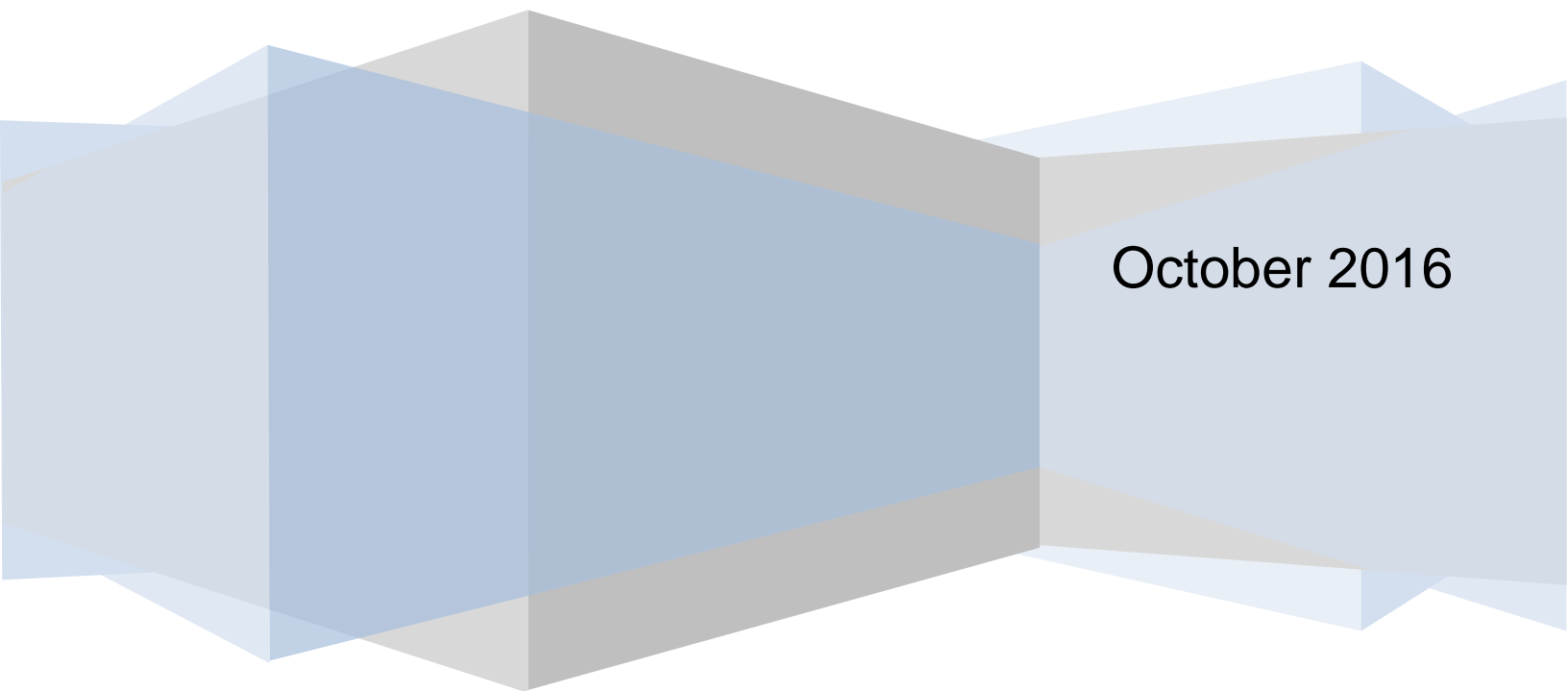


**State of Nebraska  
Department of Environmental Quality**

# **Clean Water State Revolving Fund Annual Report**

**State Fiscal Year 2016**



October 2016

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## **EXECUTIVE SUMMARY**

The Nebraska Clean Water State Revolving Loan Fund Annual Report for state fiscal year 2016 (7/1/15 - 6/30/16) 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 in two sections, the first section is the Financial Schedule Section along with the notes to the financial schedules, and the second section is the Program Section serving to provide supplemental information tying back to the Intended Use Plan. 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 281 projects with a cumulative loan award amount \$ 577.8 million.

# I. 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. Neb. Rev. Stat. § 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 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 20 years, 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 percent of the Federal capitalization grant as matching funds in order to receive a Federal grant.

As of June 30, 2016, the EPA had awarded \$209.5 million in Capitalization grants to the State. Of the \$209.5 million awarded, approximately \$20 million was funded by the American Recovery and Reinvestment Act (ARRA). The \$189.5 million not funded by ARRA required the State to contribute approximately \$37.9 million in matching funds. The State provided appropriations to contribute \$955,000 of the funds 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 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 Intended Use Plan.

### A. MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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 state fiscal year ended June 30, 2016. 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, 2016, the Net Position of the Program increased by 4.3%. The increase in Net Position was largely impacted by a net increase in Loans Receivable of over \$16.3 million. There are several very large (over \$4 million) loans to communities that were signed this year. All other changes that impacted Net Position were nominal from FY15 to FY16.

	<b>NET POSITION</b>		
	<b>2016</b>	<b>2015</b>	<b>% Change</b>
Current Assets	\$ 86,939,060	\$ 100,179,455	-13.2%
Non-current Assets	199,629,698	174,624,427	14.3%
<b>Total Assets</b>	<b>286,568,758</b>	<b>274,803,882</b>	<b>4.3%</b>
Current Liabilities	139,214	117,601	18.4%
Non-current Liabilities	73,600	80,851	-9.0%
<b>Total Liabilities</b>	<b>212,814</b>	<b>198,452</b>	<b>7.2%</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	174,971	98,365	77.9%
Unrestricted	286,180,973	274,507,065	4.3%
<b>Total Net Position</b>	<b>\$ 286,355,944</b>	<b>\$ 274,605,430</b>	<b>4.3%</b>

## CHANGES IN NET POSITION

	2016	2015	% Change
Loan Fees Administration	\$ 1,483,372	\$ 1,182,944	25.4%
Interest on Loans	3,321,368	3,454,012	-3.8%
Fines, Forfeits & Penalties	140	214	-34.4%
<b>Total Operating Revenues</b>	<b>4,804,880</b>	<b>4,637,170</b>	<b>3.6%</b>
Administration	982,927	974,437	0.5%
Grant Expense	393,805	300,820	30.9%
Loan Forgiveness	600,938	568,157	5.8%
<b>Total Operating Expenses</b>	<b>1,977,670</b>	<b>1,843,414</b>	<b>7.3%</b>
<b>Operating Income</b>	<b>2,827,210</b>	<b>2,793,756</b>	<b>1.5%</b>
Federal Grants	7,135,967	18,099,610	-60.6%
Interest Revenue	1,791,290	1,968,219	-9.0%
Bond Expenses	(3,953)	(34,282)	-88.5%
<b>Total Non-Operating Revenue (Expense)</b>	<b>8,923,304</b>	<b>20,033,547</b>	<b>-55.5%</b>
<b>Change in Net Position</b>	<b>11,750,514</b>	<b>22,827,303</b>	<b>-48.5%</b>
<b>Beginning Net Position July 1</b>	<b>274,605,430</b>	<b>251,788,127</b>	<b>9.1%</b>
<b>Ending Net Position June 30</b>	<b>\$ 286,355,944</b>	<b>\$ 274,605,430</b>	<b>4.3%</b>

Loan forgiveness is awarded to communities who meet specific guidelines for need. 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 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. To more accurately reflect the type of revenue being reported, interest on investing activities has been reclassified from operating revenue to non-operating revenue.

### ECONOMIC OUTLOOK

The State has continued to take steps to avert major economic impacts both statewide and within communities. The small rural makeup of the State remains a challenge for communities in funding major capital projects. 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 \$1,425,000 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. 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 approved by the Environmental Quality Council in June 2016, and are awaiting final approval by the Governor. With those revisions, marketing and outreach for 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.

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

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

Nebraska's State Revolving Fund programs have begun implementation of the LGTS system. During fiscal year 2014, planning of the implementation phases, business rules, and hardware/software installations occurred. During fiscal years 2015 and 2016, 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.



## B. BALANCE SHEET (UNAUDITED)

### NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY CLEAN WATER STATE REVOLVING FUND PROGRAM

#### B. UNAUDITED BALANCE SHEET

Fiscal Year Ended June 30, 2016

<b>Enterprise Fund</b>
------------------------

#### ASSETS

##### CURRENT ASSETS:

Cash in State Treasury	\$	75,682,441
Due from Federal Government		-
Interest Receivable		148,899
Loans Receivable – Current		13,760,295
<b>TOTAL CURRENT ASSETS</b>		<u>89,591,635</u>

##### NON-CURRENT ASSETS

Loans Receivable		196,809,667
Capital Assets, Net		167,457
<b>TOTAL NON-CURRENT ASSETS</b>		<u>196,977,123</u>
<b>TOTAL ASSETS</b>	\$	<u>286,568,758</u>

#### LIABILITIES

##### CURRENT LIABILITIES:

Accounts Payable & Accrued Liabilities	\$	65,254
Due to Grant Recipients		66,681
Compensated Absences		7,279
<b>TOTAL CURRENT LIABILITIES</b>		<u>139,214</u>

##### NON-CURRENT LIABILITIES:

Compensated Absences		73,600
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>73,600</u>
<b>TOTAL LIABILITIES</b>		<u>212,814</u>

#### NET ASSETS

Net Investment in Capital Assets		174,971
Unrestricted		286,180,973
<b>TOTAL NET POSITION</b>		<u>286,355,944</u>
<b>TOTAL LIABILITIES AND NET POSIT</b>	\$	<u>286,568,758</u>

**C. STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
(UNAUDITED)**

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**C. STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

Fiscal Year Ended June 30, 2016

UNAUDITED

	<b>Enterprise Fund</b>
<b>OPERATING REVENUES:</b>	
Loan Fees Administration	\$ 1,483,372
Interest on Loans	3,321,368
Fines Forfeits & Penalties	140
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 4,804,880</b>
<b>OPERATING EXPENSES:</b>	
Administrative Costs from Fees	784,782
4% Administrative Costs From Grants	198,145
Small Town Grants	388,855
Facility Planning Grants	4,950
Loan Forgiveness	600,938
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,977,670</b>
<b>OPERATING INCOME</b>	2,827,210
<b>NONOPERATING REVENUE (EXPENSE)</b>	
Capital Contributions - Federal Grants	7,079,357
Capital Contributions - Federal Grants – Capital Assets	56,611
Interest on Fund Balance - State Operating Investment Pool	1,791,290
Interest Expense on Bonds Payable	(6,698)
Cost of Bond Issuance	2,745
<b>NET NONOPERATING REVENUE (EXPENSE)</b>	<b>8,923,304</b>
<b>CHANGE IN NET POSITION</b>	11,750,514
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<b>274,605,430</b>
<b>TOTAL NET POSITION, END OF YEAR</b>	<b>\$ 286,355,944</b>

## D. STATEMENT OF CASH FLOWS (UNAUDITED)

### NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY CLEAN WATER STATE REVOLVING FUND PROGRAM

#### D. UNAUDITED STATEMENT OF CASH FLOWS

Fiscal Year Ended June 30, 2016

	<b>Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts From Customers	\$ 27,110,525
Interest on Fund Balance – Trustee	-
Payments for Administration	(978,074)
Payments for Small Town Grants	(374,963)
Payments for Facility Planning Grants	(9,333)
Loan Forgiveness	(600,938)
Payments to Borrowers	(38,599,485)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (13,452,268)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Grants Received From the Environmental Protection Agency	7,080,870
Receipts from Bond Issue	1,425,000
Repayment of Bond	(1,425,000)
Bond Interest Payments	(6,698)
Payment for Bond Issuance Costs	2,745
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES:</b>	<b>7,076,917</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>	
Capital Contributions	56,611
Purchase of Capital Assets	(69,094)
<b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>	<b>\$ (12,483)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	1,782,586
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>\$ 1,782,586</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(4,605,248)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>80,287,689</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 75,682,441</b>

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

Net Operating Income \$ 2,827,210

**ADJUSTMENTS TO RECONCILE NET OPERATING INCOME TO NET CASH**

**USED BY OPERATING ACTIVITIES:**

(Increase)/Decrease in Loans Receivable (16,293,840)

(Increase)/Decrease in Administration Fees Receivable -

(Increase)/Decrease in Loan Interest Receivable -

(Increase)/Decrease in Fines Receivable -

Increase/(Decrease) in Compensated Absences (7,968)

Increase/(Decrease) in Accounts Payable & Accrued Liabilities 12,821

Increase/(Decrease) in Payables to Grant Recipients 9,509

**NET CASH USED BY OPERATING ACTIVITIES**

\$ (13,452,268)

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, 2016

**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, 2016, 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 1.3% to 4.3%, and the terms on outstanding loans range from 10 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, 2016, which is collectible in fiscal year 2017. Loans receivable that were paid in full, prior to their due date, as of August 31, 2016, were included in the current loans receivable balance as opposed to the long-term receivable balances.

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 Facility Planning 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.

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) (Supp. 2015) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81-15,150 (Reissue 2014). 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 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 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, 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, 2016. 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 2016. Amounts are allocated on a monthly basis based on average balances of all invested funds.

## **3. Loans Receivable**

As of June 30, 2016, the Program had 279 outstanding community loans, to 186 separate communities, that totaled \$210,569,962. The outstanding balances of the 10 communities with the largest loan balances, which represent 67.9% of the total loans, were as follows:

<u>Community</u>	<u>Outstanding Balance</u>
Omaha	\$ 63,585,417
Lincoln	21,914,513
Grand Island	21,424,268
Kearney	6,741,824
Wayne	5,523,138
Gosper County SID #1	5,345,682
Broken Bow	5,097,465
South Sioux City	4,847,430
Nebraska City	4,278,294
Lexington	4,185,539
<b>TOTAL</b>	<b>\$ 142,943,570</b>

**4. Capital Assets**

The Clean Water State Revolving Fund (SRF) capital assets activity for the year ended June 30, 2016, was:

	<u>Beginning Balance As Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Software				
Development In- Progress				
Loans and Grants Tracking System				
	\$ 98,365	\$ 76,606	\$ -	\$ 174,971

**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. During the fiscal year, the Program issued and retired Series 2015 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 2016 on the short-term bond was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Bonds Payable	\$ -	\$ 1,425,000	\$ 1,425,000	\$ -

6. **Noncurrent Liabilities**

Changes in noncurrent liabilities for the year ended June 30, 2016, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 88,847	\$ -	\$ 7,968	\$ 80,879	\$ 7,279

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, 2016. 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, 2016, and may have been drawn over multiple years.

<b>Federal Fiscal Year Available</b>	<b>Grant Amount</b>	<b>Amount Drawn</b>	<b>Balance</b>
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	7,080,509	-
2016	6,771,276		6,771, 276
<b>TOTAL</b>	<b>\$ 209,157,744</b>	<b>\$ 202,386,468</b>	<b>\$ 6,771,276</b>

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 in-kind amounts awarded by EPA for use in the development of LGTS were \$107,476 in 2012, \$153,043 in 2013, and \$26,410 in 2015. \$76,606 was the total amount awarded for the fiscal year ending June 30, 2016.

The in-kind amount is used by EPA to pay Northbridge for the software development. The total amount of in-kind utilized for the LGTS software development as of June 30, 2016 was \$152,261. 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 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.

#### 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 2016 was capped at \$850,000. In the 2016 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 \$20,000 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 2016 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 \$500,000 (approximately 7% 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) (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 Plan became effective by statute on January 1, 1964. The Public Employees Retirement Board was created in 1971 to administer the Plan. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance

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

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

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

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

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

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

For the fiscal year ended June 30, 2016, employees contributed \$22,951, and the Agency contributed \$35,804. 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](http://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 \$550,807,655; which is comprised of \$533,432,987 in loans and \$17,374,668 of obligated loan forgiveness. Of the \$533,432,987, \$267,250,797 has been repaid and \$55,612,228 has yet to be dispersed, leaving a current outstanding loan balance of \$210,569,962. Of the \$17,374,668 of loan forgiveness, \$16,712,843 has been dispersed. Details on the Fund loan portfolio are in Attachment 1. The SFY 2016 blended interest rate on the outstanding loan balance is 1.859%. The FY2015 blended rate was 2.062%. This year's blended interest rate is 20.3 basis points below last year.

#### 2. Source of CWSRF Funds by Quarter

State match for the FFY 2015 capitalization grant was provided by the \$1,425,000 NIFA/SRF 2015 bond issued on September 15, 2015. The FFY 2015 capitalization grant was awarded on July 29, 2015. The \$1,360,000 NIFA/CWSRF 2016B bond and \$600 cash, state match for the FFY 2016 capitalization grant was issued on August 19, 2016 and the capitalization grant award was awarded July 30, 2016.

**SOURCE OF STATE MATCH**  
**PROGRAM FUNDING YEAR FFY 2014, FFY 2015 AND FFY 2016**  
**CAPITALIZATION GRANTS**

NIFA Bond	Quarter	Bond Funds	Cash
2014B	SFY 2015-Q1	\$1,430,000	
2015	SFY 2016-Q1	\$1,425,000	
2016B	SFY 2017-Q1	\$1,360,000	600

**CAPITALIZATION GRANT PAYMENT SCHEDULE**

CAP GRANT	QUARTER	PAYMENT
FFY 2014	SFY 2014-Q1	\$7,144,000
FFY 2015	SFY 2015-Q1	\$7,107,000
FFY 2016	SFY 2016-Q1	\$6,803,000

#### 3. Binding Commitments

The CWSRF entered into eight binding commitments and four loan amendments to existing funded communities which provided financial assistance to eight new Section 212 Projects totaling \$36,550,610, which includes small town grants. The binding commitment total for SFY 2016 plus 4% administration totals \$36,436,010. The cumulative binding commitment exceeds the federal 120% binding commitment requirement for SFY 2015. The cumulative binding commitment amount of initial loan awards plus 4% administration totals \$612,260,191.

Attachment 2 provides information showing the binding commitments entered into during SFY 2016 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 \$612,260,191 or 256% of the required amount.



#### **4. Small Town Grant Report**

The Agency has authority to obligate 65% of the previous SFY administration fee income for small town matching grants and facility planning grants. In SFY 2016, \$491,462 was available for Small Town Grants and \$100,000 was made available to facility planning grants.

The following table reports allocations to projects during SFY 2016 for Small Town Grants. Attachment 3 provides more detail on fund history, disbursements, and balances.

<b>COMMUNITY</b>	<b>PROJECT #C31</b>	<b>GRANT AWARD DATE</b>	<b>GRANT AMOUNT</b>
Chester (Amend #1)	7875-01	08/05/2015	\$91,010
Allen	7838-01	11/13/2015	\$250,000
<b>SFY 2016 Allocation Total</b>			<b>\$341,010</b>

#### **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 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 \$20,000. Facility planning grants were awarded to Ainsworth, Comstock, Haigler, Marquette, and Superior in SFY 2016.

Since the grant's inception through the Nebraska Environmental Partnership (NEP) in SFY 2004 the CWSRF has awarded planning grants to 72 communities for a total of \$1,223,170. 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 six Section 212 projects during SFY 2016. 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 six projects: Allen, Culbertson, Dakota City, Grand Island, Stanton County SID No. 1, and York. Categorical Exclusions (CE) were issued for four projects: Alma, Creighton, Loup City, and Superior. In order to expedite the review process, FNSIs and CEs are now available on-line.

The following eight SRF wastewater projects initiated operation in SFY 2016: Big Springs, Cody, Grand Island, Gretna, Lincoln, Octono, Southerland, and Sprague.

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 2015 capitalization grant. This project was with the City of Grand Island for a \$28,000,000 amendment. The rest of the possible equivalent requirements were applied to all loans.

## **2. Short Term Goals and Accomplishments**

Eight short term goals were described in the SFY 2016 Intended Use Plan (IUP) to be undertaken in SFY 2016. 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.*

Continued education carries the importance of submission of the Needs Surveys including:

- Participating either through presentation or information booths at five different conferences and financial workshops throughout the state to increase participation,

- Partnering with the Agency's other programs that regularly meet with municipalities to provide SRF / Needs Survey information,
- Contacting eligible entities that did not respond to the 2015 Needs Survey to insure those that had known needs were accounted for in the SFY 2016 Project Priority List.

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 2017 IUP and state Priority Lists at the regularly scheduled Environmental Quality Council meeting on June 14, 2016 at Norfolk, Nebraska to receive public input and Council approval. The draft IUP and Project Priority Lists were made available 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 eleven separate communities during SFY 2016: Allen, Chester, Culbertson, Dakota City, Firth, Grand Island, Loup City, Oconto, Superior, Sydney, and York.

In addition, four loan amendments were provided to communities: Grand Island, Hartington, Hebron, and Maxwell.

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

**3. Revise Title 131 to include program requirements for implementation of a Linked Deposit Program and refinancing provisions in accordance with LB 514. This will allow assistance with nonpoint source impacts to waters of the State including but not restricted to: onsite systems, animal feeding operations, and water protection.**

Legislative Bill (LB) 514 was passed in February 2014. The NDEQ proposed changes to Title 131 for implementation of the bill to the Environmental Quality Council (EQC) on June 14, 2016, which the council approved. At the time of the creation of this report, the proposed Title 131 revisions are awaiting the Governor's approval.

**4. Revise Title 131 to include the clean water amendments signed by President Obama on June 10, 2014. This would include the fiscal sustainability plans, cost and effectiveness analysis, and affordability criteria.**

Inclusion of Fiscal Sustainability and Cost and Effectiveness Analysis wording to Title 131 was introduced to the EQC in November 2015. The amendments were approved and signed by the Governor on May 26, 2016.

**5. *Propose state statute revisions to allow up to 30 year loans, additional eligibilities, and the modified definition of treatment works that were part of the June 10, 2014 amendments.***

Other Clean Water Act amendments from 2014 such as CWSRF eligibilities and extended loan terms required Nebraska State Statute changes and have taken longer to implement into Title 131. LB737, approved by the Governor in February 2016, provided these statute changes and NDEQ is currently proposing amendments to Title 131 to incorporate these additional amendments and is planning to present these changes to the EQC in June 2017.

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

Projects in three communities were designated as Green Project Reserve (GPR) for the SFY 2016 IUP – Grand Island, Pickrell, and Sydney. Due to Pickrell's project being delayed, Allen was selected for the SFY2016 GPR as an alternate. The SFY 2017 IUP has three communities on the Green Project Reserve List for funding: Creighton, Long Pine, and Superior. 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.

**7. *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 2016 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.

**8. *Commitment to work on reducing the amount of unliquidated obligations.***

Our Agency staff continued to disperse all available grant funds, reducing the amount of unliquidated obligations. We have no remaining unliquidated funds for either the FFY 2014 or FFY 2015 EPA grant cycles.

### **3. Long Term Goals and Accomplishments**

Eight long term goals were included in the SFY 2016 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; and allocating grant funds, match and recycle funds to projects in a timely manner.

**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 fund assistance. Assessing Wastewater Infrastructure Needs has been incorporated as a tool to provide for affordability and sustainability over the term of the loan.

**3. *Meet with municipalities, consultants, staff, other stakeholders, and the public every year to 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 2015, providing candidates for the SFY 2016 IUP. Two hundred and ninety eight (298) communities responded to the needs survey. Two hundred and sixty two (262) of the communities identified one or more needs. The SFY 2016 public participation process involved providing conference presentations and information booths (five different events).

**4. *Explore with stakeholders ways the CWSRF Program can be used to encourage sustainable infrastructure, capacity development, and opportunities to use distributed wastewater treatment options, and encourage the incorporation of green infrastructure concepts and energy recovery, production, and conservation in CWSRF funded projects***

As stated earlier, the Agency will utilize information from the AWIN program to enable sustainability among small communities. This program provides the SRF with additional tools for this purpose and allows us to utilize the fund for the best alternative.

The EPA provided guidance for the SRF program concerning eligible green infrastructure projects for the FFY 2016 federal capitalization grant. The Agency continues to incentivize green projects with lower than non-green interest rates.

The CWSRF funds a summer intern through the University of Nebraska's Pollution Prevention Program. This year we evaluated the assets and energy savings for two municipalities: Arnold and Ogallala. These projects are intended to help municipalities understand what the energy consumption of their wastewater treatment facilities are and what opportunities that exist to help with energy efficiency. Arnold showed that there is about a \$7,900/year potential for savings with about a three year pay back. Ogallala showed the potential for about \$15,000/year potential savings with a 5 to 7 year payback. Ogallala also showed the potential for a \$5,000 per year payback by simple operational changes.

**5. *Encourage the federal government to continue annual CWSRF capitalization grants. 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.

- 6. 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 loan funds, grant funds, match and recycle funds to projects in a timely manner.**

Unsewered communities with public health or environmental concerns are listed in the IUP as a result of this effort. Each project is required to undergo extensive facility planning, which includes the review of several alternatives and a cost-effectiveness analysis comparing the appropriateness of the alternatives. Two unsewered communities were listed in the 2016 IUP CWSRF Project Priority Planning List: Morse Bluff and Verdel.

The Agency continues to use the Priority Ranking System described in #7 of the short term goals. This insures that funds are available to the greatest need.

- 7. 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.**

Included in the SFY 2016 IUP is a Priority Ranking System that is used to evaluate all CWSRF projects, including both point source and nonpoint source water pollution problems. Municipalities that submit a Needs Survey to the NDEQ are evaluated with the ranking system. In addition, NDEQ has developed and incorporated the Assessing Wastewater Infrastructure Needs (AWIN) program to help better identify and prioritize use of SRF funds to communities and projects.

The new Linked Deposit Program also was created to assist with addressing nonpoint source water pollution problems. Before the Linked Deposit Program can be implemented, amendments to Title 131 that were proposed to the Environmental Quality Council and approved on June 14, 2016 to allow the NDEQ to administer the Linked Deposit Program need to be approved by the Governor. At the time of the creation of this report, the proposed Title revisions were awaiting the Governor's approval.

NDEQ is also incorporating the expanded eligible CWSRF projects from the 2014 Clean Water Act amendments. Before the new eligible projects can receive CWSRF funds, state statute had to be amended. State Legislative Bill 737 (LB737) was approved by the Nebraska Legislature in early 2016 and allows for additional eligible projects to be funded by the CWSRF. The NDEQ is working on amending Title 131 and is currently planning to present the proposed amendment changes to the Environmental Quality Council in June 2017.

- 8. 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 the following changes from the original SFY 2016 IUP approved by the Environmental Quality Council (EQC) on June 4, 2015. Attachment 4 provides more detail on the status of projects listed on the 2016 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 payments will continue after the planned project may 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

#### **Project Alternatives**

Preliminary Engineering Reports usually evaluate several **Alternatives** that meet the technical performance requirements. Feasible project Alternatives are considered to be “Alternatives”. 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.* The 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. In many circumstances, the useful life of an asset is dependent on routine maintenance, rehabilitation, renewal, or replacement of component parts.

*Useful Life of a Project.* The useful life of a project is the anticipated duration of time that the assets installed by the project will provide enough performance value to justify keeping the project assets in operation. Drinking water system projects or wastewater treatment works projects often consist of unit subsystems such as structures or equipment working together as part of a functional system. In many circumstances, the useful life of a project is dependent on routine maintenance, rehabilitation, renewal, and/or replacement of unit subsystems. Moreover, some projects consist of multiple functional systems where each functional system may have a different useful life duration.

#### **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 must be included in a cost effectiveness analysis.

### **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 we continue to waive the 1% administrative fee for the first year of a loan.

On October 15, 2012, the Director signed a policy to allow variable fees on large loans. The cost of administering a loan is typically the same whether a loan is small or large. The policy was put into place to reduce the 1% Administrative fee for loans between \$15,000,000 and \$30,000,000 linearly to 0.5%. Above \$30,000,000 the Administrative fee would be flat at 0.5%. If a project is atypical - requiring additional resources to administer - the Director may increase this Administration Fee up to 1%.

The maximum available for Small Town Grant awards for an individual community is capped at \$250,000 for SFY 2017 and the financial hardship evaluation procedure as it related to the project cost and the community's median household income remains the same as the previous year. The amount of funds available for SFY 2017 based on 50% of administration fee from the previous year is \$ 474,180 for Small Town Grants and \$45,000 for Planning Grants.

With the passage of LB 514 in February 2014 and approval of changes to Title 131 by the Environmental Quality Council in June 2016, and pending the Governor's approval, the CWSRF will implement a Linked Deposit Program to provide low interest loans to individuals for nonpoint source pollution control projects. These projects would include repair or replacement of septic (on-site) systems, animal feeding operation pollution control (for non-permitted facilities), and sediment and nutrient control practices for agricultural land.

EPA has 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 will be designed specifically for Nebraska's SRF program to track and manage all aspects of program loans, capital contributions, and bond issuance and repayment. LGTS is being implemented in phases. We started the first phase of entering financial information on July 1, 2014. We continue to work with North Bridge, the EPA contractor for LGTS, to customize the software to increase the efficiency of our staff for project tracking and reporting.

With the new federal Clean Water Act amendments that were signed June 10, 2014, the Agency has implemented the new affordability criteria, Fiscal Sustainability Plan, Architectural and Engineering Procurement, and Cost and Effectiveness Analysis.

The Agency is working to amend Title 131 and update the regulation to include additional 2014 federal Clean Water Act amendments to allow CWSRF loans up to 30 years and expand the eligibility for CWSRF projects. The Agency is anticipating it will be presenting these revisions to the Nebraska Environmental Quality Council in June 2017.

## **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 2015 and SFY 2016. 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.



ATTACHMENT 1  
CWSRF LOAN INVESTMENT STATUS REPORT

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PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
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	143,933.84	201,066.16	2.00	402,132.32	
C317103	Albion	FFATA	F	3,000,000.00	392,137.68	2,607,862.32	2.25	5,867,690.22	
C317030	Alda		F	116,940.00	101,714.08	15,225.92	3.14	47,809.39	
C317478	Allen		F	84,758.00	20,067.75	64,690.25	2.00	129,380.50	
C317838	Allen	GP		796,000.00	0.00	61,014.00	1.43	87,250.02	
C317104	Alvo		F	212,423.00	162,259.34	50,163.66	4.00	200,654.64	
C317239	Amherst	GP12	F	245,651.00	28,073.28	217,577.72	1.33	288,290.48	
C317686	Anselmo			37,140.00	0.00	0.00	1.50	0.00	
C317136	Ansley	FFATA	F	811,671.00	103,334.92	708,336.08	2.50	1,770,840.20	
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	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		F	3,121,183.00	391,474.37	2,729,708.63	2.25	6,141,844.42	
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	46,189.76	29,801.24	3.00	89,403.72	
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	42,821.82	55,409.18	2.57	142,401.59	
C317561	Bassett	GP11/FFATA		735,000.00	0.00	705,294.00	1.33	938,041.02	
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	
C317123	Bellevue		P	1,400,000.00	1,400,000.00	0.00	3.30	0.00	
C317531	Bellevue		F	3,727,993.00	757,563.61	2,970,429.39	4.00	11,881,717.56	
C317242	Bellwood		F	324,468.00	215,236.38	109,231.62	3.00	327,694.86	
C317327	Bertrand		F	639,103.00	291,226.39	347,876.61	2.85	991,448.34	
C317665	Bertrand		F	219,993.00	23,638.26	196,354.74	1.50	294,532.11	
C317167	Big Springs		P	874,849.00	874,849.00	0.00	3.00	0.00	
C317982	Big Springs		F	68,133.00	3,327.21	64,805.79	1.50	97,208.69	
C317638	Blair		F	875,403.00	112,407.03	762,995.97	2.10	1,602,291.54	
C317243	Bloomfield		F	202,955.00	140,501.28	62,453.72	3.00	187,361.16	
C317519	Brainard		F	694,096.00	77,560.70	616,535.30	2.00	1,233,070.60	
C317596	Broken Bow	ARRA	F	5,318,801.00	938,567.79	4,380,233.21	1.52	6,678,975.22	
C317747	Broken Bow		F	745,000.00	27,768.57	717,231.43	1.50	1,075,847.15	
C317281	Brule		F	131,004.00	72,638.78	58,365.22	3.00	175,095.66	
C317690	Brule		F	58,590.00	14,102.29	44,487.71	2.00	88,975.42	
C317761	Bruning		F	435,212.00	47,650.16	387,561.84	1.90	736,367.50	
C317919	Bruno			82,500.00	0.00	8,375.00	1.50	12,562.50	
C317284	Butler Co. SID #1		F	205,878.00	181,509.31	24,368.69	3.00	73,106.07	
C317764	Butler Co. SID #1		F	103,791.00	75,324.01	28,466.99	2.00	56,933.98	
C317093	Cairo		F	620,921.00	482,260.78	138,660.22	3.20	443,712.70	
C317107	Carroll		F	319,680.00	52,902.16	266,777.84	2.25	600,250.14	
C317328	Cass Co. SID #5		F	1,107,232.06	493,824.30	613,407.76	3.50	2,146,927.16	
C317532	Cedar Bluffs	ARRA	F	511,915.00	115,549.67	396,365.33	1.33	527,165.89	
C317028	Cedar Co. SID #1		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	

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PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
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	813,392.55	2,456,607.45	1.33	3,267,287.91	
C317329	Chambers		F	67,511.00	41,024.01	26,486.99	3.00	79,460.97	
C317477	Chapman		F	359,101.00	126,455.48	232,645.52	3.00	697,936.56	
C317874	Chappell			2,440,125.00	0.00	1,508,536.00	1.50	2,262,804.00	
C317875	Chester			375,000.00	0.00	47,903.00	1.50	71,854.50	
C317533	Clarkson	GP10	F	166,425.00	20,019.08	146,405.92	2.00	292,811.84	
C317233	Clay Center		P	180,000.00	180,000.00	0.00	3.00	0.00	
C317388	Cody			202,290.00	0.00	190,499.00	1.50	285,748.50	
C317427	Coleridge		F	62,379.00	35,261.36	27,117.64	2.50	67,794.10	
C317597	Coleridge		F	56,146.00	15,866.94	40,279.06	2.00	80,558.12	
C317468	Concord		F	297,449.00	211,640.30	85,808.70	3.11	266,865.06	
C317258	Cook		F	579,956.00	529,003.14	50,952.86	3.00	152,858.58	
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	336,297.42	1,418,105.58	2.00	2,836,211.16	
C317081	Crab Orchard		F	65,978.00	39,918.94	26,059.06	3.00	78,177.18	
C317039	Crawford	GO	F	2,528,698.00	214,843.00	2,313,855.00	1.50	3,470,782.50	
C317731	Creighton		F	220,536.00	57,213.27	163,322.73	2.00	326,645.46	
C317664	Culbertson			783,950.00	0.00	126,317.00	1.50	189,475.50	
C317653	Dakota City			6,644,600.00	0.00	0.00	1.50	0.00	
C317139	Dannebrog		F	425,000.00	380,397.46	44,602.54	3.00	133,807.62	
C317109	David City		F	2,728,924.00	2,285,398.56	443,525.44	3.22	1,428,151.92	
C317908	Denton		F	244,408.00	33,521.55	210,886.45	1.50	316,329.68	
C317391	Deshler		P	892,808.00	892,808.00	0.00	2.55	0.00	
C317110	DeWitt		F	524,900.00	450,805.27	74,094.73	4.30	318,607.34	
C317196	Diller		F	301,264.00	199,843.97	101,420.03	3.00	304,260.09	
C317564	Dodge		F	85,577.00	20,656.89	64,920.11	1.50	97,380.17	
C317565	Dorchester	ARRA	F	503,227.00	113,581.98	389,645.02	1.33	518,227.88	
C317599	Duncan	GP10	F	320,905.00	67,119.79	253,785.21	2.00	507,570.42	
C317484	Dwight		F	307,650.00	92,583.92	215,066.08	3.30	709,718.06	
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	24,238.94	68,155.06	3.00	204,465.18	
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	44,581.02	163,891.98	2.00	327,783.96	
C317392	Ewing		F	67,000.00	33,403.07	33,596.93	2.50	83,992.33	
C317338	Exeter		F	54,945.00	28,924.39	26,020.61	3.02	78,582.24	
C317061	Fairbury		F	1,931,134.00	1,506,196.69	424,937.31	3.00	1,274,811.93	
C317043	Falls City		F	2,500,000.00	1,157,759.78	1,342,240.22	2.50	3,355,600.55	
C317119	Farwell		F	175,000.00	136,402.12	38,597.88	3.00	115,793.64	
C317594	Filley		F	245,000.00	57,912.84	187,087.16	2.00	374,174.32	
C317049	Firth		F	62,716.00	60,549.50	2,166.50	3.56	7,712.74	
C317698	Firth			433,660.00	0.00	0.00	1.50	0.00	
C317272	Fremont		P	3,200,000.00	3,200,000.00	0.00	3.00	0.00	
C317159	Garland		F	331,950.00	131,923.44	200,026.56	3.17	634,084.20	
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	
C317390	Gosper Co. SID #1		F	15,484,961.00	10,601,183.55	4,883,777.45	2.66	12,990,848.02	

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PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317883	Gosper Co. SID #1		F	536,646.00	74,741.47	461,904.53	1.50	692,856.80	
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	157,417.56	214,687.44	3.05	654,796.69	
C317568	Gothenburg	BASE	F	129,827.00	36,707.14	93,119.86	2.00	186,239.72	
C317568	Gothenburg	ARRA	F	75,000.00	23,684.16	51,315.84	0.00	0.00	
C317781	Gothenburg	GP12/13/FFATA		2,133,400.00	0.00	951,688.00	1.25	1,189,610.00	
C317867	Grand Island			6,200,000.00	0.00	4,984,045.00	1.50	7,476,067.50	
C317981	Grand Island	GP		29,000,000.00	0.00	16,440,223.00	1.25	20,550,278.75	
C317984	Grand Island			4,800,000.00	0.00	0.00	1.50	0.00	
C317045	Gresham		F	129,298.00	47,885.03	81,412.97	1.50	122,119.46	
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	42,353.40	1,856,661.60	1.50	2,784,992.40	
C317234	Guide Rock		F	321,451.00	70,270.98	251,180.02	3.00	753,540.06	
C317004	Hartington		P	544,167.00	544,167.00	0.00	3.50	0.00	
C317341	Hartington		F	82,465.00	19,513.82	62,951.18	2.00	125,902.36	
C317471	Hartington	GP13	F	804,595.00	18,282.41	786,312.59	1.25	982,890.74	
C317053	Hay Springs		F	311,792.00	291,450.80	20,341.20	3.00	61,023.60	
C317291	Hayes Center	GP10/11	F	295,809.00	42,695.01	253,113.99	2.25	569,506.48	
C317131	Hebron		P	329,098.00	329,098.00	0.00	3.00	0.00	
C317886	Hebron		F	500,019.00	0.00	500,019.00	1.50	750,028.50	
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	GO	F	747,419.00	63,142.00	684,277.00	1.50	1,026,415.50	
C317213	Holbrook		F	231,000.00	198,417.16	32,582.84	3.00	97,748.52	
C317014	Holdrege		P	200,758.00	200,758.00	0.00	4.50	0.00	
C317069	Holdrege		P	3,220,228.00	3,220,228.00	0.00	4.19	0.00	
C317491	Holdrege		F	299,616.00	64,669.87	234,946.13	2.00	469,892.26	
C317115	Howells		F	346,933.00	157,473.73	189,459.27	2.80	530,485.96	
C317343	Indianola		F	756,740.00	540,128.69	216,611.31	3.00	649,833.93	
C317292	Jackson		F	54,642.00	28,853.52	25,788.48	3.00	77,365.44	
C317786	Jansen	GP12	F	264,729.00	5,950.50	258,778.50	1.36	351,938.76	
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	239,612.61	1,010,387.39	2.00	2,020,774.78	
C317865	Kearney		F	941,713.00	63,161.60	878,551.40	1.50	1,317,827.10	
C317956	Kearney	GP14	F	5,078,570.00	225,684.55	4,852,885.45	1.28	6,192,281.83	
C317057	Kenesaw		F	521,711.00	414,235.72	107,475.28	3.00	322,425.84	
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 County SID #5		F	271,286.00	29,474.00	241,812.00	2.00	483,624.00	
C317705	Laurel		F	160,000.00	41,454.85	118,545.15	2.00	237,090.30	
C317837	Lawrence		F	75,401.00	40,111.88	35,289.12	2.25	79,400.52	
C317447	Leigh	GP10	F	475,000.00	76,151.70	398,848.30	2.00	797,696.60	
C317002	Lexington		P	4,100,000.00	4,100,000.00	0.00	3.50	0.00	
C317676	Lexington		F	4,600,833.00	415,293.60	4,185,539.40	1.50	6,278,309.10	
C317008	Lincoln		P	9,017,565.54	9,017,565.54	0.00	5.00	0.00	
C317078	Lincoln		F	5,000,000.00	956,582.41	4,043,417.59	2.00	8,086,835.18	

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PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317247	Lincoln	ARRA	F	3,558,792.00	890,147.04	2,668,644.96	1.30	3,462,566.84	
C317830	Lincoln		F	17,000,000.00	1,797,549.27	15,202,450.73	2.25	34,205,514.14	
C317204	Lindsay		P	405,000.00	405,000.00	0.00	3.14	0.00	
C317839	Lindsay	GP11/FFATA	F	411,494.00	61,794.43	349,699.57	1.82	636,453.22	
C317236	Loomis		P	167,381.00	167,381.00	0.00	3.18	0.00	
C317611	Loup City			235,300.00	0.00	3,754.00	1.50	5,631.00	
C317573	Lower Platte North NRD		P	6,000,000.00	6,000,000.00	0.00	3.00	0.00	
C317573	Lower Platte North NRD-AMD#1		P	5,603,660.00	5,603,660.00	0.00	2.00	0.00	
C317539	Lynch		F	174,300.00	71,656.48	102,643.52	3.00	307,930.56	
C317852	Lynch		F	24,261.00	9,024.81	15,236.19	2.50	38,090.48	
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	250,000.00	75,000.00	175,000.00	0.00	0.00	
C317575	Malcolm	BASE	F	500,000.00	129,745.81	370,254.19	2.00	740,508.38	
C317613	Marquette		F	48,942.00	10,154.67	38,787.33	2.00	77,574.66	
C317832	Maxwell			154,516.00	9,152.79	115,910.21	1.50	173,865.32	
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		F	1,903,003.00	1,775,873.52	127,129.48	3.00	381,388.44	
C317349	McCook	LAND	F	4,200,000.00	2,045,227.33	2,154,772.67	2.50	5,386,931.68	
C317451	McCool Junction		P	82,903.00	82,903.00	0.00	2.50	0.00	
C317331	McGrew		F	47,100.00	27,362.07	19,737.93	3.00	59,213.79	
C317854	Mead	FFATA	F	912,536.00	79,259.12	833,276.88	1.50	1,249,915.32	
C317217	Meadow Grove		F	138,190.00	76,589.30	61,600.70	3.00	184,802.10	
C317248	Melbeta		F	259,437.00	61,377.81	198,059.19	3.15	623,886.45	
C317169	Memphis		F	83,130.00	72,427.74	10,702.26	3.00	32,106.78	
C317250	Murray		F	1,425,000.00	543,538.07	881,461.93	2.95	2,600,312.69	
C317741	Nebraska City		F	4,889,865.00	611,571.12	4,278,293.88	2.25	9,626,161.23	
C317071	Neligh		F	1,653,678.00	1,050,021.33	603,656.67	3.00	1,810,970.01	
C317498	Newman Grove		F	333,099.00	116,476.28	216,622.72	3.00	649,868.16	
C317431	Nickerson		F	281,011.00	125,186.01	155,824.99	3.24	504,872.97	
C317036	Norfolk		P	9,299,999.80	9,299,999.80	0.00	4.18	0.00	
C317142	North Bend		F	308,000.00	136,735.23	171,264.77	3.45	590,863.46	
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	170,008.63	39,948.37	3.00	119,845.11	
C317409	Oakland	ARRA	F	1,621,500.00	328,281.81	1,293,218.19	1.33	1,719,980.19	
C317409	Oakland Amd #1	BASE	F	135,990.00	24,990.79	110,999.21	2.50	277,498.03	
C317682	Oconto			168,750.00	0.00	102,663.00	1.50	153,994.50	
C317152	Ogallala		F	2,397,400.00	1,646,371.52	751,028.48	3.23	2,425,821.99	
C317500	Ogallala		F	422,832.00	72,309.92	350,522.08	2.00	701,044.16	
C317005	Omaha (Monroe)		P	4,000,000.00	4,000,000.00	0.00	3.80	0.00	
C317016	Omaha (Y St)		P	2,830,825.00	2,830,825.00	0.00	4.00	0.00	
C317052	Omaha (GIS)		P	1,810,894.00	1,810,894.00	0.00	3.50	0.00	
C317079	Omaha (CSS #1)		P	10,000,000.00	10,000,000.00	0.00	3.00	0.00	
C317082	Omaha (Papio)		P	3,432,976.00	3,432,976.00	0.00	3.50	0.00	
C317182	Omaha (Boxelder Cr)		P	1,600,000.00	1,600,000.00	0.00	3.00	0.00	
C317311	Omaha (Zorinsky Lake NPS)		P	898,294.00	898,294.00	0.00	3.00	0.00	
C317319	Omaha (CSS #2)		P	20,000,000.00	20,000,000.00	0.00	3.50	0.00	
C317375	Omaha (Papillion Cr)		P	12,100,000.00	12,100,000.00	0.00	4.00	0.00	
C317432	Omaha (ARRA)	ARRA	F	5,592,000.00	1,175,738.00	4,416,262.00	1.34	5,917,791.08	

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C317432	Omaha	BASE	F	1,000,000.00	188,886.59	811,113.41	2.25	1,825,005.17	
C317476	Omaha (7432 comp.)		F	7,354,121.00	1,246,079.13	6,108,041.87	2.00	12,216,083.74	
C317734	Omaha (Mo River Sch B)	FFATA		55,000,000.00	0.00	52,250,000.00	1.50	78,375,000.00	
C317205	Osmond	GP11	F	330,216.00	48,436.82	281,779.18	2.23	628,367.57	
C317229	Oxford		F	865,353.00	375,642.14	489,710.86	2.77	1,356,499.08	
C317543	Oxford		F	306,097.00	32,972.57	273,124.43	2.11	576,292.55	
C317414	Palmer		P	182,000.00	182,000.00	0.00	2.79	0.00	
C317414	Palmer		P	472,028.00	472,028.00	0.00	3.00	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	16,983.99	15,316.01	2.00	30,632.02	
C317087	Pickrell		F	350,000.00	225,599.17	124,400.83	4.00	497,603.32	
C317060	Plainview		F	968,910.00	326,069.41	642,840.59	2.75	1,767,811.62	
C317745	Platte Center	ARRA	F	128,690.00	27,538.02	101,151.98	2.00	202,303.96	
C317980	Platte County SID #7		F	697,674.00	2.00	697,672.00	1.50	1,046,508.00	
C317526	Plattsmouth		F	1,599,810.00	266,785.41	1,333,024.59	2.19	2,919,323.85	
C317834	Plattsmouth		F	1,735,961.00	259,746.33	1,476,214.67	2.00	2,952,429.34	
C317266	Pleasanton		F	117,076.00	87,803.35	29,272.65	3.00	87,817.95	
C317744	Pleasanton	ARRA	F	232,817.00	55,086.06	177,730.94	2.00	355,461.88	
C317035	Polk		P	81,453.00	81,453.00	0.00	3.50	0.00	
C317696	Polk Co. SID #1	FFATA	F	2,024,805.00	280,822.30	1,743,982.70	2.25	3,923,961.08	
C317506	Red Cloud	ARRA	F	372,404.00	92,910.11	279,493.89	1.33	371,726.87	
C317073	Rising City		F	350,340.00	144,540.08	205,799.92	2.55	524,789.80	
C317101	Riverton		F	140,442.00	118,224.54	22,217.46	3.00	66,652.38	
C317188	Rushville		F	1,035,000.00	685,310.66	349,689.34	3.00	1,049,068.02	
C317416	Ruskin		F	271,020.00	125,518.13	145,501.87	2.50	363,754.68	
C317027	St. Helena		P	70,695.00	70,695.00	0.00	3.50	0.00	
C317263	St. Paul		F	306,513.00	155,466.05	151,046.95	2.82	425,952.40	
C317128	Sarpy Co. SID #101		F	4,785,104.84	4,509,160.68	275,944.16	3.00	827,832.48	
C317195	Schuyler		F	579,336.00	498,697.59	80,638.41	3.00	241,915.23	
C317215	Schuyler		F	2,481,856.00	1,263,728.16	1,218,127.84	3.01	3,666,564.80	
C317001	Scottsbluff		P	2,453,873.39	2,453,873.39	0.00	3.26	0.00	
C317086	Scottsbluff		F	4,600,000.00	3,722,826.63	877,173.37	3.00	2,631,520.11	
C317219	Scottsbluff	ARRA	F	2,527,500.00	1,348,482.76	1,179,017.24	1.33	1,568,092.93	
C317378	Scottsbluff		F	1,004,334.00	590,757.83	413,576.17	3.00	1,240,728.51	
C317813	Shelby		F	291,974.00	42,840.60	249,133.40	2.25	560,550.15	
C317062	Shelton		F	493,043.00	459,769.63	33,273.37	3.37	112,131.26	
C317301	Shelton		F	1,071,763.00	683,304.32	388,458.68	3.00	1,165,376.04	
C317189	Sidney	ARRA	F	1,375,000.00	412,500.00	962,500.00	0.00	0.00	
C317189	Sidney	BASE	F	2,750,000.00	714,298.10	2,035,701.90	2.00	4,071,403.80	
C317433	Sidney	LAND	F	819,924.00	489,776.14	330,147.86	2.52	831,972.61	
C317945	Sidney	GP		1,792,000.00	0.00	0.00	1.25	0.00	
C317508	Silver Creek		F	175,165.00	62,378.32	112,786.68	2.75	310,163.37	
C317360	South Sioux City		F	3,112,135.00	844,113.15	2,268,021.85	3.65	8,278,279.75	
C317725	South Sioux City	ARRA	F	1,682,752.00	381,986.71	1,300,765.29	1.32	1,713,107.89	
C317835	South Sioux City	GP12/FFATA	F	1,444,535.00	165,892.65	1,278,642.35	2.50	3,196,605.88	
C317363	Spencer		F	73,146.00	4,918.55	68,227.45	1.50	102,341.18	
C317897	Sprague		F	248,680.00	5,543.32	243,136.68	1.50	364,705.02	
C317080	Stamford		P	395,400.00	395,400.00	0.00	2.50	0.00	
C317164	Stanton		F	1,053,787.00	729,534.59	324,252.41	3.00	972,757.23	
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	

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PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317320	Stromsburg		F	156,000.00	102,639.02	53,360.98	3.30	176,091.23	
C317510	Stuart		F	48,856.00	8,308.15	40,547.85	2.00	81,095.70	
C317096	Superior		P	341,898.00	341,898.00	0.00	3.00	0.00	
C317818	Superior			114,000.00	0.00	0.00	1.25	0.00	
C317364	Sutherland		P	165,880.00	165,880.00	0.00	2.50	0.00	
C317365	Sutherland			1,085,000.00	0.00	628,508.00	1.50	942,762.00	
C317190	Sutton		P	1,505,100.00	1,505,100.00	0.00	3.12	0.00	
C317231	Tecumseh		F	370,629.00	266,941.82	103,687.18	3.00	311,061.54	
C317051	Tekamah		F	1,297,286.00	1,130,289.78	166,996.22	3.00	500,988.66	
C317252	Tekamah	ARRA	F	879,140.00	179,130.98	700,009.02	1.33	931,012.00	
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	
C317434	Verdigre		F	112,211.00	60,858.38	51,352.62	2.50	128,381.55	
C317460	Verdigre		F	200,000.00	46,377.81	153,622.19	3.00	460,866.57	
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	16,472.08	116,062.92	2.00	232,125.84	
C317032	Wayne			1,838,650.00	0.00	1,511,603.00	1.50	2,267,404.50	
C317369	Wayne		F	4,949,020.00	937,485.03	4,011,534.97	2.00	8,023,069.94	
C317659	Western		F	69,863.00	18,125.60	51,737.40	2.00	103,474.80	
C317040	West Point		P	195,000.00	195,000.00	0.00	3.50	0.00	
C317055	West Point		F	5,116,139.00	2,314,345.13	2,801,793.87	2.94	8,237,273.98	
C317129	Wilber		F	570,000.00	496,567.50	73,432.50	3.00	220,297.50	
C317827	Winside			1,060,000.00	0.00	306,439.00	1.50	459,658.50	
C317012	Wisner		P	1,156,786.00	1,156,786.00	0.00	3.01	0.00	
C317426	Wisner	GP11	F	63,321.00	7,411.98	55,909.02	1.75	97,840.79	
C317979	Wisner			332,200.00	0.00	234,929.00	1.50	352,393.50	
C317723	Wolbach		F	20,500.00	7,389.44	13,110.56	2.25	29,498.76	
C317098	Wymore		P	248,700.00	248,700.00	0.00	3.00	0.00	
C317552	Wymore		F	402,800.00	270,200.91	132,599.09	3.00	397,797.27	
C317983	York	FFATA		19,355,000.00	0.00	0.00	1.50	0.00	
	<b>LOAN TOTAL</b>			<b>533,432,987.01</b>	<b>267,250,797.12</b>	<b>210,569,961.89</b>		<b>391,503,546.46</b>	<b>1.859</b>
	<b>PROJECT IDENTIFIER CODES:</b>								
	AMERICAN RECOVERY AND REINVESTMENT ACT	ARRA							
	FEDERAL FUNDING ACCOUNTABILITY & TRANSPARENCY ACT	FFATA							
	GENERAL OBLIGATIONS	GO							
	GREEN PROJECT 2010	GP10							
	GREEN PROJECT 2011	GP11							
	GREEN PROJECT 2012	GP12							
	GREEN PROJECT 2013	GP13							
	GREEN PROJECT 2014	GP14							
	GREEN PROJECT	GP							
	NONPOINT SOURCE - LAND ACQUISITION	LAND							
	<b>STATUS CODES:</b>								
	ACTIVE								
	FINAL		F						
	PAID OFF		P						

**ATTACHMENT 2  
CWSRF BINDING COMMITMENTS**

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COMMUNITY NAME	PROJECT #C31	STATE FISCAL YEAR 2015				STATE FISCAL YEAR 2016			
		1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR
PROGRAM ADMINISTRATION - 4th QTR 2014		168,114							
South Sioux City Amd #1	7835	-							
Sprague	7897	220,000							
Kearney	7956	4,705,000							
Omaha Amd #1	7734	15,000,000							
Hartington	7471	880,000							
Sutherland	7365	1,085,000							
Grand Island	7867	6,000,000							
Grand Island	7981	1,000,000							
Gretna	7569	2,100,000							
Wisner	7979		432,200						
Hebron	7886		784,000						
Platte County SID #7	7980		718,000						
Winside	7827		1,060,000						
Broken Bow	7747			845,000					
Kearney Amd #1	7956			750,000					
Bruno	7919			165,000					
Chappell	7874			2,540,125					
Grand Island Amd #1	7981			28,000,000					
Wayne	7032			1,938,650					
Big Springs	7982				100,000				
Anselmo	7686				74,280				
Cody	7388				300,000				
Jansen Amd #1	7786				13,394				
Culbertson (loan forgiveness only)	7664				100,000				
Loup City (loan forgiveness only)	7611				100,000				
Sidney (loan forgiveness only)	7945				100,000				
Sprague Amd #1	7897				60,840				
PROGRAM ADMINISTRATION - 4th QTR 2015*						226,410			
Maxwell Amd #1	7832					50,000			
Chester	7875					475,000			
Hebron Amd #1	7886					0			
Grand Island Amd #1	7867					200,000			
Grand Island	7984					4,800,000			
Hartington Amd #1	7471						40,000		
Oconto	7682						268,750		
Allen	7838						896,000		
Loup City	7611						235,300		
Culbertson	7664						783,950		
Sidney	7945						1,792,000		
Firth	7698								455,000
York	7983								19,355,000
Superior	7818								214,000
Dakota City	7653								6,644,600
<b>(1) BINDING COMMITMENT TOTALS</b>		<b>31,158,114</b>	<b>2,994,200</b>	<b>34,238,775</b>	<b>848,514</b>	<b>5,751,410</b>	<b>4,016,000</b>	<b>0</b>	<b>26,668,600</b>
<b>(2) CUMULATIVE BINDNG COMMITMENTS</b>		<b>537,742,692</b>	<b>540,736,892</b>	<b>574,975,667</b>	<b>575,824,181</b>	<b>581,575,591</b>	<b>585,591,591</b>	<b>585,591,591</b>	<b>612,260,191</b>
<b>FY BINDING COMMITMENT TOTALS</b>					<b>FY15: 69,239,603</b>			<b>FY16: 36,436,010</b>	
<b>(3) REQUIRED BINDING COMMITMENT**</b>						<b>8,572,800</b>			<b>8,528,400</b>
<b>(4) CUMULATIVE REQUIRED AMOUNT</b>		<b>222,097,876</b>	<b>222,097,876</b>	<b>222,097,876</b>	<b>222,097,876</b>	<b>230,670,676</b>	<b>230,670,676</b>	<b>230,670,676</b>	<b>239,199,076</b>
<b>(5) BC AS % OF REQ'D BC AMOUNT</b>		<b>242</b>	<b>243</b>	<b>259</b>	<b>259</b>	<b>252</b>	<b>254</b>	<b>254</b>	<b>256</b>
*INCLUDES \$200,000 PROGRAM ADMINISTRATION AND \$26,410 LGTS SOFTWARE PURCHASE									
**120% OF FEDERAL CAP GRANTS LAGGED BY A YEAR									







**ATTACHMENT 3  
CWSRF SMALL TOWN GRANT HISTORY**

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ANNUAL REPORT**

								First Half SFY2017	Second Half SFY2017	First Half SFY2018	Second Half SFY2018
<b>COMMUNITY NAME</b>	<b>PROJECT #C31</b>	<b>SFY PROG YEAR</b>	<b>GRANT AWARD DATE</b>	<b>STATE GRANT %</b>	<b>STATE GRANT AMOUNT</b>	<b>PAID PRIOR TO SFY 2015</b>	<b>PAID DURING SFY 2016</b>	<b>ESTIMATED 12-31-16</b>	<b>ESTIMATED 6-30-17</b>	<b>ESTIMATED 12-31-17</b>	<b>ESTIMATED 6-30-18</b>
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					
<b>SFY2007 ALLOCATION TOTAL</b>					<b>333,481</b>						
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					
<b>SFY2008 ALLOCATION TOTAL</b>					<b>224,359</b>						
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					
<b>SFY2009 ALLOCATION TOTAL</b>					<b>463,116</b>						
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					
<b>SFY2010 ALLOCATION TOTAL</b>					<b>504,863</b>						
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					
<b>SFY2011 ALLOCATION TOTAL</b>					<b>708,005</b>						
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					
<b>SFY2012 ALLOCATION TOTAL</b>					<b>500,000</b>						
CRAWFORD	7039-01	2013	6/18/2013	7.57	250,000	250,000					
JANSEN	7786-01	2013	6/21/2013	38.89	168,473	115,684	52,789				
GILEAD - CANCELLED	7927-01	2013	6/29/2013	50	0	0					
<b>SFY2013 ALLOCATION TOTAL</b>					<b>418,473</b>						
MEAD	7854-01	2014	11/22/2013	37.2	250,000	250,000					
WINSIDE	7827-01	2014	6/20/2014	18.48	240,000		69,468	80,000	90,532		
SPRAGUE	7897-01	2014	6/26/2014	37.2	30,000	30,000					
<b>SFY2014 ALLOCATION TOTAL</b>					<b>520,000</b>						
CHAPPELL	7874-01	2015	3/24/2015	50	250,000	58,428	191,572				
JANSEN AMD #1	7786-02	2015	6/17/2015	50	0						
CHESTER	7875-01	2015	6/17/2015	50	158,990		23,951	80,000	55,039		
SPRAGUE AMD #1	7897-02	2015	6/30/2015	18.88	6,675		6,675				
<b>SFY2015 ALLOCATION TOTAL</b>					<b>415,665</b>						



**Attachment 4**

**2016 IUP Funding List Reconciliation**

<b>Community</b>	<b>F or P</b>	<b>Project #C31</b>	<b>Estimated Project Cost</b>	<b>2016 IUP Estimated SRF Loan</b>	<b>Total Assistance</b>	<b>Actual Forgiveness and/or Small Town Grant</b>	<b>Net Loan Amount</b>	<b>Agreement Date</b>	<b>Comments</b>
Allen	F	7838	1,275,000	1,275,000	1,146,000	350,000	796,000	11/13/2015	
Anselmo	F	7686	224,850	224,850	74,280	37,140	37,140	4/28/2015	
Bruno	F	7919	168,000	168,000	165,000	82,500	82,500	3/11/2015	
Chappell	F	7874	5,000,000	5,000,000	2,790,125	350,000	2,440,125	3/24/2015	
Chester	F	7875	700,000	700,000	725,000	350,000	375,000	8/5/2015	STG signed 6/17/15
Cody	F	7388	1,175,000	1,175,000	300,000	97,710	202,290	6/17/2015	
Firth	F	7698	750,000	750,000	455,000	21,340	433,660	4/27/2016	
Gilead	F	7927	267,200	267,200	156,200	78,100	78,100	9/19/2016	
Grand Island Amd #1	F	7981	35,000,000	28,000,000	28,000,000	0	28,000,000	3/25/2015	
Grand Island	F	7984	5,385,688	5,385,688	4,800,000	0	4,800,000	9/17/2015	
Gretna	F		5,500,000	5,500,000	0	0	0		Agreement to be signed in next 4 months
Hardy	F		856,000	856,000	0	0	0		USDA is funding this project
Hebron Amd #1	F	7886	784,000	784,000	0	0	0	9/4/2015	Modify agreement Sec 2.10(q) only
Kearney	F		4,600,000	4,600,000	0	0	0		Project planned for 2018 construction
Lincoln	F		4,000,000	4,000,000	0	0	0		Project was delayed
McCook	F		5,679,000	5,679,000	0	0	0		Project was delayed
Mitchell	F		5,215,864	5,215,864	0	0	0		USDA is funding this project
Omaha	F		190,000,000	15,000,000	0	0	0		Agreement is being drafted
Pickrell	F		208,300	208,300	0	0	0		Project was delayed
Sidney	F	7945	4,825,000	2,500,000	1,892,000	100,000	1,792,000	12/18/2015	LF signed 6/25/15
Spencer	F		100,000	100,000	0	0	0		Project was delayed
Wayne	F	7032	2,400,000	2,400,000	1,938,650	100,000	1,838,650	3/25/2015	
			274,113,902	89,788,902	42,442,255	1,566,790	40,875,465		
<b>SFY 2016 Planning List - Bypass Systems</b>									
Culbertson	P	7664	1,400,000	1,400,000	883,950	100,000	783,950	12/15/2015	LF signed 6/19/15
Dakota City	P	7653	0	0	6,644,600	0	6,644,600	6/27/2016	
Grand Island Amd #1	P	7867	5,385,688	5,385,688	200,000	0	200,000	9/17/2015	
Hartington Amd #1	P	7471	650,000	650,000	40,000	0	40,000	10/23/2015	
Jansen Amd #1	P	7786	0	0	26,788	13,394	13,394	6/17/2015	
Loup City	P	7611	4,170,000	4,170,000	335,300	100,000	235,300	12/7/2015	LF signed 6/25/15
Maxwell Amd #1	P	7832	0	0	50,000	0	50,000	7/17/2015	
Oconto	P	7682	650,000	650,000	268,750	100,000	168,750	10/28/2015	
Sprague Amd #1	P	7897	0	0	75,000	14,160	60,840	6/30/2015	
Superior	P	7818	3,600,000	3,600,000	214,000	100,000	114,000	6/8/2016	
York	P	7983	17,800,000	17,800,000	19,355,000	0	19,355,000	5/16/2016	
			33,655,688	33,655,688	28,093,388	427,554	27,665,834		

**ATTACHMENT 5**

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

**JULY 1, 2014 THROUGH JUNE 30, 2015**

AUDIT REPORT OF THE

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

**JULY 1, 2014 THROUGH JUNE 30, 2015**

**This document is an official public record of the State of Nebraska, issued by  
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**Modification of this document may change the accuracy of the original  
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**Issued on March 3, 2016**

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) 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 20 years, 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, 2015, the EPA had awarded \$202.4 million in capitalization grants to the State. Of the \$202.4 million awarded, approximately \$20 million was funded by the American Recovery and Reinvestment Act (ARRA). The \$182.4 million not funded by ARRA required the State to contribute approximately \$36.5 million in matching funds. 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 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, the Program's Intended Use Plan, loan interest rates, and revenue bonding amounts.



NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**EXIT CONFERENCE**

An exit conference was held March 1, 2016, with the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program (Program) to discuss the results of our examination. Those in attendance for the Program were:

<u>NAME</u>	<u>AGENCY</u>	<u>TITLE</u>
Martie Guthrie	DEQ	Budget Officer III
Nick Zornes	DEQ	Environmental Program Specialist
Steve McNulty	DHHS	Environmental Engineer II
Chin Chew	DHHS	Environmental Engineer Section Supervisor
Kevin Stoner	DEQ	State Revolving Fund Section Supervisor
Jim Novotny	DEQ	Accountant III
Steven Goans	DEQ	Deputy Director
Kris Young	DEQ	Accountant III
John Danforth	DEQ	Environmental Assistant Coordinator
Mary Brady	DEQ	Federal Aid Administrator II
Dennis Burling	DEQ	Deputy Director
Jim Macy	DEQ	Director

**Agencies**

DEQ – Department of Environmental Quality

DHHS – Department of Health and Human Services



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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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, 2015, 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, 2015, and the respective changes in financial position 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, 2015, and the changes in its financial position, or 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 6 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### ***Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2016, 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.

### ***Regulatory Requirements***

In accordance with the *OMB Circular A-133 Compliance Supplement*, we have also issued our report dated March 1, 2016, 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  
March 1, 2016



Philip J. Olsen CPA, CISA  
Audit Manager

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, 2015. 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, 2015, the net position of the Program increased by 9.1%. This was due in large part to drawing down \$18 million of Federal grants to fund some very large loans. Those large loans increased Loans Receivable by nearly \$45 million. Operating Revenues increased by 3.5%, mostly due to increased loan fee collections. Operating expenses decreased by 21.2% due to fewer loan forgiveness dollars being awarded.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**NET POSITION**

	<b>2014</b>		<b>% Change</b>
	<b>2015</b>	<b>(As Restated)</b>	
Current Assets	\$ 100,179,455	\$ 112,431,399	-10.9%
Non-current Assets	174,624,427	139,649,061	25.1%
<b>Total Assets</b>	<b>274,803,882</b>	<b>252,080,460</b>	<b>9.0%</b>
Current Liabilities	117,601	214,449	-45.2%
Non-current Liabilities	80,851	87,884	-8.0%
<b>Total Liabilities</b>	<b>198,452</b>	<b>302,333</b>	<b>-34.4%</b>
	<i>Net Position:</i>		
Net Investment in Capital Assets	98,365	28,662	243.2%
Unrestricted	274,507,065	251,749,465	9.0%
<b>Total Net Position</b>	<b>\$ 274,605,430</b>	<b>\$ 251,778,127</b>	<b>9.1%</b>

**CHANGES IN NET POSITION**

	<b>2014</b>		<b>% Change</b>
	<b>2015</b>	<b>(As Restated)</b>	
Loan Fees Administration	\$ 1,182,944	\$ 1,076,543	9.9%
Interest on Loans	3,454,012	3,404,029	1.5%
Fines, Forfeits & Penalties	214	745	-71.3%
<b>Total Operating Revenues</b>	<b>4,637,170</b>	<b>4,481,317</b>	<b>3.5%</b>
Administration	974,437	960,483	1.5%
Grant Expense	300,820	329,496	-8.7%
Loan Forgiveness	568,157	1,048,806	-45.8%
<b>Total Operating Expenses</b>	<b>1,843,414</b>	<b>2,338,785</b>	<b>-21.2%</b>
<b>Operating Income</b>	<b>2,793,756</b>	<b>2,142,532</b>	<b>30.4%</b>
Federal Grants	18,099,610	4,910,344	269.2%
Interest Revenue	1,968,219	1,900,952	3.5%
Bond Expenses	(34,282)	(32,120)	6.7%
<b>Total Non-Operating Revenue (Expense)</b>	<b>20,033,547</b>	<b>6,779,176</b>	<b>195.8%</b>
<b>Change in Net Position</b>	<b>22,827,303</b>	<b>8,921,708</b>	<b>156.1%</b>
<b>Beginning Net Position July 1</b>	<b>251,778,127</b>	<b>242,856,419</b>	<b>3.7%</b>
<b>Ending Net Position June 30</b>	<b>\$ 274,605,430</b>	<b>\$ 251,778,127</b>	<b>9.1%</b>

Loan forgiveness is awarded to communities who meet specific guidelines for need. They are 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. To more accurately reflect the type of revenue being reported, interest on investing activities has been reclassified from operating revenue to non-operating revenue.

**ECONOMIC OUTLOOK**

The State has continued to take steps to avert major economic impacts both statewide and within communities. The small rural makeup of the State remains a challenge for communities in funding major capital projects. 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 \$1,430,000, 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. 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 will begin.

**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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Concluded)

draws and transfers, disbursements, amortization schedule creation and management, billing, repayment processing, fund deposits, and tracking of repaid funds by their original source. The software also contains a general ledger that each state can customize to match existing accounting systems and create trial balances, financial statements, and related financial schedules.

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

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

Nebraska's State Revolving Fund programs have begun implementation of the LGTS system. During fiscal year 2014, planning of the implementation phases, business rules, and hardware/software installations occurred. During fiscal year 2015, 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.

Prior year Net Position was restated due to an invoice that was paid to Northbridge for the LGTS system that had not been capitalized in the fiscal year 2014 financials. The invoice was for \$7,514 for work done in the month of June 2014. This amount was added to the capitalization total for the Net Investment in Capital Assets, and the 2014 Net Position restated.



NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
 CLEAN WATER STATE REVOLVING FUND PROGRAM  
**BALANCE SHEET**  
 June 30, 2015

	Enterprise Fund
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash & Cash Equivalents:	
Cash in State Treasury (Note 2)	\$ 80,287,689
Due from Federal Government	1,513
Interest Receivable	140,194
Loans Receivable (Note 3)	19,750,059
<b>TOTAL CURRENT ASSETS</b>	<b>100,179,455</b>
<b>NON-CURRENT ASSETS:</b>	
Loans Receivable (Note 3)	174,526,062
Capital Assets, Net (Note 4)	98,365
<b>TOTAL NON-CURRENT ASSETS</b>	<b>174,624,427</b>
<b>TOTAL ASSETS</b>	<b>\$ 274,803,882</b>
 <b>LIABILITIES</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts Payable & Accrued Liabilities	\$ 52,433
Due to Grant Recipients (Note 1)	57,172
Compensated Absences (Note 6)	7,996
<b>TOTAL CURRENT LIABILITIES</b>	<b>117,601</b>
<b>NON-CURRENT LIABILITIES:</b>	
Compensated Absences (Note 6)	80,851
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>80,851</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 198,452</b>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	98,365
Unrestricted	274,507,065
<b>TOTAL NET POSITION</b>	<b>274,605,430</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 274,803,882</b>

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, 2015

	Enterprise Fund
<b>OPERATING REVENUES:</b>	
Loan Fees Administration (Note 8)	\$ 1,182,944
Interest on Loans	3,454,012
Fines Forfeits & Penalties	214
<b>TOTAL OPERATING REVENUES</b>	<b>4,637,170</b>
<b>OPERATING EXPENSES:</b>	
Administrative Costs from Fees (Note 10)	787,352
4% Administrative Costs From Grants (Note 10)	187,085
Small Town Grants (Note 10)	205,949
Facility Planning Grants (Note 10)	94,871
Loan Forgiveness (Note 10)	568,157
<b>TOTAL OPERATING EXPENSES</b>	<b>1,843,414</b>
<b>OPERATING INCOME</b>	2,793,756
<b>NON-OPERATING REVENUE (EXPENSE)</b>	
Capital Contributions - Federal Grants (Note 7)	18,033,371
Capital Contributions - Federal Grants - Capital Assets	66,239
Interest on Fund Balance - State Operating Investment Pool (Note 9)	1,968,219
Interest Expense - State Match Bonds	(7,198)
Cost of Bond Issuance	(27,084)
<b>TOTAL NON-OPERATING REVENUE (EXPENSE)</b>	<b>20,033,547</b>
<b>CHANGE IN NET POSITION</b>	22,827,303
<b>TOTAL NET POSITION, BEGINNING OF YEAR - As Restated (Note 13)</b>	<b>251,778,127</b>
<b>TOTAL NET POSITION, END OF YEAR</b>	<b>\$ 274,605,430</b>

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, 2015

	Enterprise Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts From Customers	\$ 17,009,746
Payments to Borrowers	(57,236,462)
Payments for Administration	(963,796)
Payments for Small Town Grants	(201,179)
Payments for Facility Planning Grants	(90,488)
Payments for Loan Forgiveness	(691,831)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(42,174,010)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Grant Funds Received From the Environmental Protection Agency	18,172,247
Receipts from Bond Issue (Short-Term)	1,430,000
Repayment of Bond (Short-Term)	(1,430,000)
Bond Interest Payments (Short-Term)	(7,198)
Payment for Bond Issuance Costs (Short-Term)	(27,084)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>18,137,965</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>	
Capital Contributions	66,239
Purchase of Capital Assets	(69,704)
<b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>	<b>(3,465)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	2,002,065
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>2,002,065</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	(22,037,446)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	102,325,135
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 80,287,689</b>
<b>RECONCILIATION OF OPERATING INCOME TO</b>	
<b>NET CASH USED BY OPERATING ACTIVITIES:</b>	
Net Operating Income	\$ 2,793,756
<b>ADJUSTMENTS TO RECONCILE NET OPERATING INCOME</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
(Increase)/Decrease in Loans Receivable	(44,864,897)
(Increase)/Decrease in Administration Fees Receivable	175
(Increase)/Decrease in Loan Interest Receivable	524
(Increase)/Decrease in Fines Receivable	312
Increase/(Decrease)in Compensated Absences	(5,651)
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	16,292
Increase/(Decrease) in Payables to Grant Recipients	(114,521)
<b>Total Adjustments</b>	<b>(44,967,766)</b>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (42,174,010)</b>

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2015

**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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**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 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.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**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 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, 2015, 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 1.3% to 4.3%, and the terms on outstanding loans range from 10 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, 2015, which is collectible in fiscal year 2016. Loans receivable that were paid in full, prior to their due date, as of August 31, 2015, were included in the current loans receivable balance as opposed to the long-term receivable balances.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

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

**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. 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.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**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) (Supp. 2015) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81-15,150 (Reissue 2014). 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 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 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, 2016. 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, 2015. 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 2015. Amounts are allocated on a monthly basis based on average balances of all invested funds.

**3. Loans Receivable**

As of June 30, 2015, the Program had 184 outstanding community loans that totaled \$194,276,121. The outstanding balances of the 10 communities with the largest loan balances, which represent 61.3% of the total loans, were as follows:

<u>Community</u>	<u>Outstanding Balance</u>
Omaha	\$ 48,485,378
Lincoln	23,006,828
North Platte	10,309,353
Grand Island	7,110,083
Gosper County SID #1	6,316,236
South Sioux City	5,121,631
Broken Bow	5,090,424
Kearney	4,750,069
Nebraska City	4,483,529
Lexington	4,393,244
<b>TOTAL</b>	<b><u>\$ 119,066,775</u></b>

**4. Capital Assets**

The Clean Water State Revolving Fund (SRF) capital assets activity for the year ended June 30, 2015, was:

	<u>Beginning Balance As Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Software Development In-Progress				
Loans and Grants Tracking System (LGTS)	\$ 28,662	\$ 69,704	\$ -	\$ 98,365

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**4. Capital Assets** (Concluded)

The amount capitalized for LGTS at June 30, 2014, did not include a June 2014 invoice paid to Northbridge Environmental by the EPA, in the amount of \$7,514. The beginning balance was increased by \$7,514 to reflect properly the capital asset balance at June 30, 2014.

**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. During the fiscal year, the Program issued and retired Series 2014B 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 2015 on the short-term bond was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Bonds Payable	\$ -	\$ 1,430,000	\$ 1,430,000	\$ -

**6. Noncurrent Liabilities**

Changes in noncurrent liabilities for the year ended June 30, 2015, were as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Compensated Absences	\$ 94,499	\$ -	\$ 5,652	\$ 88,847	\$ 7,996

**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, 2015. 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, 2015, 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** (Concluded)

<u>Federal Fiscal Year Available</u>	<u>Grant Amount</u>	<u>Amount Drawn</u>	<u>Balance</u>
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	7,143,720	280
2015	7,080,590	-	7,080,590
<b>TOTAL</b>	<b>\$ 202,386,468</b>	<b>\$ 195,305,598</b>	<b>\$ 7,080,870</b>

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, and the 2015 grant had \$26,410 set aside as in-kind amounts for the use by the EPA for the development of the new LGTS software.

The amount of in-kind contributions utilized for the LGTS software during the fiscal year ending June 30, 2015, was \$69,704. The total amount utilized for LGTS as of June 30, 2015, was \$98,365. Additional in-kind contributions were received and capitalized for the Drinking Water State Revolving Fund Program which also utilizes the LGTS software.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**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 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.

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 that

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**10. Operating Expenses** (Concluded)

can be signed into loan contracts for State fiscal year 2015 was capped at \$850,000. In the 2015 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 \$20,000 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 2015 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 at least \$388,760 (5.4% of the Capitalization Grant) for forgiveness, but up to \$583,140 (8.1%) can 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) (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 Plan became effective by statute on January 1, 1964. The Public Employees Retirement Board was created in 1971 to administer the Plan. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected either to continue participation in the defined contribution option or to begin participation in the cash balance benefit. The defined contribution option is closed to new entrants. All new members of the Plan on and after January 1, 2003, become members of the cash balance benefit. The benefits and funding policy of the Plan are established and can only be amended by the Nebraska Legislature.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

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

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

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

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

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

For the fiscal year ended June 30, 2015, employees contributed \$24,819, and the Agency contributed \$38,717. 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](http://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,

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND PROGRAM

**NOTES TO THE FINANCIAL STATEMENTS**  
(Concluded)

**12. Contingencies and Commitments** (Concluded)

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.

**13. Restatements of Beginning Net Position**

Beginning net position on the Statement of Revenues, Expenses, and Changes in Net Position was restated due to an in-kind grant contribution for \$7,514 that was not

recorded on the 2014 financial statements. The in-kind contribution was for work performed by Northbridge Environmental for the LGTS software system.





## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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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, 2015, 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 March 1, 2016.

**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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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*.

### **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  
March 1, 2016



Philip J. Olsen, CPA, CISA  
Audit Manager



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State 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 CIRCULAR A-133 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 Circular A-133 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, 2015.

#### **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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

**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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lincoln, Nebraska  
March 1, 2016



Philip J. Olsen, CPA, CISA  
Audit Manager

## **ATTACHMENT 6**

### **SUMMARY LOAN LIST – SFY 2015 SUMMARY LOAN LIST – SFY 2016 SUMMARY REPORT**

The following Benefits Summary Loan Lists show the total assistance amount which the community received within the SFY2015 and SFY2016. 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. In such cases, the adjustments are shown as a negative amount.

## CW Benefits Summary Loan List for Nebraska

System Number	Recipient	Tracking Number	Assistance Amount	Initial Agreement
NE 1216	Anselmo	C317686	74,280	4/28/2015
NE 174	Aurora	C317326	-28,817	8/21/2014
NE 1215	Big Springs	C317982	100,000	4/16/2015
NE 1199	Broken Bow	C317747	845,000	1/5/2015
NE 1207	Bruno	C317919	165,000	3/11/2015
NE 1209	Chappell	C317874	2,540,125	3/24/2015
NE 288	Clarkson	C317533	-417,150	8/25/2014
NE 1218	Cody	C317388	300,000	6/17/2015
NE 26	Crawford	C317039	-423,302	9/30/2014
NE 1220	Culbertson	C317664	100,000	6/19/2015
NE 307	Dodge	C317564	-23,846	1/30/2015
NE 538	Grand Island	C317867	6,000,000	9/12/2014
NE 1198	Grand Island	C317981	29,000,000	9/12/2014
NE 311	Gretna	C317569	2,100,000	9/19/2014
NE 255	Hartington	C317471	880,000	8/26/2014
NE 1201	Hebron	C317886	784,000	10/30/2014
NE 470	Jansen	C317786	13,394	6/17/2015
NE 536	Kearney	C317865	-258,287	1/30/2015
NE 1195	Kearney	C317956	5,455,000	8/12/2014
NE 217	Lancaster County SID #5	C317404	-78,714	10/29/2014
NE 1221	Loup City	C317611	100,000	6/25/2015
NE 527	Mead	C317854	-64,300	10/24/2014
NE 423	Omaha	C317734	15,000,000	8/26/2014
NE 114	Osmond	C317205	-76,846	2/17/2015
NE 1202	Platte County SID #7	C317980	718,000	11/18/2014
NE 1222	Sidney	C317945	100,000	6/25/2015
NE 508	South Sioux City	C317835	-12,555,465	7/8/2014
NE 192	Spencer	C317363	-9,708	2/3/2015
NE 1194	Sprague	C317897	280,840	8/7/2014
NE 194	Sutherland	C317365	1,085,000	9/5/2014
NE 23	Wayne	C317032	1,938,650	3/25/2015
NE 502	Winside	C317827	1,060,000	12/19/2014
NE 1200	Wisner	C317979	432,200	10/29/2014
<b>Total for all 33 Loans</b>			<b>55,135,054</b>	

## CW Benefits Summary Loan List for Nebraska

System Number		Recipient	Tracking Number	Assistance Amount	Initial Agreement
NE	511	Allen	C317838	896,000	11/13/2015
NE	1215	Big Springs	C317982	-20,950	12/8/2015
NE	1219	Chester	C317875	475,000	8/5/2015
NE	1220	Culbertson	C317664	783,950	12/15/2015
NE	362	Dakota City	C317653	6,644,600	6/27/2016
NE	394	Firth	C317698	455,000	4/27/2016
NE	538	Grand Island	C317867	200,000	9/17/2015
NE	1231	Grand Island	C317984	4,800,000	9/17/2015
NE	311	Gretna	C317569	-200,985	2/29/2016
NE	255	Hartington	C317471	24,595	10/23/2015
NE	1201	Hebron	C317886	-183,981	4/29/2016
NE	470	Jansen	C317786	-35,271	7/30/2015
NE	1195	Kearney	C317956	-376,430	2/17/2016
NE	1221	Loup City	C317611	235,300	12/7/2015
NE	506	Maxwell	C317832	50,000	7/17/2015
NE	382	Oconto	C317682	268,750	10/28/2015
NE	1202	Platte County SID #7	C317980	-20,326	10/20/2015
NE	1222	Sidney	C317945	1,792,000	12/18/2015
NE	1194	Sprague	C317897	-32,160	3/23/2016
NE	493	Superior	C317818	214,000	6/8/2016
NE	1238	York	C317983	19,355,000	5/16/2016
<b>Total for all 21 Loans</b>				<b>35,324,092</b>	



# 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
<b>Total Records</b>	33.1	8	33.1		8	0.1	0	8
<b>Records with Benefits Data</b>	6.4	4	6.4	2.8	4	0.0	0	4
<b>Impacting Human Health</b>	0.3	1	0.3	0.1	1	0.0	0	1
	5%	25%	5%		25%	0	People Served per \$million	25%
<b>With Impaired Waterbody</b>			1.4	0.6	2	0.0	0	2
			22%		50%	0	People Served per \$million	50%
<b>With Waterbody Meeting Standards</b>			0.0	0.0	0			
<b>To Improve Water Quality</b>			0.9	0.4	1			
<b>To Maintain Water Quality</b>			0.7	0.3	2			
<b>To Achieve Compliance</b>			0.9	0.4	1			
<b>To Maintain Compliance</b>			0.7	0.3	2			