approximately \$39.2 million in matching funds. The State provided appropriations to contribute \$955,000 of the funds to meet the State's matching requirement of the initial start-up of the program. Additional matching funds have been obtained through the issuance of revenue bonds and cash funds.

The Program is administered by the Nebraska Department of Environmental Quality (Agency). The Agency's primary activities with regard to the Program include the making of loans for water pollution control facilities and the management and coordination of the Program. The Nebraska Environmental Quality Council approves the rules and regulations of the Agency and the Program's IUP.

A. MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the Program's financial report presents a narrative overview and analysis of the financial activities of the Program for the State Fiscal Year 2018 (SFY2018), from July 1, 2017 to June 30, 2018. This analysis has been prepared by management of the Agency and is intended to be read in conjunction with the Program's financial statements and related footnotes, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Program's basic financial statements which include the following: 1) Balance Sheet; 2) Statement of Revenues,

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

The Balance Sheet presents information on all of the Program's assets and liabilities, with the difference between the two reported as net position.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Program's net position changed during the most recent fiscal year.

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

The Notes to the Financial Statements are an integral part 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 SFY2018, the Net Position of the Program increased by 4.2%. The increase in Net Position was largely impacted by a net increase in Loans Receivable of over \$11.2 million. The decrease in the Liabilities is mainly due to the decrease in the amount Due to Grant Recipients of around \$35,000.

	NET POSITION		
	2018	2017	% Change
Current Assets	\$ 85,515,263	\$ 84,298,216	1.4%
Non-current Assets	224,742,950	213,501,804	5.3%
Total Assets	310,258,213	297,800,020	4.2%
Current Liabilities	72,099	114,152	-36.8%
Non-current Liabilities	54,887	76,479	-28.2%
Total Liabilities	126,986	190,361	-33.4%
Net Position:			
Net Investment in Capital Assets	253,238	196,740	28.7%
Unrestricted	309,877,989	297,412,649	4.2%
Total Net Position	\$ 310,131,227	\$ 297,609,389	4.2%

CHANGES IN NET POSITION

	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Loan Fees Administration	\$ 1,616,502	\$ 1,526,902	5.2%
Interest on Loans	3,771,694	3,612,688	4.4%
Fines, Forfeits & Penalties	0	0	0%
Total Operating Revenues	<u>5,388,196</u>	<u>5,139,590</u>	<u>4.6%</u>
Administration	869,863	960,657	-9.5%
Grant Expense	160,309	642,778	-75.0%
Loan Forgiveness	148,778	585,534	-74.6%
Total Operating Expenses	<u>1,178,950</u>	<u>2,188,969</u>	<u>46.1%</u>
Operating Income	<u>4,209,246</u>	<u>2,950,621</u>	<u>42.3%</u>
Federal Grants	6,806,177	6,798,997	0.1%
Interest Revenue	1,504,017	1,780,966	-9.0%
Bond Expenses	2,398	(5,770)	100.0%
Total Non-Operating Revenue (Expense)	<u>8,312,592</u>	<u>8,446,859</u>	<u>-1.5%</u>
Change in Net Position	<u>12,521,837</u>	<u>11,397,480</u>	<u>9.9%</u>
Beginning Net Position July 1	<u>297,609,389</u>	<u>286,211,909</u>	<u>4.0%</u>
Ending Net Position June 30	<u>\$310,131,226</u>	<u>\$ 297,609,389</u>	<u>4.2%</u>

Loan forgiveness is awarded to communities who meet specific guidelines established in the IUP. They are not paid to a community until that community has allowable expenditures to report and, therefore, has a construction project that has commenced.

Federal funds disbursed will vary each year depending upon 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. To more accurately reflect the type of revenue being reported, interest on investing activities has been reclassified from operating revenue to non-operating revenue.

ECONOMIC OUTLOOK

The State has continued to take steps to avert major economic impacts both statewide and within communities. The State's small rural communities are financially challenged when faced with funding major capital projects. Declining population bases make it difficult to draw the amount of user fees needed to fund capital infrastructure projects to address wastewater issues. As such, the Program has implemented policies and procedures to identify, address, and assist communities facing economic decline and is working with other federal, state, and Agency programs.

DEBT ADMINISTRATION

Short-Term Debt

The Program had short-term debt activity during the fiscal year resulting from a bond issue. The issue was for \$1,360,000 which was repaid and retired within the same fiscal year.

LINKED DEPOSIT PROGRAM

The Agency continues the implementation of a linked deposit program for nonpoint source pollution control projects from authorizations in the IUP. The Agency will partner with eligible lending institutions, who will disburse loans to borrowers for eligible nonpoint source projects through a linked deposit loan program. Through this program, eligible lending institutions that have entered into agreements with the Agency will provide loans to borrowers with reduced interest rate below the common market rate for projects and the Agency will deposit CWSRF funds into a low-yielding deposit account at the financial institution equal to the eligible portions of the loan provided to the borrower.

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 is based on defined roles that each user is responsible for in the program. Security roles limit function and access abilities based upon the user's authorization for adding, removing, and editing information within the program.

Historical data was extracted from spreadsheets and other data systems to load LGTS with data, test the validity of the data, and ensure that LGTS can be used effectively. This task was handled by a combination of staff efforts to assemble existing data sources and outside help to ensure that the data would be 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 SRF programs have implemented the LGTS system. During fiscal year 2014, planning of the implementation phases, business rules, and hardware/software installations occurred. During fiscal years 2015 and 2016, the system was used concurrently with existing systems to create a basis for reliability and consistency. In 2017, the existing internal system was discontinued, and LGTS became the sole system for use within the SRF program alongside

the State accounting system. NDEQ has found that LGTS has reduced the occurrence of human error, which in turn increases efficiency and time savings.

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

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CLEAN WATER STATE REVOLVING FUND PROGRAM

A. UNAUDITED BALANCE SHEET
 Fiscal Year Ended June 30, 2018

	Enterprise Fund
ASSETS	
CURRENT ASSETS:	
Cash in State Treasury	\$ 72,449,482
Due from Federal Government	0
Interest Receivable	136,382
Loans Receivable – Current	12,929,399
TOTAL CURRENT ASSETS	85,515,263
NON-CURRENT ASSETS	
Loans Receivable	224,489,712
Capital Assets, Net	253,238
TOTAL NON-CURRENT ASSETS	224,742,950
TOTAL ASSETS	\$ 310,258,213
 LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable & Accrued Liabilities	\$ 54,778
Due to Grant Recipients	11,893
Compensated Absences	5,428
TOTAL CURRENT LIABILITIES	72,099
NON-CURRENT LIABILITIES:	
Compensated Absences	54,887
TOTAL NON-CURRENT LIABILITIES	54,887
TOTAL LIABILITIES	\$ 126,986
 NET ASSETS	
Net Investment in Capital Assets	253,238
Unrestricted	309,877,989
TOTAL NET POSITION	310,131,227
TOTAL LIABILITIES AND NET POSITION	\$ 310,258,213

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CLEAN WATER STATE REVOLVING FUND PROGRAM
B. STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 Fiscal Year Ended June 30, 2018
 UNAUDITED

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration	\$ 1,616,502
Interest on Loans	3,771,694
Fines Forfeits & Penalties	0
TOTAL OPERATING REVENUES	\$ 5,388,196
OPERATING EXPENSES:	
Administrative Costs from Fees	675,491
4% Administrative Costs From Grants	194,372
Small Town Grants	91,383
Facility Planning Grants	68,926
Loan Forgiveness	148,778
TOTAL OPERATING EXPENSES	\$ 1,178,950
OPERATING INCOME	4,209,246
NONOPERATING REVENUE (EXPENSE)	
Capital Contributions - Federal Grants	6,750,000
Capital Contributions - Federal Grants – Capital Assets	56,177
Interest on Fund Balance - State Operating Investment Pool	1,504,017
Interest Expense on Bonds Payable	(10,098)
Cost of Bond Issuance	12,495
NET NONOPERATING REVENUE (EXPENSE)	\$ 8,312,592
CHANGE IN NET POSITION	12,521,837
TOTAL NET POSITION, BEGINNING OF YEAR	297,609,389
TOTAL NET POSITION, END OF YEAR	\$ 310,131,226

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CLEAN WATER STATE REVOLVING FUND PROGRAM
C. UNAUDITED STATEMENT OF CASH FLOWS
 Fiscal Year Ended June 30, 2018

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts From Customers	\$ 22,345,950
Interest on Fund Balance – Trustee	-
Payments for Administration	(898,033)
Payments for Small Town Grants	(111,183)
Payments for Facility Planning Grants	(68,926)
Loan Forgiveness	(164,452)
Payments to Borrowers	(28,191,696)
NET CASH USED BY OPERATING ACTIVITIES	\$ (7,088,340)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Grants Received From the Environmental Protection Agency	6,750,001
Receipts from Bond Issue	1,360,000
Repayment of Bond	(1,360,000)
Bond Interest Payments	(10,098)
Payment for Bond Issuance Costs	12,495
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES:	\$ 6,652,398
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Capital Contributions	56,178
Purchase of Capital Assets	(56,498)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	\$ (320)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	1,492,268
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 1,492,268
Net Decrease in Cash and Cash Equivalents	1,156,006
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	71,293,477
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 72,449,483

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED
BY OPERATING ACTIVITIES:**

Net Operating Income \$ 4,199,148

**ADJUSTMENTS TO RECONCILE NET OPERATING INCOME TO NET CASH
USED BY OPERATING ACTIVITIES:**

(Increase)/Decrease in Loans Receivable (11,233,941)

(Increase)/Decrease in Administration Fees Receivable -

(Increase)/Decrease in Loan Interest Receivable -

(Increase)/Decrease in Fines Receivable -

Increase/(Decrease) in Compensated Absences (23,727)

Increase/(Decrease) in Accounts Payable & Accrued Liabilities (4,443)

Increase/(Decrease) in Payables to Grant Recipients (35,474)

NET CASH USED BY OPERATING ACTIVITIES

\$ (7,098,438)

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM
E. NOTES TO THE GENERAL FINANCIAL STATEMENTS – UNAUDITED
For the Fiscal Year Ended June 30, 2018

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the Nebraska Department of Environmental Quality (Agency) – Clean 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).

B. Reporting Entity

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

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

C. Fund Structure

The Program's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the

purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions, or limitations. Each individual fund is a self-balancing set of accounts recording cash and other financial resources, together with liabilities and residual equities or balances, and changes therein.

The State accounting system includes the following funds, as identified in the Wastewater Treatment Facilities Construction Assistance Act:

- Clean Water Facilities Funds – Federal Funds 48412 and 48413; and Bond Funds 68471, 68472, and 68473.
- Administration Funds – Cash Funds 28460.

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 Agency have decided that the determination of the revenues earned, expenses incurred, and/or net income is necessary to demonstrate the success of the Program and to assure the EPA the Program will be available in perpetuity, as intended.

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

D. Measurement Focus, Basis of Accounting

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

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

E. Cash and Cash Equivalents

In addition to bank accounts and petty cash, this classification includes all short-term investments, such as certificates of deposit, repurchase agreements, and U.S. treasury bills. These short-term investments may have original maturities (remaining time to maturity at acquisition) greater than three months; however, cash is available and is

considered cash and cash equivalents for reporting purposes. These investments are stated at cost, which at June 30, 2018, approximates market. 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 interest rates on loans range from 1.25% to 2.0%, and the terms on outstanding loans range from 10 to 30 years.

The Program loans are funded from Federal capitalization grants, State match funding, and the Clean 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 those funds have been exhausted, and then from Federal capitalization grant funds or Clean Water State Revolving Funds. The Clean Water State Revolving Fund is financed through principal repayments plus interest earnings available to finance new projects, allowing the funds to "revolve" over time.

The current loans receivable amount was determined using the amount of principal payment due to the Program at June 30, 2018, which is collectible in fiscal year 2019. Loans receivable that were paid in full, prior to their due date, as of August 31, 2018, were included in the current loans receivable balance as opposed to the long-term receivable balances.

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 expenditures during the reporting period. Actual results could differ from those estimates.

H. Compensated Absences

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

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

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

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

I. Due to Grant Recipients

The Program awards Facility Planning Grants and Small Town Grants to communities with populations below 10,000 demonstrating serious financial hardship (determined by the community's median household income (MHI)). Municipalities with wastewater treatment facility projects that have submitted an application and whose needs are identified on the Project Priority Planning List in the annual Intended Use Plan will be considered for grants.

The Program may choose to provide additional subsidization for municipalities in the form of loan forgiveness, up to a maximum of \$150,000 per project. The Program's power and authority to distribute the additional subsidization is an existing authority under the State Environmental Protection Act at Neb. Rev. Stat. § 81-1504(4) (Supp. 2015) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81-15,150 (Reissue 2014). In 2012, the Department started developing the Assessing Wastewater Infrastructure Needs (AWIN) program to assist struggling communities in Nebraska to better afford, maintain, and operate wastewater infrastructure projects. The goal of AWIN is to use current information to provide accurate estimates of future conditions in Nebraska communities to develop sustainable projects and minimize financial burdens for struggling communities. AWIN examines various factors affecting communities, such as population trends, population, median household income, unemployment, average age of residents, and infrastructure needs to develop a "sustainability risk" analysis. The AWIN sustainability risk was divided into three categories: low risk, moderate risk, and high risk. Applicants with a high sustainability risk are thought to potentially need the most assistance to bring them into compliance and keep them in compliance in the future with as little additional stress as possible. The Department utilizes the AWIN program as a portion of determining which applicants will be eligible for loan forgiveness. In addition, a community must be considered disadvantaged in regards to meeting affordability criteria, and have a population equal to or fewer than 10,000 people. 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 Facility Planning Grants, Small Town Grants and Loan Forgiveness awards, once the municipality submits proof of vendor payment to the Agency, it is reimbursed for its project costs by the Program. The Program's financial statements recognized the expense and accrued liability to the Program when the municipality incurred the project expense, which may not have been 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 expenses, small town grants, and loan forgiveness.

K. Capital Asset

The Program has only one capital asset, the Loans and Grants Tracking System (LGTS) software, and it is recorded at cost. The Agency began the development phase of the LGTS software during fiscal year ended June 30, 2014, and was completed during fiscal year ending June 30, 2017. The LGTS software is considered an Intangible Capital Asset, and the Agency follows the capitalization policy set forth by the State of Nebraska for Intangible Capital Assets, which requires capitalization of such assets when the cost of such asset is in excess of \$100,000 and has an expected life of greater than one year. The LGTS software has an estimated useful life of seven years.

Depreciation/amortization will begin upon completion of the development phase and the software being put into production and 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 balance sheet, is under the control of the Nebraska State Treasurer or other administrative bodies, as determined by law. Investment of all available cash is made by the State Investment Officer on a daily basis, based on total bank balances. These funds are held in the State of Nebraska Operating Investment Pool (OIP), an internal investment pool. Additional information on the deposits and investments portfolio, including investment policies, risks, and types of investments, can be found in the State of Nebraska's CAFR for the fiscal year ended June 30, 2018. 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 2018. Amounts are allocated on a monthly basis based on average balances of all invested funds.

3. Loans Receivable

As of June 30, 2018, the Program had 182 outstanding community loans to 145 separate communities that totaled \$237,398,916. The outstanding balances of the 10 communities with the largest loan balances, which represent 73% of the total loans, were as follows:

<u>Community</u>	<u>Outstanding Balance</u>
Omaha	\$75,623,596
Grand Island	29,551,336
Lincoln	19,668,277
York	16,979,837
Gretna	6,084,177
Kearney	6,070,486
South Sioux City	5,623,343
Wayne	5,275,886
Dakota City	4,611,339
Broken Bow	4,537,939
TOTAL	<u><u>\$174,026,216</u></u>

4. Capital Assets

The Clean Water State Revolving Fund (SRF) capital assets activity for the year ended June 30, 2018, was:

	Beginning Balance As Restated	Additions	Retirements	Ending Balance
Software				
Development In- Progress Loans and Grants				
Tracking System	<u>\$ 196,740</u>	<u>\$ 56,498</u>	<u>\$ -</u>	<u>\$ 253,238</u>

5. Bonds Payable

The EPA requires the Program to provide 20% matching funds for each capitalization grant under § 602(b)(2) of the Federal Clean Water Act. Interest revenue from Program loans is pledged to pay off the bonds. Bonds Payable activity for fiscal year 2018 on the short-term bond was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds Payable	<u>\$ -</u>	<u>\$ 1,360,000</u>	<u>\$ 1,360,000</u>	<u>\$ -</u>

6. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2018, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Compensated Absences	<u>\$ 84,043</u>	<u>\$ -</u>	<u>\$ 23,727</u>	<u>\$ 60,316</u>	<u>\$ 5,428</u>

7. Capital Contributions

Included in the net position is the total amount of capitalization grants drawn from the EPA by the Agency. The following summarizes the capitalization grants awarded and drawn, as well as the remaining balance as of June 30, 2018. 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, 2018, and may have been drawn over multiple years.

Federal Fiscal Year Available	Grant Amount	Amount Drawn	Balance
1989	\$ 4,773,100	\$ 4,773,100	\$ -
1990	4,964,560	4,964,560	-
1991	10,821,580	10,821,580	-
1992	9,938,500	9,938,500	-
1993	9,830,300	9,830,300	-
1994	6,061,600	6,061,600	-
1995	6,263,600	6,263,600	-
1996	10,319,661	10,319,661	-
1997	3,119,900	3,119,900	-
1998	7,019,996	7,019,996	-
1999	6,857,600	6,857,600	-
2000	6,834,000	6,834,000	-
2001	6,797,400	6,797,400	-
2002	6,855,000	6,855,000	-
2003	7,069,900	7,069,900	-
2004	6,747,100	6,747,100	-
2005	5,467,300	5,467,300	-
2006	4,424,300	4,424,300	-
2007	5,429,600	5,429,600	-
2008	3,415,700	3,415,700	-
2009 - ARRA	20,045,000	20,045,000	-
2009	3,415,700	3,415,700	-
2010	10,422,000	10,422,000	-
2011	7,529,000	7,529,000	-
2012	7,202,000	7,202,000	-
2013	6,798,000	6,798,000	-
2014	7,144,000	7,144,000	-
2015	7,107,000	7,107,000	-
2016	6,771,276	6,771,276	-
2017	6,750,000	6,750,000	-
TOTAL	\$ 215,907,744	\$ 215,907,744	\$

Not included in the above grant totals are the amounts set-aside as in-kind contributions for the Loans and Grant Tracking System (LGTS) software development. The 2012 grant had \$107,476, the 2013 grant had \$153,043, the 2015 grant had \$26,410 and for 2016, \$31,724 was set aside as in-kind for the use by the EPA for the development and maintenance of the new LGTS software.

The amount of in-kind contributions utilized for the LGTS software during the fiscal year ending June 30, 2018 was \$56,498. The total amount utilized for LGTS as of June 30, 2018, was \$253,238. Additional in-kind contributions were received and capitalized for the Drinking Water State Revolving Fund Program which also utilizes the LGTS software.

8. Loan Fees Administration

To meet the long-term administrative needs of the Program, an annual fee of up to 1% is charged against the outstanding principal on loans. These fees are calculated on a semi-annual basis and billed when loan principal and interest payments are due. These fees are not included in the loan principal. The Director of the Program may waive this fee during construction, except on projects that only receive interim financing during construction. The fee is applied to all loans in accordance with Title 131 Nebraska Administrative Code (NAC) Chapter 8 and the loan agreements.

9. Interest on Fund Balance – State Operating Investment Pool

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

10. Operating Expenses

The Operating Expenses of the Program are classified, for financial reporting purposes, into five 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 and other eligible water quality related purposes. The fee on a loan made from leveraged bond proceeds may be set to reflect the cost of issuing bonds and management of the leveraged loan portfolio.

4% Administrative Costs from Grants

The June 10, 2014 Federal Water Pollution Control Act amendments allow for additional options in determining the amount of administration funds that can be utilized from the capitalization grant. The maximum annual amount of CWSRF funds (not including any fees collected that are placed in the fund) that may be used to cover reasonable costs of administering the fund is the greatest of the following:

1. \$400,000; or
2. 0.2% of the current valuation of the fund; or
3. an amount equal to 4% of all grant awards received by the State CWSRF less any amounts used in previous years to cover administrative expenses.

For the 2018 SFY, the CWSRF program only utilized \$200,000 of the 4% for additional administrative funds.

Small Town Grants

Per Neb. Rev. Stat. § 81-15,151(2) (Reissue 2014) and Neb. Rev. Stat. § 81-15,153(11) Supp. 2015), Small Town Grants are made available to communities that have populations of 10,000 inhabitants or less and demonstrate serious financial hardship. The maximum amount to be awarded in Small Town Grants is set at 50% of the revenue from administrative fees collected in the prior fiscal year. The total amount of grants allowed to be signed into loan contracts for State fiscal year 2018 was capped at \$550,268. In the 2018 Intended Use Plan (IUP), the Agency set the upper limit of grant to each community at \$250,000 per project, concurrent with a Program loan. Projects are prioritized based on the type of project and Median Household Income of the community.

Facility Planning Grants

Facility planning grants may be provided to municipalities with populations of 10,000 or fewer inhabitants that demonstrate serious financial hardship. Municipalities with wastewater treatment facility project needs that are identified on the project priority list, have not received a grant in the past five years, and also qualify for a Small Town Grant can receive up to 90% of project costs up to a maximum of \$15,000 per project. These grants are funded through the Administrative Cash Fund.

Loan Forgiveness

The State may choose to provide additional subsidization in the form of loan forgiveness up to a maximum of \$100,000 per project to qualifying disadvantaged communities that meet the affordability criteria found in the 2018 IUP. Awarding loan forgiveness is dependent on the availability of funding from Federal capitalization grants and the total amount of funds the Program decides to allocate for forgiveness from each grant. The Program will reserve up to \$675,000 (approximately 10% of the Capitalization Grant) for forgiveness to be used for additional subsidization. The Program's authority to distribute the additional subsidization is an existing authority under the Nebraska Protection Act at Neb. Rev. Stat. § 81-1504(4) (Reissue 2014) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81-15,150 (Reissue 2014). Together, these statutes allow the Program to accept and expend Federal grants for designated projects. Loan forgiveness discharges the community from repaying that portion of the principal amount of its loan under the terms and conditions of the loan contract.

11. State Employees Retirement Plan (Plan)

The single-employer Retirement 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 plan upon employment.

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

The employer’s account is fully vested after a total of three years of participation in 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. 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, 2018, SRF employees contributed \$20,636 and the Agency contributed \$32,192. A separate plan report is issued and can be obtained from the Nebraska Public Employees Retirement System. This report contains full pension-related disclosures.

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

12. **Contingencies and Commitments**

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

- A. Motor vehicle liability, which is insured for the first \$5,000,000 of exposure per accident with a self-insured retention of \$300,000 per accident. Insurance is also purchased, with various limits and deductibles, for physical damage and uninsured and underinsured motorists. State agencies have the option to purchase coverage for physical damage to vehicles.

- B. Crime coverage, with a limit of \$31,000,000 for each loss, and a \$25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.
- C. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly acquired properties are covered up to \$10,000,000 for 120 days and, after 120 days, if the property has not been reported, the limit decreases to \$5,000,000. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self-insurance. State agencies have the option to purchase building contents and inland marine coverage.

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

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

II. PROGRAM INFORMATION SECTION

A. FUND ACTIVITIES

1. Loan and Investment Status

The fund has a loan portfolio containing \$587,761,287, which is comprised of \$569,618,751 in loans and \$18,142,536 of obligated loan forgiveness. Of the \$569,618,751, \$304,043,159 has been repaid and \$29,257,439 has yet to be dispersed, leaving a current outstanding loan balance of \$237,398,916. Of the \$18,142,536 of loan forgiveness, \$17,544,620 has been dispersed. Details on the Fund loan portfolio are in Attachment 1. The SFY 2018 blended interest rate on the outstanding loan balance is 1.68%. The SFY 2017 blended rate was 1.757%. This year's blended interest rate is 7.70 basis points below last year.

2. Source of CWSRF Funds by Quarter

The \$1,360,000 Nebraska Investment Finance Authority (NIFA) / CWSRF 2017B bond, state match for the FFY 2017 capitalization grant was issued on August 9, 2017 and the capitalization grant award was awarded August 17, 2017.

SOURCE OF STATE MATCH
PROGRAM FUNDING YEAR FFY 2015, FFY 2016 AND FFY 2017
CAPITALIZATION GRANTS

NIFA Bond	Quarter	Bond Funds	Cash
2015B	SFY 2016-Q1	\$1,425,000	
2016	SFY 2017-Q1	\$1,360,000	\$600
2017B	SFY 2018-Q1	\$1,360,000	

CAPITALIZATION GRANT PAYMENT SCHEDULE

CAP GRANT	QUARTER	PAYMENT
FFY 2015	SFY 2015-Q1	\$7,107,000
FFY 2016	SFY 2016-Q1	\$6,803,000
FFY 2017	SFY 2017-Q1	\$6,750,000

3. Binding Commitments

The CWSRF entered into thirteen new binding commitments and one loan amendment to existing funded communities, which provided financial assistance totaling \$21,817,975. The binding commitment total for SFY 2018, plus 4% administration, equals \$22,217,975. The cumulative binding commitment exceeds the federal 120% binding commitment requirement for SFY 2018. The cumulative binding commitment amount of initial loan awards plus 4% administration totals \$658,205,516.

Attachment 2 provides information showing the binding commitments entered into during SFY 2018 and shows the cumulative binding commitment amount for initial loan awards and 4% administration since the program initiation. The requirement is to allocate 120% of the capitalization grant within one year. The CWSRF has reached \$658,205,516 or 266% of the required amount.

4. Small Town Grant Report

The Agency has authority to obligate up to 65% of the previous SFY administration fee income for small town matching grants and facility planning grants. In SFY 2018, \$550,268 was available for Small Town Grants and \$60,000 was made available to facility planning grants.

The following table reports allocations to projects during SFY 2018 for Small Town Grants. Attachment 3 provides more detail on fund history, disbursements, and balances.

<u>COMMUNITY</u>	<u>PROJECT #</u>	<u>GRANT AWARD DATE</u>	<u>GRANT AMOUNT</u>
Gilead Amd #2	7709-02	09/11/2017	\$16,900
Deweese	7991-01	1/9/2018	\$20,000
Marquette	7998-01	2/13/2018	\$44,200
Benkelman	8002-01	6/1/2018	\$250,000
Haigler	7999-01	6/29/2018	\$218,675
SFY 2018 Allocation Total			\$549,775

5. Facility Planning Grants

CWSRF administrative cash funds were used to provide financial assistance to eligible municipalities for facility planning reports for wastewater treatment system improvement projects that will seek funding through the Water Wastewater Advisory Committee (WWAC) Common Pre-application Process. This financial assistance is being provided to communities to identify capital improvement needs, as well as increase their readiness to proceed in accomplishing these improvements.

Facility planning grants may be provided to municipalities with populations of 10,000 or fewer people that are identified with a serious financial hardship. 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 wastewater treatment facility. Privately owned wastewater treatment systems are not eligible for assistance.

Grants are provided for up to 90% of the eligible facility plan project cost, but cannot exceed \$15,000. Facility planning grants were awarded to Auburn, Fullerton, Nickerson, and Ponca in SFY 2018.

Since the grant's inception through the Nebraska Environmental Partnership (NEP) in SFY 2004 the CWSRF has awarded planning grants to 79 communities for a total of \$1,328,170. Although the NEP program no longer exists in name, the CWSRF Administrative Cash Fund will continue to fund facility planning grants initiated by the NEP program.

B. GOALS AND ACCOMPLISHMENTS

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

The State of Nebraska agreed to the following conditions in the Operating Agreement and Grant Agreement, all of which have been met.

- Agreement to Accept Payments
- State Laws and Procedures

- State Accounting and Auditing Procedures
- Recipient Accounting and Auditing Procedures
- Use of the Automated Clearinghouse
- Repayments
- Annual Audit
- Annual Report
- Annual Review
- Anti-Lobbying Act
- Drug-Free Workplace
- Rural Area Business Enterprise Development Plan
- First Use of Funds for Enforceable Requirements
- Provide a State Match
- Binding Commitments Within One Year
- Expeditious and Timely Expenditures
- Eligible Activities of the SRF
- Federal Funding Accountability and Transparency Act (FFATA)
- Minority Business Enterprise/Woman Business Enterprise (MBE/WBE) Requirements
- Other Federal Authorities
- State Environmental Review Process (SERP)
- Cash Draw Procedures

Prior to SFY 2014, the State of Nebraska withdrew from the capitalization grants at an approximate 5 to 1 federal to state match funds ratio. Since then, the State has disbursed 100% match funds first and then subsequently draw federal dollars.

Environmental reviews were conducted on 14 SRF projects during SFY 2018. It was determined zero Environmental Impact Statements (EIS) were necessary. Environmental Assessments (EA) were prepared and Finding of No Significant Impact Statements (FNSI) were issued for one project: Grand Island. Categorical Exclusions (CE) were issued for 13 projects: DeWeese, Lynch, Sutherland, Superior, Marquette, Gothenburg, Comstock, Cairo, Randolph, Haigler, Wauneta, Guide Rock, and Bladen. In order to expedite the review process, FNSIs and CEs are now available on-line.

The following three SRF wastewater projects initiated operation in SFY 2018: Wauneta, Creighton, and Hastings.

EPA allows states to utilize equivalency for some regulations or conditions of the capitalization grant. The CWSRF applied FFATA, Architectural and Engineering procurement, and signage for equivalent projects from the 2017 capitalization grant. The projects were with the City of Hastings for \$7,000,000 and Grand Island for \$6,473,500. The rest of the possible equivalent requirements were applied to all loans.

2. Short Term Goals and Accomplishments

Six short term goals were described in the SFY 2018 Intended Use Plan (IUP) to be undertaken in SFY 2018. The CWSRF has made significant progress toward successful completion of most of its short term goals. The goals are listed and discussed as follows:

1. *Strive for the identification, assessment of, and increased participation by all potentially eligible CWSRF entities during the next development cycle through the submittal of needs surveys.*

To continue education on the importance of submission of the Needs Surveys, SRF staff has presented at numerous conferences/workshops throughout the year. In addition, the program sent out the 2017 Needs Survey to all municipalities, Sanitary Improvement Districts (SIDs), and consulting engineers. Another way to increase participation is through program marketing. NDEQ has been working with Northbridge Environmental to develop a state-wide marketing plan for the CWSRF program. Online surveys and a focus group held meetings and have been completed. It is scheduled to have the marketing plan completed by the end of the 2018 calendar year.

The IUP and state Project Priority Lists are subject to public review and comment in accordance with federal statute 40 CFR Part 35. The Agency held a public hearing for the 2018 IUP and state Priority Lists at the regularly scheduled Environmental Quality Council meeting on June 21, 2018 at Lincoln, Nebraska to receive public input and Council approval. The draft IUP and Project Priority Lists were made available to the public 30 days prior to the hearing.

2. *Continue to evaluate the engineering feasibility and the financial assurance capacity of any potential CWSRF project seeking a construction permit.*

Loan funds were committed to thirteen separate communities during SFY 2018: Grand Island, Hastings, Lynch, Wauneta, Deweese, Gothenburg, Marquette, Sutherland, Cairo, Comstock, Haigler, Kearney, and Randolph.

In addition, one loan amendment was provided to communities: Gilead.

The Agency continues to work on an initiative called Assessing Wastewater Infrastructure Needs (AWIN) that evaluates a town's capability through a number of significant impact statistics. These include population, median household income, median age, percent unemployment, percent of housing vacancies per impending vacancies, ratio of middle age residents to elderly residents, and a matrix number which includes population trends. This provides a tool to help the engineers and the municipality better evaluate both the need and the financial assurance associated with the need. The NDEQ engineers are required to look at AWIN options if the municipality falls within the moderate to high risk category.

Options that may be available include:

- Longer compliance schedules
- Modified requirements
- Smaller projects
- Changes in loan terms
- Staged construction

Additional tools that the Agency leans on to accomplish this goal are the Fiscal Sustainability Plans and the Cost Effective Analysis reports that are now required of most projects.

3. *Propose amendment changes to Title 131 to incorporate changes to the Nebraska Revised State Statute via Legislative Bill 737 that was approved by the Governor on February 24, 2016. These changes include expanded wording for eligible items that may receive CWSRF funding, as well as extending CWSRF loan terms from a maximum of 20 years to a maximum of 30 years. The NDEQ plans to present these amendment changes to the EQC during their June 2017 session. If the proposed*

changes are approved prior to issuance of the next IUP, the NDEQ will begin to implement these changes into the SRF program.

In 2017, NDEQ had proposed amendments to Title 131 to incorporate the amendment to State Statute through LB737. The proposed amendments to the title were approved by the EQC and had been awaiting approval from the Governor's office. However, it was at that time that the Governor issued the aforementioned Executive Order 17-04 and it was recommended by the GPRO (Governor's Policy Research Office) to withdraw the amendment proposal and resubmit it with the new changes for the Governor's directive. Even though the regulations were not updated to include the extended terms and eligibility, NDEQ was still able to provide loans with 30 year options and for new eligibilities once the statute had been amended due to statute overruling any conflict in regulation language. The new Title 131 proposal will accomplish the same objectives and goals from the 2017 amendment proposal.

Propose amendment changes to Title 131 to incorporate the Nebraska Governor's 2017 Executive Order (Order 17-04) "Regulatory Reform" which directed all state agencies to review existing and pending agency regulations and revise or repeal any regulations that were found to be more restrictive than required, repetitive, or causing unnecessary burdens to Nebraskans. The NDEQ plans to present these amendment changes to the Nebraska Environmental Quality Council (EQC) during their November 2018 session.

4. *Implement and promote the Linked Deposit Program for the CWSRF and seek out financial institutions interested in entering into an agreement to participate in the Linked Deposit Program.*

Linked Deposit – Continue to promote the Linked Deposit Program for the CWSRF and seek out financial institutions interested in entering into an agreement to participate in the Linked Deposit Program. We have been contacted by multiple Nebraskans interested in obtaining a Linked Deposit loan for potential Onsite Septic work. We have reached out to banks in the interested parties' area and informed them of the interest in the program and offered to establish an agreement with them if desired. Despite the outreach, the banks did not seem interested at this time in establishing a Linked Deposit Program at their branch. At this time, the program will continue to market the Linked Deposit program and establish relationships with local banks.

5. *Identify projects that qualify for Green Project Reserve Funding.*

Projects in two communities were designated as Green Project Reserve (GPR) for the SFY 2018 IUP – Grand Island and Hastings. For the SFY 2019 IUP, four communities are on the Green Project Reserve List for funding. Those communities are Scotia, Western, Loup City, and Taylor. Taylor was on last year's list, however; this community project was delayed due to unforeseen circumstances. The CWSRF promotes green projects by using a lower interest rate for green projects. GPR and all green project loans are assessed at 1.25%, 0.25% less than other SRF loans.

6. *Target available loan funds to high priority needs in order to encourage construction of the highest impact water quality and/or human health improvement projects.*

The Agency used a priority ranking system to evaluate facilities in eight categories for the 2018 IUP. The greater number of points the higher the ranking. The eight categories are:

- project benefit,
- beneficial use and classification of receiving water,

- water quality of receiving waters,
- enforcement actions,
- readiness to proceed,
- population served,
- Assessing Wastewater Infrastructure Needs (AWIN), and
- financial impacts.

3. Long Term Goals and Accomplishments

Nine long term goals were included in the SFY 2018 Intended Use Plan:

1. *Manage the Nebraska Clean Water State Revolving Fund (CWSRF) Program to fund projects which protect and improve the public health of the citizens of the state.*

NDEQ continues to capitalize the fund at the largest level possible and try to grow the fund at a rate greater than the long-term construction inflation rate of 5%. Other activities include: reviewing management practices annually to assist in achieving the growth goals; requesting EPA capitalization grants and providing state match in a timely manner; encouraging the federal government to continue annual capitalization grants for this fund; allocating grant funds, match and recycle funds to projects in a timely manner; providing technical and financial support through recommendations to those communities needing additional assistance; and the development of a marketing outreach plan to promote awareness of the CWSRF program.

2. *Protect and enhance Nebraska's water resources and the environment by providing affordable funding for eligible clean water projects.*

NDEQ continues to request EPA capitalization grants and obtain state match in a timely manner. We also intend to continue to allocate grant funds, match and recycle funds to projects in a timely manner. Cost-effective project alternatives will be promoted to stretch funding as well as additional grant assistance for communities in need of it. Assessing Wastewater Infrastructure Needs has been incorporated as a tool to provide for affordability and sustainability over the term of the loan.

3. *Attend workshops/conferences and meet with municipalities, consultants, and other stakeholders to promote the CWSRF program to the public as well as identify potential CWSRF projects and obtain their input regarding modifications or enhancements to the CWSRF program.*

The DEQ completed an annual SRF needs survey during SFY 2017, providing candidates for the SFY 2018 IUP. 327 communities responded to the needs survey. The SFY 2018 public participation process involved staff providing conference/workshop presentations at a couple different locations, attending numerous board meetings to assistance in project planning, and inter-agency training on the SRF program. As mentioned previously, this last year Northbridge Environmental reached out to both utilities and consultants across the state on our behalf to collect input on the procedures of our current program. In addition, a focus group meeting was conducted with consultants both familiar and unfamiliar with the program to ask additional questions and provide another opportunity for input. By the end of the 2018 calendar year, the goal is to have a completed state-wide marketing plan.

4. *Encourage the incorporation of green infrastructure concepts and energy recovery, production, and conservation in CWSRF funded projects.*

In order to encourage green infrastructure projects, the CWSRF offers a lower interest rate for green projects. All green project loans are assessed at 1.25%, 0.25% less than other SRF loans. Last year, two communities were designated as Green Project Reserve (GPR) for the SFY 2018 IUP – Grand Island and Hastings. We have identified four more communities incorporating green concepts into their project in the SFY 2019 IUP under Green Project Reserve List. These four communities are Scotia, Western, Loup City, and Taylor. Taylor were on last year's list, however; this community project was delayed due to unforeseen circumstances.

5. Encourage the development of innovative technology.

NDEQ would like to encourage and recognize projects which introduce noteworthy innovations in technology that advance the wastewater treatment and nonpoint source prevention process. Starting in SFY 2019, the CWSRF program will make available additional funding assistance to those projects that can explore and elevate the water quality and wastewater treatment standards and challenge the current mindset.

6. Encourage the federal government to continue annual CWSRF capitalization grants by submitting the nation-wide needs survey request by EPA. Request annual EPA capitalization grants and provide state match in a timely manner.

The Agency will continue to apply for the annual CWSRF capitalization grant as soon as possible during the SFY.

7. Annually prioritize potential CWSRF projects in Nebraska according to the greatest chronic public health and environmental health concerns being addressed, and their readiness to proceed with construction and implementation. Allocate available CWSRF funds to projects in a timely manner.

The Agency continues to use the Priority Ranking System described in #6 of the short term goal. This insures that funds are available to the greatest need. Projects identified during the needs survey process are ranked in accordance with the priority ranking system and placed on the Project Planning List. Ranking for the projects is based on total points awarded for the following eight categories: project benefit; beneficial use; classification of receiving water; water quality of receiving waters; enforcement actions; readiness to proceed; population served; Assessing Wastewater Infrastructure Needs (AWIN); and financial impacts. The greater the total number of points, the higher the ranking. Projects addressing public health and environmental concerns, as well as, readiness to proceed, receive the higher points.

8. Pursue the development of a mechanism to evaluate and prioritize the most appropriate, affordable, and holistic, state, regional, and/or watershed-based solutions that address both point and nonpoint source water pollution problems.

As stated earlier, the Agency will utilize information from the AWIN program to enable sustainability among small communities by determining appropriate and affordable projects. This program provides the SRF with additional tools for this purpose and allows the Agency to utilize the fund for the best alternative. Additionally, the Program continues to promote the use of Fiscal Sustainability Plans and Cost Effective Analysis reports.

Included in the SFY 2018 IUP as part of the planning list are nonpoint source projects. In addition, the program has also implemented a linked deposit program for nonpoint source

pollution. Currently there has been no projects funded by the Linked Deposit program but contact is being made with local banks in search for participants.

9. *Continue working with the U.S. Department of Agriculture-Rural Development, and the Department of Economic Development Community Development Block Grant programs to provide affordable financing for municipal pollution prevention and control projects.*

The Agency continues the monthly coordination meetings with the other funding agencies to find the best financing options available to Nebraska municipalities for both water and wastewater projects. USDA has accepted the use of AWIN analysis to determine alternatives for sustainability with small communities.

C. STATUS OF PROJECTS ON FUNDABLE LIST

The Annual Report reflects changes from the original SFY 2018 IUP approved by the Environmental Quality Council (EQC) on June 13, 2017. Attachment 4 provides more detail on the status of projects listed on the 2018 IUP Priority Project Funding List.

D. USEFUL LIFE OF PROJECT

Design Life

The design life of a project is the planned period of time that the project will meet the performance requirements of the intended purpose of the project. Capital project financing payment terms should not exceed the design life of the project or loan repayment will continue after the planned project may have become obsolete. Preliminary Engineering Reports (also called Facility Plans) generally plan for a 20-year design life, but may be any period determined reasonable by the engineer and concurred on by the state or federal agency. Performance requirements may include projected influent loading from domestic/commercial/industrial sources, NPDES permit requirements and limits, and owner/operator preferences or goals.

Project Alternatives

Preliminary Engineering Reports evaluate several **Alternatives**, feasible project substitutes, which meet the technical performance requirements. Infeasible design approaches are not considered to be "Alternatives"; however, infeasible design approaches should be listed with their major shortcomings as part of a complete discussion on project Alternatives.

Useful Life

Useful Life of an Asset is the anticipated duration of time that the asset will provide enough performance value to keep the asset in operation.

Useful Life of a Project is also defined as the anticipated duration of time that the assets procured by the project will provide enough performance value to justify keeping the assets in operation. Drinking water or wastewater projects often consist of assets such as structures or equipment working together to perform a function. In many circumstances, the useful life of an asset or project is dependent on the maintenance, rehabilitation, renewal, and/or replacement of component parts/assets and equipment that make up a project.

Salvage Value

The salvage value as described in Clean Water SRF program is the net present value of the remaining straight line depreciation of an asset. The net present value of remaining depreciation of an asset is included in a cost effectiveness analysis.

Salvage value as defined in an engineering economics text book may be omitted if it is not consequential towards the overall lifecycle cost of a project. In most cases, the actual salvage value of an asset is negative. It costs more money to remove and sell the asset at the end of its useful life than what it is worth. Moreover, the value of salvage, in most cases, is incidental compared to the initial capital cost, and operation and maintenance costs. For example, even newly installed sewer or water mains begin their useful life with zero or a negative salvage value as the costs to dig up and resell the mains would not return much cash.

An engineering text book definition: Salvage Value is the net cash value of an asset at the end of its useful life. The salvage value may be calculated by estimating the market value of selling the asset minus the estimated costs incurred to put the asset on the market, e.g. dismantling or handling costs. If the salvage value is significant, include the estimated net present salvage value as part of overall lifecycle costs.

Examples of Useful Life

1. Wastewater collection system:
 - a. Force mains: 60 years
 - b. Interceptors and sewer mains: 50 to 100 years
 - c. Lift station equipment: 20 years
2. Structures
 - a. Buildings: 60 Years
 - b. Civil structures: concrete tanks or basins, lift station structures: 75 years
 - c. Outfall sewer lines: 30 years
3. Process equipment and auxiliary equipment
 - a. Pumps: 8 to 40 Years
 - b. Flow measurement: 10 years
 - c. Power generation systems: 20 years
 - d. Electrical: 35 years
 - e. SCADA components: 5-10 years

Table A - Asset Type

Class	Asset Type	Useful Life Years
1	Civil Infrastructure (bridges, dams, basins, large concrete infrastructure)	75
2	Pressure Pipework	60
3	Sewers	100
4	Pumps	40
5	Valves	30
6	Motors	35
7	Electrical	35
8	Controls	25
8a	SCADA Programmable Logic Controllers (as per SCADA International)	5-10
9	Building Assets	60
10	Land	300

Table B - Common Short-Lived Assets (SLA) for Drinking Water and Wastewater Treatment Works

Drinking Water Utilities	Wastewater Utilities
Source Related	Treatment Related
Pumps and motors	Pumps motors and controls Chemical feed pumps
Treatment Related	Membrane, UV lamps Valve actuators SCADA, PLCS or Controllers Aeration blowers, aeration diffusers, and nozzles
Chemical feed pumps SCADA, PLCS or Controllers Valve actuators Field & Process instrumentation equipment: water sensors, pressure transducers, flow meters, etc. Granular filter media, membranes, UV lamps Air compressors Pumps motors and controls Sludge collection, handling and dewatering Chemical leak detection equipment	Field & Process instrumentation equipment: water sensors, pressure transducers, flow meters, etc. Laboratory analyzers, centrifuges Trickling filters, RBCs, etc. Belt presses & driers Sludge collecting and dewatering equipment Chemical leak detection equipment Hazardous atmosphere detectors
Distribution System and Storage Related	Digester cleanout, inspection and minor repairs
Repainting storage tanks Inspection of storage tanks every 3 to 5 years Booster pump, pressure actuator valves	Collection System Related
Treatment Works System Related	Pumps and motors for lift stations Ventilations systems for lift stations Televising (Condition assessment of sewers)
Generator, Full load tests on generators	

The previous table is referenced from EPA [Excel Spreadsheet Tool \(XLS\)](#) Worksheet “A - Class and Condition” with a modification for line 8a.

[***Note: The above is no longer available on EPA website. Contact Nebraska Department of Environmental Quality for a copy.***]

E. PROGRAM CHANGES and CHANGES UNDER CONSIDERATION

Interest rates remained at 1.5% and 1.25% for green projects with the rate during construction reduced to 0.5%. Administration fee remained at 1% and is waived for the first year of a loan.

Small Town Grant eligibility requirements were modified last year to allow more towns the chance to utilize this grant. Debt service payment requirement is now \$10 and the reduction in loan payments per month per household from the grant must be at least one dollar. The maximum Small Town Grant for an individual community is still \$250,000.

EPA reserved in-kind funds from the 2012, 2013, 2015, and 2016 Capitalization Grant for implementation of the Loan and Grant Tracking Software (LGTS), a comprehensive software application that has been designed specifically for Nebraska’s SRF program to track and manage all aspects of program loans, capital contributions, and bond issuance and repayment. All initial phases of LGTS has been completed and implemented. The next phase that Northbridge Environmental Management Consultants are working on is a LGTS web conversion. This will allow SRF staff to access LGTS from outside the agency’s computer network.

The Clean Water Act amendments from 2014, such as CWSRF eligibilities and extended loan terms, required Nebraska state statute changes and have made progress since last report. Nebraska state statute was successfully amended in 2016 to incorporate the previously mentioned changes. The NDEQ proposed changes to Title 131 to match the State Statute wording to the Environmental Quality Council (EQC) on June 13, 2017. The EQC approved all proposed Title 131 changes. However, shortly after EQC approved the title changes, the Governor issued a state Memo asking all programs to do a full review for their regulations. The Nebraska Governor’s 2017 Executive Order (Order 17-04) “Regulatory Reform” directed all state agencies to review existing and pending agency regulations and revise or repeal any regulations that were found to be more restrictive than required, repetitive, or causing unnecessary burdens to Nebraskans. For this reason, the previous proposed amendment changes to Title 131 and the new changes with the Governor’s request will be combined. The NDEQ plans to present these amendment changes to the Nebraskan Environmental Quality Council (EQC) during their November 2018 session.

F. CWSRF BENEFITS REPORTING

Loan lists summarizing the benefits awarded were developed from the Clean Water Benefits Reporting (CBR) system. Attachment 6 provides a list from both the SFY 2017 and SFY 2018. Included in Attachment 6 is also a benefits summary report for projects with water uses reported. Beginning in 2015, EPA requested that the total amount of assistance also include any adjustments for loan projects that came in under budget during this same time period.

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PROJ #	COMMUNITY NAME	PROJ INDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317238	Adams		P	598,777.00	598,777.00	0.00	3.16	0.00	
C317029	Ainsworth		P	519,800.00	519,800.00	0.00	3.50	0.00	
C317559	Ainsworth		F	345,000.00	170,422.67	174,577.33	2.00	349,154.66	
C317103	Albion	FFATA	F	3,000,000.00	669,247.14	2,330,752.86	2.25	5,244,193.94	
C317030	Alda		F	116,940.00	116,940.00	0.00	3.14	0.00	
C317478	Allen		F	84,758.00	27,920.24	56,837.76	2.00	113,675.52	
C317838	Allen	GP	F	474,810.00	21,418.75	453,391.25	1.43	648,349.49	
C317750	Alma		F	132,056.00	5,696.62	126,359.38	1.50	189,539.07	
C317104	Alvo		F	212,423.00	212,423.00	0.00	4.00	0.00	
C317239	Amherst	GP12	F	245,651.00	51,208.88	194,442.12	1.33	258,608.02	
C317686	Anselmo		F	79,002.00	3,576.87	75,425.13	1.50	113,137.70	
C317136	Ansley	FFATA	F	811,671.00	177,141.99	634,529.01	2.50	1,586,322.53	
C317325	Arlington		P	1,223,435.00	1,223,435.00	0.00	3.59	0.00	
C317198	Arnold		P	99,952.00	99,952.00	0.00	3.00	0.00	
C317033-01	Aurora		P	3,800,000.00	3,800,000.00	0.00	3.31	0.00	
C317184	Aurora		P	590,000.00	590,000.00	0.00	2.80	0.00	
C317326	Aurora		P	3,121,183.00	3,121,183.00	0.00	2.25	0.00	
C317522	Aurora		P	276,682.00	276,682.00	0.00	3.00	0.00	
C317025	Avoca		P	157,514.00	157,514.00	0.00	3.05	0.00	
C317070	Axtell		P	388,787.00	388,787.00	0.00	3.94	0.00	
C317185	Ayr		F	75,991.00	52,563.85	23,427.15	3.00	70,281.45	
C317277	Bancroft		P	1,020,198.00	1,020,198.00	0.00	3.00	0.00	
C317068	Bassett		P	107,752.00	107,752.00	0.00	3.00	0.00	
C317279	Bassett		F	98,231.00	52,801.53	45,429.47	2.57	116,753.74	
C317561	Bassett	GP11/FFATA	F	709,351.00	64,617.60	644,733.40	1.33	857,495.42	
C317041	Beatrice		P	1,775,315.00	1,775,315.00	0.00	3.18	0.00	
C317743	Beatrice		P	98,575.00	98,575.00	0.00	2.00	0.00	
C317017	Bellevue		P	1,857,908.39	1,857,908.39	0.00	5.00	0.00	

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C317123	Bellevue		P	1,400,000.00	1,400,000.00	0.00	3.30	0.00	
C317531	Bellevue		P	3,727,993.00	3,727,993.00	0.00	4.00	0.00	
C317242	Bellwood		F	324,468.00	252,903.56	71,564.44	3.00	214,693.32	
C317327	Bertrand		F	639,103.00	356,900.62	282,202.38	2.85	804,276.78	
C317665	Bertrand		F	219,993.00	44,084.05	175,908.95	1.50	263,863.43	
C317167	Big Springs		P	874,849.00	874,849.00	0.00	3.00	0.00	
C317982	Big Springs		F	68,133.00	16,979.35	51,153.65	1.50	76,730.48	
C317638	Blair		F	875,403.00	191,479.39	683,923.61	2.10	1,436,239.58	
C317243	Bloomfield		F	202,955.00	164,422.40	38,532.60	3.00	115,597.80	
C317519	Brainard		F	694,096.00	142,040.59	552,055.41	2.00	1,104,110.82	
C317596	Broken Bow	ARRA	F	5,318,801.00	1,429,675.28	3,889,125.72	1.52	5,911,471.09	
C317747	Broken Bow		F	745,000.00	96,187.22	648,812.78	1.50	973,219.17	
C317281	Brule		F	131,004.00	86,951.46	44,052.54	3.00	132,157.62	
C317690	Brule		F	58,590.00	19,295.31	39,294.69	2.00	78,589.38	
C317761	Bruning		F	435,212.00	87,105.53	348,106.47	1.90	661,402.29	
C317919	Bruno		F	76,550.00	6,995.62	69,554.38	1.50	104,331.57	
C317284	Butler Cnty SID #1		F	205,878.00	192,512.43	13,365.57	3.00	40,096.71	
C317764	Butler Cnty SID #1		F	103,791.00	83,208.60	20,582.40	2.00	41,164.80	
C317093	Cairo		F	620,921.00	559,767.73	61,153.27	3.20	195,690.46	
C317996	Cairo			870,000.00	0.00	239,041.00	1.50	358,561.50	
C317107	Carroll		F	319,680.00	81,265.69	238,414.31	2.25	536,432.20	
C317328	Cass Cnty SID #5		F	1,107,232.06	606,718.14	500,513.92	3.50	1,751,798.72	
C317532	Cedar Bluffs		F	511,915.00	163,957.03	347,957.97	1.33	462,784.10	
C317028	Cedar Cnty SID #1	ARRA	P	72,700.00	72,700.00	0.00	3.50	0.00	
C317134	Cedar Rapids		P	134,755.00	134,755.00	0.00	3.00	0.00	
C317031	Central City		P	4,000,000.00	4,000,000.00	0.00	3.10	0.00	
C317151	Chadron	ARRA	F	3,270,000.00	1,124,822.87	2,145,177.13	1.33	2,853,085.58	
C317329	Chambers		F	67,511.00	48,630.63	18,880.37	3.00	56,641.11	

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C317477	Chapman		F	359,101.00	161,413.27	197,687.73	3.00	593,063.19	
C317874	Chappell		F	1,707,925.00	150,694.86	1,557,230.14	1.50	2,335,845.21	
C317875	Chester		F	358,465.00	25,119.88	333,345.12	1.50	500,017.68	
C317533	Clarkson	GP10	F	166,425.00	34,785.63	131,639.37	2.00	263,278.74	
C317233	Clay Center		P	180,000.00	180,000.00	0.00	3.00	0.00	
C317388	Cody		F	191,384.00	17,667.74	173,716.26	1.50	260,574.39	
C317427	Coleridge		F	62,379.00	42,006.08	20,372.92	2.50	50,932.30	
C317597	Coleridge		F	56,146.00	21,173.40	34,972.60	2.00	69,945.20	
C317997	Comstock			121,100.00	0.00	0.00	1.50	0.00	
C317468	Concord		P	297,449.00	297,449.00	0.00	3.11	0.00	
C317258	Cook		F	579,956.00	539,551.19	40,404.81	3.00	121,214.43	
C317024	Cozad		P	1,453,200.00	1,453,200.00	0.00	5.00	0.00	
C317046	Cozad		P	2,460,037.00	2,460,037.00	0.00	3.12	0.00	
C317634	Cozad		F	1,754,403.00	495,656.44	1,258,746.56	2.00	2,517,493.12	
C317081	Crab Orchard		F	65,978.00	47,406.90	18,571.10	3.00	55,713.30	
C317039	Crawford	GO	F	2,528,698.00	449,702.96	2,078,995.04	1.50	3,118,492.56	
C317158	Creighton	GP16		958,000.00	0.00	871,586.00	1.25	1,089,482.50	
C317731	Creighton		F	220,536.00	77,853.64	142,682.36	2.00	285,364.72	
C317664	Culbertson		F	597,201.00	39,995.45	557,205.55	1.50	835,808.33	
C317653	Dakota City			6,644,600.00	0.00	4,611,339.00	1.50	6,917,008.50	
C317139	Dannebrog		F	425,000.00	391,335.19	33,664.81	3.00	100,994.43	
C317109	David City		F	2,728,924.00	2,637,334.34	91,589.66	3.22	294,918.71	
C317908	Denton		F	244,408.00	57,121.69	187,286.31	1.50	280,929.47	
C317391	Deshler		P	892,808.00	892,808.00	0.00	2.55	0.00	
C317991	DeWeese			120,000.00	0.00	0.00	1.50	0.00	
C317110	DeWitt		P	524,900.00	524,900.00	0.00	4.30	0.00	
C317196	Diller		F	301,264.00	234,817.44	66,446.56	3.00	199,339.68	
C317564	Dodge		F	85,577.00	38,519.63	47,057.37	1.50	70,586.06	

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C317565	Dorchester	ARRA	F	503,227.00	161,168.60	342,058.40	1.33	454,937.67	
C317599	Duncan	GP10	F	320,905.00	96,748.05	224,156.95	2.00	448,313.90	
C317484	Dwight		F	307,650.00	121,365.67	186,284.33	3.30	614,738.29	
C317203	Eagle		P	218,656.00	218,656.00	0.00	3.50	0.00	
C317225	Eagle		P	1,932,107.00	1,932,107.00	0.00	3.00	0.00	
C317606	Elgin		F	92,394.00	32,691.29	59,702.71	3.00	179,108.13	
C317111	Elkhorn		P	2,940,673.00	2,940,673.00	0.00	3.30	0.00	
C317038	Elm Creek		P	457,101.00	457,101.00	0.00	3.50	0.00	
C317607	Elm Creek	GP10	F	208,473.00	63,711.97	144,761.03	2.00	289,522.06	
C317392	Ewing		F	67,000.00	40,233.74	26,766.26	2.50	66,915.65	
C317338	Exeter		F	54,945.00	34,856.80	20,088.20	3.02	60,666.36	
C317061	Fairbury		F	1,931,134.00	1,743,582.86	187,551.14	3.00	562,653.42	
C317043	Falls City		P	2,500,000.00	2,500,000.00	0.00	2.50	0.00	
C317119	Farwell		F	175,000.00	157,964.33	17,035.67	3.00	51,107.01	
C317594	Filley		F	245,000.00	80,622.58	164,377.42	2.00	328,754.84	
C317049	Firth		P	62,716.00	62,716.00	0.00	3.56	0.00	
C317698	Firth		F	355,173.00	21,612.68	333,560.32	1.50	500,340.48	
C317272	Fremont		P	3,200,000.00	3,200,000.00	0.00	3.00	0.00	
C317159	Garland		F	331,950.00	165,111.10	166,838.90	3.17	528,879.31	
C317059	Gering		P	3,250,000.00	3,250,000.00	0.00	2.50	0.00	
C317156	Gibbon		P	1,258,946.00	1,258,946.00	0.00	3.66	0.00	
C317307	Gibbon		P	7,000,000.00	7,000,000.00	0.00	5.25	0.00	
C317709	Gilead		F	93,961.00	2,192.94	91,768.06	1.50	137,652.09	
C317390	Gosper Cnty SID #1		F	15,484,961.00	13,806,084.34	1,678,876.66	2.66	4,465,811.92	
C317883	Gosper Cnty SID #1		F	536,646.00	126,594.77	410,051.23	1.50	615,076.85	
C317009	Gothenburg		P	2,947,700.00	2,947,700.00	0.00	3.50	0.00	
C317183	Gothenburg		P	630,339.00	630,339.00	0.00	3.00	0.00	
C317395	Gothenburg		F	372,105.00	195,319.58	176,785.42	3.05	539,195.53	

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C317568	Gothenburg	BASE	F	129,827.00	48,974.91	80,852.09	2.00	161,704.18	
C317568 ARRA	Gothenburg	ARRA	P	75,000.00	31,578.88	43,421.12	0.00	0.00	
C317781	Gothenburg	GP12/13FFATA	F	1,779,737.00	112,572.38	1,667,164.62	1.25	2,083,955.78	
C317995	Gothenburg			625,000.00	0.00	0.00	1.50	0.00	
C317867	Grand Island		F	6,200,000.00	558,181.79	5,641,818.21	1.50	8,462,727.32	
C317981	Grand Island	GP15/FFATA	F	22,526,457.00	999,076.15	21,527,380.85	1.25	26,909,226.06	
C317984	Grand Island			4,800,000.00	50,016.86	1,780,499.14	1.50	2,670,748.71	
C317990	Grand Island	GP17/FFATA		6,473,500.00	0.00	601,638.00	1.36	818,227.68	
C317045	Gresham		F	129,298.00	72,831.93	56,466.07	1.50	84,699.11	
C317267	Gretna		P	1,875,771.00	1,875,771.00	0.00	3.00	0.00	
C317268	Gretna		P	3,238,424.00	3,238,424.00	0.00	4.00	0.00	
C317569	Gretna		F	1,899,015.00	213,938.87	1,685,076.13	1.50	2,527,614.20	
C317986	Gretna			5,147,000.00	0.00	4,399,101.00	1.50	6,598,651.50	
C317234	Guide Rock		F	321,451.00	98,815.17	222,635.83	3.00	667,907.49	
C317999	Haigler			318,675.00	0.00	0.00	1.50	0.00	
C317004	Hartington		P	544,167.00	544,167.00	0.00	3.50	0.00	
C317341	Hartington		F	82,465.00	27,155.20	55,309.80	2.00	110,619.60	
C317471	Hartington	GP13	F	804,595.00	92,561.87	712,033.13	1.25	890,041.41	
C317930	Hastings	GP17/FFATA		7,000,000.00	0.00	2,781,130.00	1.25	3,476,412.50	
C317053	Hay Springs		P	311,792.00	311,792.00	0.00	3.00	0.00	
C317291	Hayes Center	SP10/11	F	295,809.00	68,636.00	227,173.00	2.25	511,139.25	
C317131	Hebron		P	329,098.00	329,098.00	0.00	3.00	0.00	
C317886	Hebron		F	500,019.00	44,840.86	455,178.14	1.50	682,767.21	
C317019	Herman		P	124,865.00	124,865.00	0.00	3.50	0.00	
C317398	Hickman		P	390,000.00	390,000.00	0.00	3.50	0.00	
C317887	Hickman		F	747,419.00	134,919.12	612,499.88	1.50	918,749.82	
C317213	Holbrook		F	231,000.00	206,407.33	24,592.67	3.00	73,778.01	
C317014	Holdrege		P	200,758.00	200,758.00	0.00	4.50	0.00	

**ATTACHMENT 1
CWSRF LOAN INVESTMENT STATUS REPORT**

**SFY 2018
ANNUAL REPORT**

PROJ #	COMMUNITY NAME	PROJ INDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317069	Holdrege		P	3,220,228.00	3,220,228.00	0.00	4.19	0.00	
C317491	Holdrege		P	299,616.00	299,616.00	0.00	2.00	0.00	
C317115	Howells		F	346,933.00	193,310.75	153,622.25	2.80	430,142.30	
C317343	Indianola		F	756,740.00	568,247.51	188,492.49	3.00	565,477.47	
C317292	Jackson		F	54,642.00	34,736.65	19,905.35	3.00	59,716.05	
C317786	Jansen	GP12	F	264,729.00	30,159.90	234,569.10	1.36	319,013.98	
C317021	Kearney		P	3,954,696.00	3,954,696.00	0.00	3.86	0.00	
C317275	Kearney		P	2,560,497.00	2,560,497.00	0.00	3.39	0.00	
C317789	Kearney		F	1,250,000.00	353,154.45	896,845.55	2.00	1,793,691.10	
C317865	Kearney		F	941,713.00	149,529.11	792,183.89	1.50	1,188,275.84	
C317956	Kearney	GP14	F	5,078,570.00	697,114.26	4,381,455.74	1.28	5,608,263.35	
C317961	Kearney			4,075,100.00	0.00	0.00	1.50	0.00	
C317057	Kenesaw		F	521,711.00	484,814.00	36,897.00	3.00	110,691.00	
C317118	Kennard		P	693,000.00	693,000.00	0.00	2.99	0.00	
C317144	Kimball		P	610,000.00	610,000.00	0.00	3.15	0.00	
C317404	Lancaster Cnty SID #5		F	271,286.00	54,734.57	216,551.43	2.00	433,102.86	
C317705	Laurel		F	160,000.00	56,436.30	103,563.70	2.00	207,127.40	
C317837	Lawrence		F	75,401.00	44,326.00	31,075.00	2.25	69,918.75	
C317447	Leigh	GP10	F	475,000.00	122,708.82	352,291.18	2.00	704,582.36	
C317002	Lexington		P	4,100,000.00	4,100,000.00	0.00	3.50	0.00	
C317676	Lexington		F	4,600,833.00	840,132.49	3,760,700.51	1.50	5,641,050.77	
C317008	Lincoln		P	9,017,565.54	9,017,565.54	0.00	5.00	0.00	
C317078	Lincoln		F	5,000,000.00	1,411,000.74	3,588,999.26	2.00	7,177,998.52	
C317247	Lincoln	ARRA	F	3,558,792.00	1,229,165.93	2,329,626.07	1.30	3,028,513.89	
C317830	Lincoln		F	17,000,000.00	3,250,348.71	13,749,651.29	2.25	30,936,715.40	
C317204	Lindsay		P	405,000.00	405,000.00	0.00	3.14	0.00	
C317839	Lindsay	GP11/FFATA	F	411,494.00	98,844.11	312,649.89	1.82	569,022.80	
C317236	Loomis		P	167,381.00	167,381.00	0.00	3.18	0.00	

**ATTACHMENT 1
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PROJ #	COMMUNITY NAME	PROJ INDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317611	Loup City		F	312,391.00	9,875.19	302,515.81	1.50	453,773.72	
C317573	Lower Platte North NRD		P	11,603,660.00	11,603,660.00	0.00	2.00	0.00	
C317539	Lynch		F	174,300.00	95,072.52	79,227.48	3.00	237,682.44	
C317852	Lynch		F	24,261.00	13,853.36	10,407.64	2.50	26,019.10	
C317993	Lynch			472,700.00	0.00	0.00	1.50	0.00	
C317449	Lyons		P	891,491.00	891,491.00	0.00	3.00	0.00	
C317405	Madison		P	1,892,461.00	1,892,461.00	0.00	3.06	0.00	
C317575	Malcolm	ARRA	F	750,000.00	276,680.43	473,319.57	1.34	634,248.22	
C317613	Marquette	BASE	F	48,942.00	16,279.94	32,662.06	2.00	65,324.12	
C317998	Marquette			210,000.00	0.00	12,895.00	1.50	19,342.50	
C317832	Maxwell		F	125,063.00	21,318.09	103,744.91	1.50	155,617.37	
C317259	Maywood		P	184,518.00	184,518.00	0.00	3.00	0.00	
C317105	McCook		P	337,040.99	337,040.99	0.00	3.00	0.00	
C317150	McCook		P	1,903,003.00	1,903,003.00	0.00	3.00	0.00	
C317349	McCook	LAND	P	4,200,000.00	4,200,000.00	0.00	2.50	0.00	
C317451	McCool Junction		P	82,903.00	82,903.00	0.00	2.50	0.00	
C317331	McGrew		F	47,100.00	32,588.20	14,511.80	3.00	43,535.40	
C317854	Mead	FFATA	F	912,536.00	163,838.04	748,697.96	1.50	1,123,046.94	
C317217	Meadow Grove		F	138,190.00	91,695.41	46,494.59	3.00	139,483.77	
C317248	Melbeta		F	259,437.00	84,651.56	174,785.44	3.15	550,574.14	
C317169	Memphis		P	83,130.00	83,130.00	0.00	3.00	0.00	
C317250	Murray		F	1,425,000.00	691,225.90	733,774.10	2.95	2,164,633.60	
C317741	Nebraska City		F	4,889,865.00	1,036,076.85	3,853,788.15	2.25	8,671,023.34	
C317071	Neligh		F	1,653,678.00	1,239,180.20	414,497.80	3.00	1,243,493.40	
C317498	Newman Grove		F	333,099.00	210,482.74	122,616.26	3.00	367,848.78	
C317431	Nickerson		F	281,011.00	146,739.99	134,271.01	3.24	435,038.07	
C317036-01	Norfolk		P	9,299,999.80	9,299,999.80	0.00	4.18	0.00	
C317142	North Bend		F	308,000.00	168,317.38	139,682.62	3.45	481,905.04	

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PROJ #	COMMUNITY NAME	PROJ INDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317122	North Platte		P	14,300,000.00	14,300,000.00	0.00	3.27	0.00	
C317351	North Platte		P	2,221,722.00	2,221,722.00	0.00	3.72	0.00	
C317074	Oakdale		F	209,957.00	196,242.47	13,714.53	3.00	41,143.59	
C317409	Oakland	ARRA	F	1,757,490.00	517,588.56	1,239,901.44	1.43	1,773,059.06	
C317682	Oconto		F	162,745.00	10,905.02	151,839.98	1.50	227,759.97	
C317152	Ogallala		F	2,397,400.00	1,932,428.71	464,971.29	3.23	1,501,857.27	
C317500	Ogallala		F	422,832.00	110,365.53	312,466.47	2.00	624,932.94	
C317005	Omaha		P	4,000,000.00	4,000,000.00	0.00	3.80	0.00	
C317016	Omaha		P	2,830,825.00	2,830,825.00	0.00	4.00	0.00	
C317052	Omaha		P	1,810,894.00	1,810,894.00	0.00	3.50	0.00	
C317079	Omaha		P	10,000,000.00	10,000,000.00	0.00	3.00	0.00	
C317082	Omaha		P	3,432,976.00	3,432,976.00	0.00	3.50	0.00	
C317182	Omaha		P	1,600,000.00	1,600,000.00	0.00	3.00	0.00	
C317311	Omaha		P	898,294.00	898,294.00	0.00	3.00	0.00	
C317319	Omaha		P	20,000,000.00	20,000,000.00	0.00	3.50	0.00	
C317375	Omaha		P	12,100,000.00	12,100,000.00	0.00	4.00	0.00	
C317432	Omaha	ARRA	F	6,592,000.00	1,974,250.49	4,617,749.51	1.48	6,834,269.27	
C317476	Omaha	BASE	F	7,354,121.00	1,907,547.65	5,446,573.35	2.00	10,893,146.70	
C317734	Omaha	FFATA	F	55,000,000.00	3,690,726.76	51,309,273.24	1.50	76,963,909.86	
C317735	Omaha			15,000,000.00	0.00	14,250,000.00	1.50	21,375,000.00	
C317205	Osmond	GP11	F	330,216.00	78,438.41	251,777.59	2.23	561,464.03	
C317229	Oxford		P	865,353.00	865,353.00	0.00	2.77	0.00	
C317543	Oxford		F	306,097.00	60,333.80	245,763.20	2.11	518,560.35	
C317414	Palmer		P	654,028.00	654,028.00	0.00	2.79	0.00	
C317353	Paxton		P	1,352,254.00	1,352,254.00	0.00	2.50	0.00	
C317807	Paxton		F	32,300.00	23,622.06	8,677.94	2.00	17,355.88	
C317087	Pickrell		F	350,000.00	263,800.89	86,199.11	4.00	344,796.44	
C317060	Plainview		F	968,910.00	419,127.74	549,782.26	2.75	1,511,901.22	

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PROJ #	COMMUNITY NAME	PROJ INDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317745	Platte Center	ARRA	F	128,690.00	39,345.38	89,344.62	2.00	178,689.24	
C317980	Platte Cnty SID #7		F	697,674.00	66,468.09	631,205.91	1.50	946,808.87	
C317526	Plattsmouth		F	1,599,810.00	409,142.77	1,190,667.23	2.19	2,607,561.23	
C317834	Plattsmouth		F	1,735,961.00	786,084.65	949,876.35	2.00	1,899,752.70	
C317266	Pleasanton		F	117,076.00	102,003.98	15,072.02	3.00	45,216.06	
C317744	Pleasanton	ARRA	P	232,817.00	232,817.00	0.00	2.00	0.00	
C317035	Polk		P	81,453.00	81,453.00	0.00	3.50	0.00	
C317696	Polk Cnty SID #1	FFATA	F	2,024,805.00	470,291.65	1,554,513.35	2.25	3,497,655.04	
C317992	Randolph			400,000.00	0.00	0.00	1.50	0.00	
C317506	Red Cloud	ARRA	F	372,404.00	128,342.27	244,061.73	1.33	324,602.10	
C317073	Rising City		F	350,340.00	179,638.13	170,701.87	2.55	435,289.77	
C317101	Riverton		P	140,442.00	140,442.00	0.00	3.00	0.00	
C317101-03	Riverton		F	14,629.78	11,011.16	3,618.62	3.00	10,855.86	
C317188	Rushville		P	1,035,000.00	1,035,000.00	0.00	3.00	0.00	
C317416	Ruskin		F	271,020.00	153,370.79	117,649.21	2.50	294,123.03	
C317128	Sarpy Cnty SID #101		F	4,785,104.84	4,682,420.86	102,683.98	3.00	308,051.94	
C317195	Schuyler		P	579,336.00	579,336.00	0.00	3.00	0.00	
C317215	Schuyler		F	2,481,856.00	1,541,532.92	940,323.08	3.01	2,830,372.47	
C317001	Scottsbluff		P	2,453,873.39	2,453,873.39	0.00	3.26	0.00	
C317086	Scottsbluff		F	4,600,000.00	4,298,860.39	301,139.61	3.00	903,418.83	
C317219	Scottsbluff	ARRA	F	2,527,500.00	1,863,796.21	663,703.79	1.33	882,726.04	
C317378	Scottsbluff		F	1,004,334.00	702,719.02	301,614.98	3.00	904,844.94	
C317813	Shelby		F	291,974.00	69,230.57	222,743.43	2.25	501,172.72	
C317062	Shelton		P	493,043.00	493,043.00	0.00	3.37	0.00	
C317301	Shelton		F	1,071,763.00	806,027.54	265,735.46	3.00	797,206.38	
C317189	Sidney	ARRA/BASE	F	4,125,000.00	1,522,779.66	2,602,220.34	1.33	3,460,953.05	
C317433	Sidney	LAND	F	819,924.00	594,361.90	225,562.10	2.52	568,416.49	
C317945	Sidney	GO		1,792,000.00	0.00	0.00	1.25	0.00	

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PROJ #	COMMUNITY NAME	PROJ INDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317508	Silver Creek		F	175,165.00	79,538.31	95,626.69	2.75	262,973.40	
C317360	South Sioux City		F	3,112,135.00	1,127,536.87	1,984,598.13	3.65	7,243,783.17	
C317725	South Sioux City	ARRA	F	1,682,752.00	541,248.14	1,141,503.86	1.32	1,506,785.10	
C317835	South Sioux City	GP12/FFATA	F	1,444,535.00	294,443.55	1,150,091.45	2.50	2,875,228.63	
C317988	South Sioux City		F	1,403,146.00	55,996.47	1,347,149.53	1.50	2,020,724.30	
C317363	Spencer		F	73,146.00	11,627.36	61,518.64	1.50	92,277.96	
C317897	Sprague		F	248,680.00	28,012.70	220,667.30	1.50	331,000.95	
C317027	St. Helena		P	70,695.00	70,695.00	0.00	3.50	0.00	
C317263	St. Paul		P	306,513.00	306,513.00	0.00	2.82	0.00	
C317080	Stamford		P	395,400.00	395,400.00	0.00	2.50	0.00	
C317164	Stanton		F	1,053,787.00	853,473.64	200,313.36	3.00	600,940.08	
C317985	Stanton Cnty SID #1		F	668,164.00	29,736.05	638,427.95	1.50	957,641.93	
C317011	Sterling		P	177,430.00	177,430.00	0.00	3.50	0.00	
C317048	Stromsburg		P	599,516.00	599,516.00	0.00	3.04	0.00	
C317320	Stromsburg		F	156,000.00	121,011.55	34,988.45	3.30	115,461.89	
C317510	Stuart		F	48,856.00	12,699.28	36,156.72	2.00	72,313.44	
C317096	Superior		P	341,898.00	341,898.00	0.00	3.00	0.00	
C317818	Superior		F	106,575.00	2,353.47	104,221.53	1.25	130,276.91	
C317364	Sutherland		P	165,880.00	165,880.00	0.00	2.50	0.00	
C317365	Sutherland		F	960,299.00	64,346.62	895,952.38	1.50	1,343,928.57	
C317994	Sutherland			365,000.00	0.00	0.00	1.50	0.00	
C317190	Sutton		P	1,505,100.00	1,505,100.00	0.00	3.12	0.00	
C317430	Taylor		F	59,930.00	2,612.18	57,317.82	1.50	85,976.73	
C317231	Tecumseh		F	370,629.00	311,314.58	59,314.42	3.00	177,943.26	
C317051	Tekamah		P	1,297,286.00	1,297,286.00	0.00	3.00	0.00	
C317252	Tekamah	ARRA	F	879,140.00	261,581.11	617,558.89	1.33	821,353.32	
C317367	Valley		P	4,510,111.00	4,510,111.00	0.00	3.21	0.00	
C317023	Verdigre		P	30,410.00	30,410.00	0.00	3.00	0.00	

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PROJ #	COMMUNITY NAME	PROJ INDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317434	Verdigre		F	112,211.00	72,756.04	39,454.96	2.50	98,637.40	
C317460	Verdigre		F	200,000.00	64,603.64	135,396.36	3.00	406,189.08	
C317746	Verdigre		P	1,403,627.00	1,403,627.00	0.00	2.00	0.00	
C317220	Waco		P	100,300.00	100,300.00	0.00	3.00	0.00	
C317010	Wahoo		P	4,515,601.00	4,515,601.00	0.00	3.49	0.00	
C317222	Wakefield		F	132,535.00	28,593.84	103,941.16	2.00	207,882.32	
C317423	Wauneta			150,000.00	0.00	143,916.00	1.50	215,874.00	
C317032	Wayne		F	1,838,650.00	123,438.81	1,715,211.19	1.50	2,572,816.79	
C317369	Wayne		F	4,949,020.00	1,388,344.81	3,560,675.19	2.00	7,121,350.38	
C317040	West Point		P	195,000.00	195,000.00	0.00	3.50	0.00	
C317055	West Point		F	5,116,139.00	2,841,431.17	2,274,707.83	2.94	6,687,641.02	
C317659	Western		F	69,863.00	24,664.05	45,198.95	2.00	90,397.90	
C317129	Wilber		P	570,000.00	570,000.00	0.00	3.00	0.00	
C317827	Winside		F	918,576.00	62,129.31	856,446.69	1.50	1,284,670.04	
C317012	Wisner		P	1,156,786.00	1,156,786.00	0.00	3.01	0.00	
C317426	Wisner	GP11	F	63,321.00	13,578.48	49,742.52	1.75	87,049.41	
C317979	Wisner		F	234,929.00	17,254.90	217,674.10	1.50	326,511.15	
C317723	Wolbach		P	20,500.00	20,500.00	0.00	2.25	0.00	
C317098	Wymore		P	248,700.00	248,700.00	0.00	3.00	0.00	
C317552	Wymore		F	402,800.00	358,042.40	44,757.60	3.00	134,272.80	
C317983	York	YR16FFATA		19,355,000.00	0.00	16,979,837.00	1.50	25,469,755.50	
	LOAN TOTALS			569,618,750.79	304,043,158.56	237,398,916.23		398,758,520.35	1.68

**ATTACHMENT 1
CWSRF LOAN INVESTMENT STATUS REPORT**

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	PROJECT IDENTIFIER CODES:								
	AMERICAN RECOVERY & REINVESTMENT ACT	ARRA							
	FEDERAL FUNDING ACCOUNTABILITY & TRANSPARENCY ACT	FFATA							
		GO							
	GENERAL OBLIGATIONS								
	GREEN PROJECT 2010	GP10							
	GREEN PROJECT 2011	GP11							
	GREEN PROJECT 2012	GP12							
	GREEN PROJECT 2013	GP13							
	GREEN PROJECT 2014	GP14							
	GREEN PROJECT 2015	GP15							
	GREEN PROJECT 2016	GP16							
					STATUS CODES:				
	GREEN PROJECT 2017	GP17			STATUS CODES:				
	GREEN PROJECT 2018	GP18			ACTIVE				
	GREEN PROJECT	GP			FINAL	F			
	NONPOINT SOURCE-LAND ACQUISITION	LAND			PAID OFF	P			

ATTACHMENT 2

SFY 2018

CWSRF - BINDING COMMITMENTS

ANNUAL REPORT

Community Name	Project #C31	State Fiscal Year 2017				State Fiscal Year 2018			
		1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR
Program Administration									
Anselmo Amd #1	7686	85,720							
Creighton	7158	1,058,000							
Gilead	7709	78,100							
Stanton Cnty SID #1 - Woodland Park	7985	767,700							
Gretna	7986			5,147,000					
Omaha	7735			15,000,000					
Riverton	1-03			14,630					
Taylor	7430			188,000					
Alma	7750				172,000				
Loup City Amd #2	7611				130,000				
South Sioux City	7988				1,486,200				
Program Administration									
Gilead Amd #2	7709					16,900			
Grand Island	7990					6,473,500			
Hastings	7930					7,000,000			
Lynch	7993						572,700		
Wauneta	7423						250,000		
DeWeese	7991							220,000	
Gothenburg	7995							625,000	
Marquette	7998							310,000	
Sutherland	7994							365,000	
Cairo	7996								870,000
Comstock	7997								221,100
Haigler	7999								418,675
Kearney	7961								4,075,100
Randolph	7992								400,000
(1) BINDING COMMITMENT TOTALS		1,989,520		20,349,630	1,788,200	13,490,400	822,700	1,520,000	5,984,875
(2) CUMULATIVE BINDING COMMITMENTS		614,249,711	614,249,711	634,599,341	636,387,541	649,877,941	650,700,641	652,220,641	658,205,516
FY BINDING COMMITMENT TOTALS				FY17:	24,127,350			FY18:	21,817,975
(3) REQUIRED BINDING COMMITMENT*		8,528,400				8,163,600			-
(4) CUMULATIVE REQUIRED AMOUNT		239,199,076	239,199,076	239,199,076	239,199,076	247,362,676	247,362,676	247,362,676	247,362,676
(5) BC AS % OF REQ'D BC AMOUNT		257	257	265	266	263	263	264	266
*120% of Federal Cap Grants lagged by a year									

**ATTACHMENT 3
CWSRF SMALL TOWN GRANT HISTORY**

**SFY 2018
ANNUAL REPORT**

COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2018	PAID DURING SFY 2018	First Half SFY2019	Second Half SFY2019	First Half SFY2020	Second Half SFY2020
								ESTIMATE 12-31-18	ESTIMATED 6-30-19	ESTIMATED 12-31-19	ESTIMATED 6-30-20
STERLING	7011-01	90	6/26/1990	50	177,430	177,430					
SFY90 ALLOCATION TOTAL					177,430						
HERMAN	7019-01	91	5/31/1991	24	124,864	124,864					
ST. HELENA	7027-01	91	5/24/1991	50	70,695	70,695					
SFY91 ALLOCATION TOTAL					195,559						
CEDAR CO. SID#1	7028-01	92	9/1/1992	50	72,700	72,700					
SFY92 ALLOCATION TOTAL					72,700						
POLK	7035-01	93	6/4/1993	50	81,453	81,453					
SFY93 ALLOCATION TOTAL					81,453						
AVOCA	7025-01	94	5/23/1994	48	119,360	119,360					
AXTELL	7070-01	94	6/21/1994	13.85	62,150	62,150					
RIVERTON	7101-01	94	6/6/1994	50	91,100	91,100					
SFY94 ALLOCATION TOTAL					72,610						
HAY SPRINGS	7053-01	95	8/23/1994	50	200,971	200,971					
VERDIGRE	7023-01 &02	95	11/16/1994	50	30,410	30,410					
FIRTH	7049-01	95	4/13/1995	33	27,200	27,200					
AVOCA	7025-02	95	6/29/1995	48	17,000	17,000					
SFY95 ALLOCATION TOTAL					275,581						
HAY SPRINGS	7053-02	96	8/25/1995	50	48,500	48,500					
HAY SPRINGS	7053-03	96	2/15/1996	40	57,500	57,500					
FIRTH	7049-02	96	3/14/1996	33	4,800	4,800					
RIVERTON	7101-02	96	6/7/1996	50	49,345	49,345					
SFY96 ALLOCATION TOTAL					160,145						
BASSETT	7068-01	97	2/27/1997	50	105,250	105,250					
ALDA	7030-01	97	4/30/1997	42	83,060	83,060					
SFY97 ALLOCATION TOTAL					188,310						
SFY98 ALLOCATION TOTAL					0						

**ATTACHMENT 3
CWSRF SMALL TOWN GRANT HISTORY**

**SFY 2018
ANNUAL REPORT**

COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2018	PAID DURING SFY 2018	First Half SFY2019	Second Half SFY2019	First Half SFY2020	Second Half SFY2020
								ESTIMATE 12-31-18	ESTIMATED 6-30-19	ESTIMATED 12-31-19	ESTIMATED 6-30-20
CRAB ORCHARD	7081-01	99	11/28/1998	5	1,700	1,700					
SFY99 ALLOCATION TOTAL					1,700						
CRAB ORCHARD AMD#1	7081-01	2000	3/13/2000	5	20,291	20,291					
ARNOLD	7198-01	2000	4/11/2000	50	92,500	92,500					
CEDAR RAPIDS	7134-01	2000	6/14/2000	50	105,000	105,000					
PLEASANTON	7266-01	2000	6/27/2000	9.3	12,005	12,005					
SFY2000 ALLOCATION TOTAL					229,796						
CEDAR RAPIDS AMD#1	7134-01	2001	8/25/2000	50	29,755	29,755					
ARNOLD AMD#1	7198-01	2001	9/18/2000	50	7,451	7,451					
DILLER	7196-01	2001	10/16/2000	24	95,658	95,658					
AYR	7185-01	2001	3/14/2001	50	75,989	75,989					
BELLWOOD	7242-01	2001	5/7/2001	38	100,000	100,000					
DANNEBROG	7139-01	2001	6/28/2001	50	100,000	100,000					
SFY2001 ALLOCATION TOTAL					408,853						
MAYWOOD	7259-01	2002	11/29/2001	50	67,314	67,314					
HOLBROOK	7213-01	2002	12/3/2001	25	100,000	100,000					
BRULE	7281-01	2002	12/11/2001	43	97,029	97,029					
CHAMBERS	7329-01	2002	3/12/2002	50	67,511	67,511					
MCGREW	7331-01	2002	5/7/2002	50	47,100	47,100					
SFY2002 ALLOCATION TOTAL					378,954						
ADAMS	7238-01	2003	9/12/2002	42	100,000	100,000					
MEADOW GROVE	7217-01	2003	1/29/2003	39.28	89,394	89,394					
LINDSAY	7204-01	2003	6/10/2003	19.8	100,000	100,000					
JACKSON	7292-01	2003	6/23/2003	48.2	50,846	50,846					
COOK	7258-01	2003	6/25/2003	14.7	100,000	100,000					
EXETER	7338-01	2003	6/25/2003	41.4	38,833	38,833					
SFY2003 ALLOCATION TOTAL					479,073						

**ATTACHMENT 3
CWSRF SMALL TOWN GRANT HISTORY**

**SFY 2018
ANNUAL REPORT**

								First Half SFY2019	Second Half SFY2019	First Half SFY2020	Second Half SFY2020
COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2018	PAID DURING SFY 2018	ESTIMATE 12-31-18	ESTIMATED 6-30-19	ESTIMATED 12-31-19	ESTIMATED 6-30-20
PAXTON	7353-01	2004	9/30/2003	5.83	83,717	83,717					
FALLS CITY	7043-01	2004	2/4/2004	2.44	100,000	100,000					
MADISON	7405-01	2004	2/25/2004	4.68	100,000	100,000					
RUSKIN	7416-01	2004	3/18/2004	48.66	100,000	100,000					
BERTRAND	7327-01	2004	3/22/2004	10	100,000	100,000					
SFY2004 ALLOCATION TOTAL					483,717						
GARLAND	7159-01	2005	11/30/2004	24.27	100,000	100,000					
RISING CITY	7073-01	2005	12/16/2004	22.20	100,000	100,000					
VALLEY	7367-01	2005	1/7/2005	2.02	100,000	100,000					
PALMER	7414-01	2005	1/12/2005	15.04	100,000	100,000					
OXFORD	7229-01	2005	1/28/2005	7.14	100,000	100,000					
SFY2005 ALLOCATION TOTAL					500,000						
MURRAY	7250-01	2006	9/13/2005	1.27	18,294	18,294					
DWIGHT	7484-01	2006	3/31/2006	27.07	93,030	93,030					
KENNARD	7118-01	2006	4/4/2006	12.61	100,000	100,000					
MURRAY	7250-01	2006	5/16/2006	5.66	81,706	81,706					
SFY2006 ALLOCATION TOTAL					293,030						
CONCORD	7468-01	2007	2/26/2007	15.72	58,000	58,000					
BANCROFT	7277-01	2007	3/19/2007	12.6	100,000	100,000					
CHAPMAN	7477-01	2007	4/4/2007	19.23	100,000	100,000					
INDIANOLA	7343-01	2007	4/19/2007	9.07	75,481	75,481					
SFY2007 ALLOCATION TOTAL					333,481						
MELBETA	7428-01	2008	6/11/2008	24.1	82,359	82,359					
GUIDE ROCK	7234-01	2008	6/12/2008	25	100,000	100,000					
CONCORD INCREASE	7468-01	2008	6/24/2008	8.61	42,000	42,000					
SFY2008 ALLOCATION TOTAL					224,359						

**ATTACHMENT 3
CWSRF SMALL TOWN GRANT HISTORY**

**SFY 2018
ANNUAL REPORT**

								First Half SFY2019	Second Half SFY2019	First Half SFY2020	Second Half SFY2020
COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2018	PAID DURING SFY 2018	ESTIMATE 12-31-18	ESTIMATED 6-30-19	ESTIMATED 12-31-19	ESTIMATED 6-30-20
VERDIGRE	7460-01	2009	8/4/2008	50	200,000	200,000					
DWIGHT INCREASE	7484-01	2009	12/1/2008	9.13	6,970	6,970					
AINSWORTH	7559-01	2009	5/13/2009	57.97	200,000	200,000					
COLERIDGE	7597-01	2009	6/11/2009	50	56,146	56,146					
SFY2009 ALLOCATION TOTAL					463,116						
WESTERN	7659-01	2010	8/14/2009	50	69,863	69,863					
FILLEY	7594-01	2010	4/26/2010	43.02	185,000	185,000					
LEIGH	7447-01	2010	6/29/2010	28.41	250,000	250,000					
SFY2010 ALLOCATION TOTAL					504,863						
CEDAR BLUFFS ARRA AMD #1	7532-01	2011	1/20/2011	7.26	48,488	48,488					
PLATTE CENTER ARRA AMD #1	7745-01	2011	3/22/2011	3.28	6,213	6,213					
HAYES CENTER	7291-01	2011	3/22/2011	44.96	234,396	234,396					
CARROLL	7107-01	2011	4/1/2011	33.33	213,100	213,100					
DORCHESTER ARRA AMD #1	7565-01	2011	4/4/2011	0.27	1,718	1,718					
TEKAMAH ARRA AMD #1	7252-01	2011	5/11/2011	0.83	1,143	1,143					
POLK COUNTY SID #1	7696-01	2011	6/30/2011	9.11	202,947	202,947					
SFY2011 ALLOCATION TOTAL					708,005						
ALBION	7103-01	2012	10/14/2011	7.14	250,000	250,000					
ANSLEY	7136-01	2012	1/18/2012	17.02	250,000	250,000					
SFY2012 ALLOCATION TOTAL					500,000						
CRAWFORD	7039-01	2013	6/18/2013	7.57	250,000	250,000					
JANSEN	7786-01	2013	6/21/2013	38.89	168,473	168,473					
GILEAD - CANCELLED	7927-01	2013	6/29/2013	50	0						
SFY2013 ALLOCATION TOTAL					418,473						

**ATTACHMENT 3
CWSRF SMALL TOWN GRANT HISTORY**

**SFY 2018
ANNUAL REPORT**

								First Half SFY2019	Second Half SFY2019	First Half SFY2020	Second Half SFY2020
COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2018	PAID DURING SFY 2018	ESTIMATE 12-31-18	ESTIMATED 6-30-19	ESTIMATED 12-31-19	ESTIMATED 6-30-20
MEAD	7854-01	2014	11/22/2013	37.2	250,000	250,000					
WINSIDE	7827-01	2014	6/20/2014	18.48	240,000	208,237					
SPRAGUE	7897-01	2014	6/26/2014	37.2	30,000	30,000					
SFY2014 ALLOCATION TOTAL					520,000						
CHAPPELL	7874-01	2015	3/24/2015	50	250,000	250,000					
JANSEN AMD #1	7786-02	2015	6/17/2015	50	0						
CHESTER	7875-01	2015	6/17/2015	50	158,990	158,990					
SPRAGUE AMD #1	7897-02	2015	6/30/2015	18.88	6,675	6,675					
SFY2015 ALLOCATION TOTAL					415,665						
CHESTER AMD #1	7875-01	2016	8/5/2015	50	91,010	82,753					
ALLEN	7838-01	2016	11/13/2015	50	250,000	250,000					
SFY2016 ALLOCATION TOTAL					341,010						
GILEAD	7709-01	2017	9/19/2016	50	78,100		78,100				
LYNCH	7993-02	2017	6/21/2017	50	250,000			50,000	50,000	50,000	100,000
SFY2017 ALLOCATION TOTAL					328,100						
GILEAD AMD	7709-02	2018	9/11/2017		16,900		15,861				
DEWEESE	7991-01	2018	1/9/2018		20,000			5,000	5,000	5,000	5,000
MARQUETTE	7998-01	2018	2/13/2018		44,200		2,715	21,485	20,000		
BENKELMAN	8002-01	2018	6/1/2018		250,000				50,000	50,000	150,000
HAIGLER	7999-01	2018	6/29/2018		218,675			50,000	50,000	50,000	68,675
SFY2018 ALLOCATION TOTAL					549,775						

**ATTACHMENT 3
CWSRF SMALL TOWN GRANT HISTORY**

**SFY 2018
ANNUAL REPORT**

								First Half SFY2019	Second Half SFY2019	First Half SFY2020	Second Half SFY2020
COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2018	PAID DURING SFY 2018	ESTIMATE 12-31-18	ESTIMATED 6-30-19	ESTIMATED 12-31-19	ESTIMATED 6-30-20
PRIOR APPROPRIATIONS PLUS TRANSFERS					1,655,284						
FY01 Fee					408,853						
FY02 Fee					378,954						
FY03 Fee					479,073						
FY04 Fee					483,717						
FY05 Fee					500,000						
FY06 Fee					293,030						
FY07 Fee					333,481						
FY08 Fee					224,359						
FY09 Fee					463,116						
FY10 Fee					504,863						
FY11 Fee					708,005						
FY12 Fee					500,000						
FY13 Fee					418,473						
FY14 Fee					520,000						
FY15 Fee					415,665						
FY16 Fee					341,010						
FY17 Fee					328,100						
FY18 Fee					549,775						
CURRENT APPROPRIATIONS PLUS TRANSFERS					9,505,758						
PRIOR DISBURSEMENTS						8,587,863					
CURRENT DISBURSEMENTS							96,676				
PROJECTED DISBURSEMENTS								126,485	175,000	155,000	323,675
JULY 1, 2017 FUND BALANCE PLUS TRANSFERS						917,895					
JUNE 30, 2018 FUND BALANCE							821,219				
PROJECTED FUND BALANCE								694,734	519,734	364,734	41,059

Attachment 4

2018 IUP Funding List Reconciliation

Community	F or P	Project #C31	Estimated Project Cost	2018 IUP Estimated SRF Loan	Total Assistance	Actual Forgiveness and/or Small Town Grant	Net Loan Amount	Agreement Date	Comments
Alma	F		350,000	350,000	0	0	0		Part of project was completed project in 2017
Amherst	F		1,000,000	1,000,000	0	0	0		Project progressing, no final decision yet
Cody	F		901,000	901,000	0	0	0		Decided not to proceed, project not needed per DEQ
Creighton	F		275,000	275,000	0	0	0		Utilized funds through another loan
Davenport	F		175,470	175,470	0	0	0		Decided not to proceed
Grand Island	F		2,200,000	2,200,000	0	0	0		Waiting for current project to complete before starting
Grand Island	F	7990	5,910,339	6,473,500	6,473,500	0	6,473,500	9/18/2017	
Gresham	F		325,000	325,000	0	0	0		Could not get SRF funds because they did not want to raise their sewer rates
Hastings	F	7930	12,170,000	7,000,000	7,000,000	0	7,000,000	9/11/2017	
Long Pine	F		1,270,000	1,270,000	0	0	0		Decided not to proceed
Loup City	F	7611	1,040,000	150,000	0	0	0		New project
Omaha	F	7735	115,000,000	15,000,000	15,000,000	0	15,000,000	3/15/2017	
South Sioux City	F	7988	1,250,000	1,486,200	1,403,146	0	1,486,200	6/23/2017	
Taylor	F		250,000	250,000	0	0	0		No timetable yet, submitting PER & WWAC application
Wauneta	F	7423	845,000	250,000	240,267	96,107	240,267	10/23/2017	
York	F		25,545,854	6,245,854	0	0	0		Amendment signed in Aug 2018
SFY 2018 Planning List - Bypass Systems									
Cairo	P	7996	1,253,000	1,253,000	870,000	0	870,000	4/13/2018	
Comstock	P	7997	221,100	221,100	221,100	100,000	121,100	5/16/2018	
DeWeese	P	7991	150,000	150,000	240,000	120,000	120,000	1/9/2018	
Gilead Amd #2	P	7709	250,000	78,100	111,900	95,000	16,900	9/11/2017	
Gothenburg	P	7995	625,000	625,000	625,000	0	625,000	2/14/2018	
Haigler	P	7999	700,000	418,675	637,350	318,675	318,675	6/29/2018	
Kearney	P	7961	49,936,000	4,075,100	4,075,100	0	4,075,100	5/2/2018	
Lynch	P	7993	0	0	572,700	100,000	472,700	12/21/2017	
Marquette	P	7998	200,000	310,000	354,200	144,200	210,000	2/13/2018	
Randolph	P	7992	400,000	400,000	400,000	0	400,000	4/13/2018	
Sutherland	P	7994	100,000	100,000	365,000	0	365,000	3/13/2018	

ATTACHMENT 5

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

JULY 1, 2016 THROUGH JUNE 30, 2017

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

JULY 1, 2016, THROUGH JUNE 30, 2017

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

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

Issued on March 9, 2018

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

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NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

BACKGROUND

The Nebraska Department of Environmental Quality (Agency) – Clean Water State Revolving Fund Program (Program) was established pursuant to Title VI of the Federal Clean Water Act, as amended by the Water Quality Act of 1987. Created by LB 766 (1988), the Wastewater Treatment Facilities Construction Assistance Act is set out at Neb. Rev. Stat. § 81-15,147 (Reissue 2014, Cum. Supp. 2016, Supp. 2017) et seq. The Federal Water Quality Act and State statutes established the Program to provide loans, at reduced interest rates, to finance the construction of publicly and privately owned water pollution control facilities, non-point source pollution control projects, and estuary management plans.

Instead of making grants to communities that pay for a portion of the building of wastewater treatment facilities, the Program provides for low-interest loans 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 must be repaid within the lesser of 30 years or the projected useful life of the project, and all repayments, including interest and principal, must be used for the purposes of the Program.

The Program was capitalized by the United States Environmental Protection Agency (EPA) by a series of annual grants starting in 1989. 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, 2017, the EPA had awarded \$209.2 million in capitalization grants to the State. Of the \$209.2 million awarded, approximately \$20 million was funded by the American Recovery and Reinvestment Act (ARRA). The \$189.2 million not funded by ARRA required the State to contribute approximately \$38 million in matching funds. Since the inception of the Program the State has appropriated \$955,000 to meet the State's matching requirement. Additional matching funds have been obtained through the issuance of revenue bonds.

The Program is administered by the Agency. The Agency's primary activities with regard to the Program include the making of loans for water pollution control facilities and the management and coordination of the Program. The Nebraska Environmental Quality Council approves the rules and regulations of the Agency, the Program's Intended Use Plan, loan interest rates, and revenue bonding amounts.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

**Nebraska Department of Environmental Quality –
Clean Water State Revolving Fund Program
Executive Management**

Name	Title
Jim Macy	Director
Dennis Burling	Deputy Director
Ryan Phillips	Budget Officer III

Nebraska Department of Environmental Quality
1200 N Street, Suite 400
P.O. Box 98922 Lincoln, NE 68509
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NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

SUMMARY OF COMMENTS

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

- 1. *Financial Statement Errors:*** The Agency made errors in preparing its financial statements. Fines, Forfeits, & Penalties were overstated by \$33,005, and Interest on Fund Balance was understated by the same amount. Loan Forgiveness and Accounts Payable & Accrual Liabilities were understated by \$14,375. A payroll accrual error caused Administrative Costs from Fees and Accounts Payable & Accrued Liabilities to be overstated by \$5,115. Finally, an indirect cost accrual error caused Administrative Costs from Fees and Accounts Payable & Accrued Liabilities to be understated by \$4,127.
- 2. *Cost Effectiveness Analysis Certification:*** The Agency did not receive certification that a loan recipient performed a cost effectiveness analysis prior to payments being made to the community for final design and construction. A loan in the amount of \$132,056 was funded by the Program.

More detailed information on the above items is provided hereinafter. It should be noted this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Department of Environmental Quality – Clean Water State Revolving Fund Program to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

COMMENTS AND RECOMMENDATIONS

1. Financial Statement Errors

During our review of the Nebraska Department of Environmental Quality (Agency) – Clean Water State Revolving Fund Program (Program) trial balance and financial statements, we noted the following errors:

- A line item for interest from the Operating Investment Pool was entered incorrectly in the trial balance as Fines, Forfeits, & Penalties, causing errors on the Statement of Revenues, Expenses, and Changes in Net Position. This resulted in Fines, Forfeits, & Penalties being overstated by \$33,005 and Interest on Fund Balance – State Operating Investment Pool being understated by \$33,005.
- The Agency did not include a loan forgiveness expense for one community in its loan forgiveness total for the fiscal year ended June 30, 2017, even though the expenses were incurred prior to June 30, 2017. This resulted in Accounts Payable & Accrual Liabilities on the Balance Sheet and Loan Forgiveness on the Statement of Revenues, Expenses, and Changes in Net Position being understated by \$14,375.
- When calculating the payroll accrual entry for the fiscal year, the Agency incorrectly accrued health, life, and accidental death and dismemberment (AD&D) insurance expenses. Health, life, and AD&D insurance expenses on biweekly payrolls paid in July were for July coverage, so those amounts should not have been included in the payroll accrual. The incorrect accrual resulted in an overstatement of \$5,115 to Accounts Payable & Accrued Liabilities on the Balance sheet and Administrative Costs from Fees on the Statement of Revenues, Expenses, and Changes in Net Position.
- The agency did not properly accrue indirect costs of \$4,127 related to the June 26, 2017, through July 9, 2017, pay period. Rather than prorating indirect costs between fiscal years 2017 and 2018, the entire entry was recorded in the fiscal year ending June 30, 2018. This resulted in the Accounts Payable & Accrued Liabilities on the Balance sheet and Administrative Costs from Fees on the Statement of Revenues, Expenses, and Changes in Net Position being understated by \$4,127.

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

A similar finding was noted during the previous audit.

A good internal control plan and sound accounting practices require procedures to ensure accounting accrual entries and estimates are accurate and complete for proper financial statement presentation. When such procedures are not in place, there is an increased risk of materially misstating the financial statements.

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENTS AND RECOMMENDATIONS
(Concluded)

1. Financial Statement Errors (Concluded)

Agency Response: The agency has established a checklist to allow for adequate time to prepare the financials, accrue payroll, and obtain approval from EPA so the proper indirect rate will be used for the corresponding fiscal year.

2. Cost Effectiveness Analysis Certification

For one of two loans tested, the Agency did not receive certification that the receiving entity performed a cost effectiveness analysis prior to payments being made to the community for final design and construction. A loan in the amount of \$132,056 was funded by the Program.

Title 33 U.S. Code § 1382(b) states, in relevant part, the following:

The administration shall enter into an agreement under this section with a State only after the State has established to the satisfaction of the Administration that . . . (13) beginning in fiscal year 2016, the State will require as a condition of providing assistance to a municipality or intermunicipal, interstate, or State agency that the recipient of such assistance certify, in a manner determined by the Governor of the State, that the recipient – (A) has studied and evaluated the cost and effectiveness of the processes, materials, techniques, and technologies for carrying out the proposed project or activity for which assistance is sought under this subchapter[.]

When the certification of a cost effectiveness analysis is not obtained, the Agency is not in compliance with Title 33 U.S. Code § 1382.

We recommend the Agency implement procedures to obtain certification that a cost effectiveness analysis was performed prior to making any payments to the receiving entity.

Agency Response: On February 1st, 2018, NDEQ implemented the following conditions for a Cost and Effectiveness Analysis to be certified:

A preliminary CEA certification may be included in a preliminary engineering report. If it is not, the certification must be received before first payment request is disbursed. An additional line has been added to the NDEQ's preliminary checklist form to ensure the certification has been received before any reimbursements are processed.

If any required items are not stated in the preliminary engineering report, a letter may be submitted to NDEQ containing statement and confirmation of all necessary CEA requirements as well as signed by the borrower's professional engineer. The certification will then be added to the project file in the section containing the preliminary checklist.

Any additional information will be included in the Cost and Effectiveness Analysis guidance document located on NDEQ's website.



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NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY CLEAN WATER STATE REVOLVING FUND PROGRAM

INDEPENDENT AUDITOR'S REPORT

Nebraska Department of Environmental Quality
Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program are intended to present the balance sheet, the changes in financial position, and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program. They do not purport to, and do not, present fairly the balance sheet of the Nebraska Department of Environmental Quality as of June 30, 2017, 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 9 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 February 27, 2018, on our consideration of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program's internal control over financial reporting and on our

tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to 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 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.

Report on Regulatory Requirements

In accordance with the *U.S. Office of Management and Budget (OMB) Compliance Supplement*, we have also issued our report dated February 27, 2018, on our consideration of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program's internal control over compliance and our tests of its compliance with certain provisions of laws, regulations, and grants.

Lincoln, Nebraska
February 27, 2018



Philip J. Olsen CPA, CISA
Assistant Deputy Auditor

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nebraska Department of Environmental Quality (Agency) – Clean 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, 2017. This analysis has been prepared by management of the Agency and is intended to be read in conjunction with the Program's financial statements and related footnotes, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

ANALYSIS OF BALANCES AND TRANSACTIONS – ENTERPRISE FUND

Changes in Net Position

For the fiscal year ended June 30, 2017, the net position of the Program increased by \$11,397,480 or 4.0%. The increase in Net Position was largely impacted for three reasons. The first is due to the volume of Operating Revenues collected, \$5,139,590, which is loan interest and fees with an additional \$1,653,632 interest earned through the Operating Investment Pool on the fund balance. The second is the Program continued to receive Federal grants and drew down \$6,771,274, 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 Current Liabilities

Dollars Due to Grant Recipients decreased by \$137,287 in fiscal year 2017 over fiscal year 2016 because fiscal year 2016 had higher amounts payable for Loan Forgiveness and Small Town Grants.

Changes in Net Investment in Capital Assets

The fiscal year over year comparison represents an inception-to-date summary. In fiscal year 2016, the Program invested \$69,092 in the Loan and Grant Tracking System (LGTS). In fiscal year 2017, an additional \$29,283 was invested in LGTS software development.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

BALANCE SHEET

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Current Assets	\$ 84,298,216	\$ 88,913,727	-5.2%
Non-current Assets	<u>213,501,804</u>	<u>197,633,758</u>	<u>8.0%</u>
Total Assets	<u>297,800,020</u>	<u>286,547,485</u>	<u>3.9%</u>
Current Liabilities	114,152	268,814	-57.5%
Non-current Liabilities	<u>76,479</u>	<u>66.76</u>	<u>14.6%</u>
Total Liabilities	<u>190,631</u>	<u>335,576</u>	<u>-43.2%</u>
Net Position:			
Net Investment in Capital Assets	196,740	167,457	17.5%
Unrestricted	<u>297,412,649</u>	<u>286,044,452</u>	<u>4.0%</u>
Total Net Position	<u>\$ 297,609,389</u>	<u>\$ 286,211,909</u>	<u>4.0%</u>

CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Loan Fees Administration	\$ 1,526,902	\$1,483,372	2.9%
Interest on Loans	3,612,688	3,321,368	8.8%
Fines, Forfeits & Penalties	<u>140</u>	<u>140</u>	<u>-100.0%</u>
Total Operating Revenues	<u>5,139,590</u>	<u>4,804,880</u>	<u>7.0%</u>
Administration	960,657	998,665	-3.8%
Grant Expense	642,778	402,420	59.7%
Loan Forgiveness	<u>585,534</u>	<u>710,296</u>	<u>-17.6%</u>
Total Operating Expenses	<u>2,188,969</u>	<u>2,111,381</u>	<u>3.7%</u>
Operating Income	2,950,621	2,693,499	9.5%
Federal Grants	6,798,997	7,135,967	-4.7%
Interest Revenue	1,653,632	1,780,966	-7.1%
Bond Expenses	<u>(5,770)</u>	<u>(5,770)</u>	<u>46.0%</u>
Total Non-Operating Revenue (Expense)	<u>8,446,859</u>	<u>8,912,980</u>	<u>-5.2%</u>
Change in Net Position	11,397,480	11,606,479	-1.8%
Beginning Net Position July 1	<u>286,211,909</u>	<u>274,605,430</u>	<u>4.2%</u>
Ending Net Position June 30	<u>\$ 297,609,389</u>	<u>\$ 286,211,909</u>	<u>4.0%</u>

Loan forgiveness is awarded to communities who meet specific guidelines for need. It is not paid to a community until that community has allowable expenditures to report and, therefore, has a construction project that has commenced.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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

ECONOMIC OUTLOOK

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

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 \$1,360,000, which was repaid and retired within the same fiscal year.

LINKED DEPOSIT PROGRAM

The Agency continues the implementation of a linked deposit program for nonpoint source pollution control projects through revisions of Title 131 of the Nebraska Administrative Code. The Clean Water State Revolving Fund will partner with eligible lending institutions, which will disburse loans to borrowers for these projects through a linked deposit loan program. Under this program, the State agrees to place funds into low-yielding deposits, and the lending institution agrees to provide loans to borrowers at similarly reduced interest rate below common market rates. Title 131 revisions were presented to the Environmental Quality Council in November 2015 and approved. With those revisions, marketing and communication of the program has begun.

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.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Concluded)

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 providing 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 years 2015 through 2017, the system was used concurrently with existing systems to create a basis for reliability and consistency. Once dependable, reconciled results will be established, the existing internal system will be discontinued, and LGTS will become the sole system for use within the SRF program alongside the State Accounting system.

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

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

BALANCE SHEET

June 30, 2017

Enterprise Fund

ASSETS

Current Assets:

Cash and Cash Equivalents:

Cash in State Treasury (Note 2)	\$	71,293,477
Interest Receivable		124,633
Loans Receivable (Note 3)		12,880,106
Total Current Assets		84,298,216

NON-CURRENT ASSETS

Loans Receivable (Note 3)		213,305,064
Capital Assets, Net (Note 4)		196,740
Total Noncurrent Assets		213,501,804
Total Assets	\$	297,800,020

LIABILITIES

Current Liabilities:

Accounts Payable & Accrued Liabilities	\$	59,221
Due to Grant Recipients (Note 1)		47,367
Compensated Absences (Note 6)		7,564
Total Current Liabilities		114,152

Noncurrent Liabilities:

Compensated Absences (Note 6)		76,479
Total Noncurrent Liabilities		76,479
Total Liabilities	\$	190,631

NET POSITION

Net Investment in Capital Assets		196,740
Unrestricted		297,412,649
Total Net Position		297,609,389
Total Liabilities and Net Position	\$	297,800,020

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CLEAN WATER STATE REVOLVING FUND PROGRAM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2017

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration (Note 8)	\$ 1,526,902
Interest on Loans	3,612,688
Total Operating Revenues	<u>\$ 5,139,590</u>
OPERATING EXPENSES:	
Administrative Costs from Fees (Note 10)	759,577
4% Administrative Costs From Grants (Note 10)	201,080
Small Town Grants (Note 10)	506,050
Project Planning Activities and Report Grants (Note 10)	136,728
Loan Forgiveness (Note 10)	585,534
Total Operating Expenses	<u>\$ 2,188,969</u>
Operating Income	2,950,621
NONOPERATING REVENUE (EXPENSE)	
Capital Contributions - Federal Grants (Note 7)	6,771,274
Capital Contributions - Federal Grants - Capital Assets	27,723
Interest on Fund Balance - State Operating Investment Pool (Note 9)	1,653,632
Interest Expense on Bonds Payable	(10,098)
Net (Bond Issuance Costs) and Debt Service Refund	4,328
Net Nonoperating Revenues (Expenses)	<u>8,446,859</u>
Change in Net Position	11,397,480
NET POSITION, JULY 1	<u>286,211,909</u>
NET POSITION, JUNE 30	<u><u>\$ 297,609,389</u></u>

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

Enterprise Fund

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts From Customers	\$ 25,209,737
Payments for Administration	(968,317)
Payments for Small Town Grants	(581,346)
Payments for Project Planning Activities and Report Grants	(116,928)
Loan Forgiveness	(667,325)
Payments to Borrowers	(35,685,354)
Net Cash Flows from Operating Activities	\$ (12,809,533)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Grants Received From the Environmental Protection Agency	6,771,275
Receipts from Bond Issue	1,360,000
Repayment of Bond	(1,360,000)
Bond Interest Payments	(10,098)
Debt Service Refunds	4,328
Net Cash Flows from Noncapital Financing Activities	6,765,505

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Capital Contributions	27,723
Purchase of Capital Assets	(29,283)
Net Cash Flows from Capital Financing Activities	\$ (1,560)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	1,656,624
Net Cash Flows from Investing Activities	\$ 1,656,624

Net Decrease in Cash and Cash Equivalents	(4,388,964)
CASH AND CASH EQUIVALENTS, JULY 1	75,682,441
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 71,293,477

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

Operating Income	\$ 2,950,621
Adjustments to reconcile operating income to net cash flows from operating activities:	
(Increase)/Decrease in Loans Receivable	(15,615,209)
Increase/(Decrease) in Compensated Absences	10,678
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	(18,336)
Increase/(Decrease) in Payables to Grant Recipients	(137,287)
Total Adjustments	(15,760,154)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (12,809,533)

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the Nebraska Department of Environmental Quality (Agency) – Clean 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).

B. Reporting Entity

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

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

C. Fund Structure

The Program's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 funds, as identified in the Wastewater Treatment Facilities Construction Assistance Act:

- Clean Water Facilities Funds – Federal Funds 48412 and 48413; and Repaid Principal and Bond Funds 68471, 68472, and 68473.
- Administration Funds – Cash Funds 28460.

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 Agency have decided that the determination of the revenues earned, expenses incurred, and/or net income is necessary to demonstrate the success of the Program and to assure the EPA the Program will be available in perpetuity, as intended.

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

D. Measurement Focus, Basis of Accounting

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

E. Cash and Cash Equivalents

In addition to bank accounts and petty cash, this classification includes all short-term investments, such as certificates of deposit, repurchase agreements, and U.S. treasury bills. These short-term investments have original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2017, 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 interest rates on loans range from 1.25% to 4.3%, and the terms on outstanding loans range from 1.92 to 20 years.

The Program loans are funded from Federal capitalization grants, State match funding, and the Clean 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 Clean Water State Revolving Funds. The Clean Water State Revolving Fund is financed through principal repayments plus interest earnings available to finance new projects, allowing the funds to "revolve" over time.

The current loans receivable amount was determined using the amount of principal payment due to the Program at June 30, 2017, which is collectible in fiscal year 2018. Loans receivable that were paid in full, prior to their due date, as of August 31, 2017, were included in the current loans receivable balance as opposed to the long-term receivable balances.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

No provisions were made for uncollectible accounts, as management believed all loans would be repaid according to the loan terms.

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 expenditures during the reporting period. Actual results could differ from those estimates.

H. Compensated Absences

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

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

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

I. Due to Grant Recipients

The Program awards Project Planning Activities and Report Grants, and Small Town Grants to communities with populations below 10,000 demonstrating serious financial hardship. Municipalities with wastewater treatment facility projects that have made application for grants and whose needs are identified on the Project Priority Planning List on the annual Intended Use Plan and who also meet the population and financial hardship guidelines are given priority for receiving grants.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

The Program may choose to provide additional subsidization for municipalities in the form of loan forgiveness, up to a maximum of \$100,000 per project. The Program's power and authority to distribute the additional subsidization is an existing authority under the State Environmental Protection Act at Neb. Rev. Stat. § 81-1504(4) (Cum. Supp. 2016) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81- 15,150 (Cum. Supp. 2016). To qualify for loan forgiveness, a community must be considered disadvantaged in regards to meeting affordability criteria, and have a population equal to or fewer than 10,000 people. 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 Project Planning Activities and Report Grants, Small Town Grants, and Loan Forgiveness awards, once the municipality submits proof of vendor payment to the Agency, it is reimbursed for its project costs by the Program. The Program's financial statements recognized the expense and accrued liability to the Program when the municipality incurred the project expense, which may not have been 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 expenses, small town grants, and loan forgiveness.

K. Capital Assets

The Program has only one capital asset, the Loans and Grants Tracking System (LGTS) software, and it is recorded at cost. The Agency began the development phase of the LGTS software during fiscal year ended June 30, 2014, and is anticipating this phase to be completed during fiscal year ended June 30, 2018. The LGTS software is considered an Intangible Capital Asset, and the Agency follows the capitalization policy set forth by the State of Nebraska for Intangible Capital Assets, which requires capitalization of such assets when the cost of such asset is in excess of \$100,000 and has an expected life of greater than one year. The LGTS software has an estimated useful life of seven years. Depreciation/amortization will begin upon completion of the development phase and the software being put into production and will be computed using the straight-line method over the estimated useful life of the asset.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. Cash in State Treasury

Cash in State Treasury, as reported on the balance sheet, is under the control of the Nebraska State Treasurer or other administrative bodies, as determined by law. Investment of all available cash is made by the State Investment Officer on a daily basis, based on total bank balances. These funds are held in the State of Nebraska Operating Investment Pool (OIP), an internal investment pool. Additional information on the deposits and investments portfolio, including investment policies, risks, and types of investments, can be found in the State of Nebraska's CAFR for the fiscal year ended June 30, 2017. 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 2017. Amounts are allocated on a monthly basis based on average balances of all invested funds.

3. Loans Receivable

As of June 30, 2017, the Program had 187 outstanding community loans that totaled \$226,185,170. The outstanding balances of the 10 communities with the largest loan balances, which represent 70.9% of the total loans, were as follows:

<u>Community</u>	<u>Outstanding Balance</u>
Omaha	\$ 78,730,885
Grand Island	27,542,147
Lincoln	20,802,878
Kearney	6,408,541
Wayne	5,586,004
Broken Bow	4,819,822
South Sioux City	4,565,695
Nebraska City	4,068,415
Lexington	3,974,707
York	
TOTAL	<u>\$ 160,418,392</u>

4. Capital Assets

The Clean Water State Revolving Fund (SRF) capital assets activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Software Development In-Progress				
Loans and Grants Tracking System (LGTS)	\$ 167,457	\$ 29,283	\$ -	\$196,740

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. Bonds Payable

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

The EPA requires the Program to provide 20% matching funds for each capitalization grant under § 602(b)(2) of the Federal Clean Water Act. Interest revenue from Program loans was pledged to pay off the bonds. During the fiscal year, the Program issued and retired Series 2016 short-term revenue bonds to meet the requirement of matching each capitalization grant with 20% of non-Federal funds. Bonds Payable activity for fiscal year 2017 on the short-term bond was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds Payable	\$ -	\$ 1,360,000	\$ 1,360,000	\$ -

6. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2017, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$ 73,365	\$ 10,678	\$ -	\$ 84,043	\$ 7,564

7. Capital Contributions

Included in the net position is the total amount of capitalization grants drawn from the EPA by the Agency. The following summarizes the capitalization grants awarded and drawn, as well as the remaining balance as of June 30, 2017. 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, 2017, and may have been drawn over multiple years.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. Capital Contributions (Continued)

Federal Fiscal Year Available	Grant Amount	Amount Drawn	Balance
1989	\$ 4,773,100	\$ 4,773,100	\$ -
1990	4,964,560	4,964,560	-
1991	10,821,580	10,821,580	-
1992	9,938,500	9,938,500	-
1993	9,830,300	9,830,300	-
1994	6,061,600	6,061,600	-
1995	6,263,600	6,263,600	-
1996	10,319,661	10,319,661	-
1997	3,119,900	3,119,900	-
1998	7,019,996	7,019,996	-
1999	6,857,600	6,857,600	-
2000	6,834,000	6,834,000	-
2001	6,797,400	6,797,400	-
2002	6,855,000	6,855,000	-
2003	7,069,900	7,069,900	-
2004	6,747,100	6,747,100	-
2005	5,467,300	5,467,300	-
2006	4,424,300	4,424,300	-
2007	5,429,600	5,429,600	-
2008	3,415,700	3,415,700	-
2009 - ARRA	20,045,000	20,045,000	-
2009	3,415,700	3,415,700	-
2010	10,422,000	10,422,000	-
2011	7,529,000	7,529,000	-
2012	7,075,582	7,075,582	-
2013	6,663,899	6,663,899	-
2014	7,144,000	7,144,000	-
2015	7,080,590	7,080,590	-
2016	6,771,276	6,771,276	-
2017	6,750,000	-	6,750,000
TOTAL	\$ 215,907,744	\$ 209,157,744	\$ 6,750,000

Not included in the above Grant Totals are the amounts set aside as in-kind contributions for the Loans and Grant Tracking System (LGTS) software development. The 2012, 2013, 2015, and 2016 grants had \$107,476, \$153,043, \$26,410, and \$31,724, set aside, respectively, as in-kind amounts for the use by the EPA for the development of the new LGTS software.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. Capital Contributions (Concluded)

The amount of in-kind contributions utilized for the LGTS software during the fiscal year ending June 30, 2017, was \$29,283. The total amount utilized for LGTS as of June 30, 2017, was \$196,740. Additional in-kind contributions were received and capitalized for the Drinking Water State Revolving Fund Program, which also utilizes the LGTS software.

8. Loan Fees Administration

To meet the long-term administrative needs of the Program, an annual fee of up to 1% is charged against the outstanding principal on loans. These fees are calculated on a semi-annual basis and billed when loan principal and interest payments are due. These fees are not included in the loan principal. The Director of the Program may waive this fee during construction, except on projects that receive only interim financing during construction. The fee is applied to all loans in accordance with Title 131 Nebraska Administrative Code (NAC) Chapter 8 and the loan agreements.

9. Interest on Fund Balance – State Operating Investment Pool

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

10. Operating Expenses

The Operating Expenses of the Program are classified, for financial reporting purposes, into five categories:

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 and other eligible water quality related purposes. The fee on a loan made from leveraged bond proceeds may be set to reflect the cost of issuing bonds and management of the leveraged loan portfolio.

4% Administrative Costs from Grants

The maximum amount allowable for administering and managing the Program is 4% of the cumulative amount of capitalization grant awards received. When the administrative expenses of the Program exceed 4%, the excess must be paid from sources outside of Program grant awards.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. Operating Expenses (Concluded)

Small Town Grants

Per Neb. Rev. Stat. § 81-15,151(2) (Cum. Supp. 2016) and Neb. Rev. Stat. § 81-15,153(11) (Supp. 2017), Small Town Grants are made available to communities that have populations of 10,000 inhabitants or less and demonstrate serious financial hardship. The maximum amount to be awarded in Small Town Grants is set at 50% of the revenue from administrative fees collected in the prior fiscal year. In the 2017 Intended Use Plan (IUP), the Agency set the upper limit of grant to each community at \$250,000 per project, concurrent with a Program loan. Projects are prioritized based on the type of project and Median Household Income of the community.

Project Planning Activities and Report Grants

Project Planning Activities and Report Grants may be provided to municipalities with populations of 10,000 or fewer inhabitants that demonstrate serious financial hardship. Municipalities with wastewater treatment facility project needs that are identified on the project priority list, have not received a grant in the past five years, and also qualify for a Small Town Grant can receive up to 90% of project costs up to a maximum of \$15,000 per project. These grants are funded through the Administrative Cash Fund.

Loan Forgiveness

The State may choose to provide additional subsidization in the form of loan forgiveness up to a maximum of \$100,000 per project to qualifying disadvantaged communities that meet the affordability criteria found in the 2017 IUP. Awarding loan forgiveness is dependent on the availability of funding from Federal capitalization grants and the total amount of funds the Program decides to allocate for forgiveness from each grant. The Program will reserve up to \$680,300 (approximately 10% of the Capitalization Grant) for forgiveness to be used for additional subsidization. The Program's authority to distribute the additional subsidization is an existing authority under the State Environmental Protection Act at Neb. Rev. Stat. § 81-1504(4) (Cum. Supp. 2016) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81-15,150 (Cum. Supp. 2016). Together, these statutes allow the Program to accept and expend Federal grants for designated projects. Loan forgiveness discharges the community from repaying that portion of the principal amount of its loan under the terms and conditions of the loan contract.

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

NOTES TO THE FINANCIAL STATEMENTS

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

type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected either to continue participation in the defined contribution option or to begin participation in the cash balance benefit. The defined contribution option is closed to new entrants. All new members of the Plan on and after January 1, 2003, become members of the cash balance benefit. The benefits and funding policy of the Plan are established and can only be amended by the Nebraska Legislature.

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

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

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

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

Cash Balance Benefit – Upon attainment of age 55, regardless of service, the retirement allowance 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, 2017, employees contributed \$24,276, and the Agency contributed \$37,870. A separate plan report is issued and can be obtained from the Nebraska Public Employees Retirement System. This report contains full pension-related disclosures.

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

NOTES TO THE FINANCIAL STATEMENTS

(Concluded)

12. Contingencies and Commitments

Risk Management – The Agency is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Agency, as part of the primary government for the State, participates in the State's risk management program. 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 the following:

A. Motor vehicle liability with vehicular pursuit, which is insured for the first \$5,000,000 of exposure per accident with a self-insured retention of \$300,000 and \$300,000 corridor retention. Motor vehicle liability is insured for \$1,000,000 with a self-insured retention of \$200,000, and with excess coverage of \$400,000,000. 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 \$5,000 deductible for this coverage.

B. Life insurance for eligible employees.

C. Crime coverage, with a limit of \$31,000,000 for each loss, and a \$25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.

D. Real and personal property on a blanket basis for losses up to \$401,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly acquired properties are covered up to \$10,000,000 for 120 days and, after 120 days, if the property has not been reported, the limit decreases to \$5,000,000. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self-insurance. State agencies have the option to purchase building contents and inland marine coverage.

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

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



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NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN 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 Environmental Quality
Lincoln, Nebraska

We have audited, 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, the financial statements of the business-type activities of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program's basic financial statements, and have issued our report thereon dated February 27, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and

corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Additional items

We noted certain additional items that we reported to management of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program in the Comments Section of this report as Comment Number 1 (Financial Statement Errors) and Comment Number 2 (Cost Effectiveness Analysis Certification).

Nebraska Department of Environmental Quality’s Response to Findings

The Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program’s responses to the findings identified in our audit are described in the Comments Section of the report. The Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them. Where no response is indicated, the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program declined to respond.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, 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.



Lincoln, Nebraska
February 27, 2018

Philip J. Olsen, CPA, CISA
Assistant Deputy Auditor



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

INDEPENDENT AUDITOR’S REPORT

Nebraska Department of Environmental Quality
Lincoln, Nebraska

Report on Compliance for the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program

We have audited the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program for the year ended June 30, 2017.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of

Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program occurred. An audit includes examining, on a test basis, evidence about the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program

In our opinion, the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Lincoln, Nebraska
February 27, 2018

Philip J. Olsen, CPA, CISA
Assistant Deputy Auditor

ATTACHMENT 6

SUMMARY LOAN LIST - SFY 2017

CW Benefits Summary Loan List for Nebraska - SFY 2017					
STATE	SYSTEM NUMBER	RECIPIENT	TRACKING NUMBER	ASSISTANCE AMOUNT	INITIAL AGREEMENT
NE	511	Allen	C317838	-321,190.00	10/17/2017
NE	1216	Anselmo	C317686	-1,996.00	8/11/2017
NE	1268	Cairo	C317996	870,000.00	4/13/2018
NE	1271	Comstock	C317997	221,100.00	5/16/2018
NE	1263	DeWeese	C317991	220,000.00	1/9/2018
NE	394	Firth	C317698	-82,349.00	7/21/2017
NE	1243	Gilead	C317709	15,861.00	9/11/2017
NE	465	Gothenburg	C317781	-353,663.00	8/10/2017
NE	1267	Gothenburg	C317995	625,000.00	2/14/2018
NE	1198	Grand Island	C317981	-6,473,543.00	7/25/2017
NE	1260	Grand Island	C317990	6,473,500.00	9/18/2017
NE	1274	Haigler	C317999	418,675.00	6/29/2018
NE	1244	Hastings	C317930	7,000,000.00	9/11/2017
NE	1265	Kearney	C317961	4,075,100.00	5/2/2018
NE	1221	Loup City	C317611	-52,909.00	1/2/2018
NE	1259	Lynch	C317993	572,700.00	12/21/2017
NE	1266	Marquette	C317998	310,000.00	2/13/2018
NE	382	Oconto	C317682	-6,005.00	8/28/2017
NE	1269	Randolph	C317992	400,000.00	4/13/2018
NE	1258	South Sioux City	C317988	-83,054.00	12/5/2017
NE	493	Superior	C317818	-13,934.00	10/24/2017
NE	1261	Sutherland	C317994	365,000.00	3/13/2018
NE	1254	Taylor	C317430	-68,140.00	7/13/2017
NE	1262	Wauneta	C317423	250,000.00	10/23/2017
		TOTAL FOR ALL 13 LOANS:		\$14,360,153	

SUMMARY REPORT

Nebraska CW Benefits Summary Report for Projects with Water Uses Reported

ALL LOANS

	LOANS		PROJECTS			BORROWERS		
	ASSISTANCE DOLLARS (MILLIONS)	LOAN COUNT	ASSISTANCE DOLLARS (MILLIONS)	SUBSIDY DOLLARS (MILLIONS)	PROJECT COUNT	FACILITY POPULATION (MILLIONS)	FACILITY FLOW (MGD)	BORROWER COUNT
TOTAL RECORDS	21.8	13	21.8		13			13
RECORDS WITH BENEFITS DATA IMPACTING HUMAN HEALTH	6.5	1	6.5	2.6	1	0	0	1
	0	0	0	0	0	0	0	0
	0%	0%	0%		0%	People Served per \$million		0%

WITH IMPAIRED WATERBODY	6.5	2.6	1	0	0	1
	100%		People Served per \$million			
WITH WATERBODY MEETING STANDARDS	0	0	0			

TO IMPROVE WATER	0	0	0
TO MAINTAIN WATER QUALITY	6.5	2.6	1

TO ACHIEVE COMPLIANCE	0	0	0
TO MAINTAIN COMPLIANCE	6.5	2.6	1