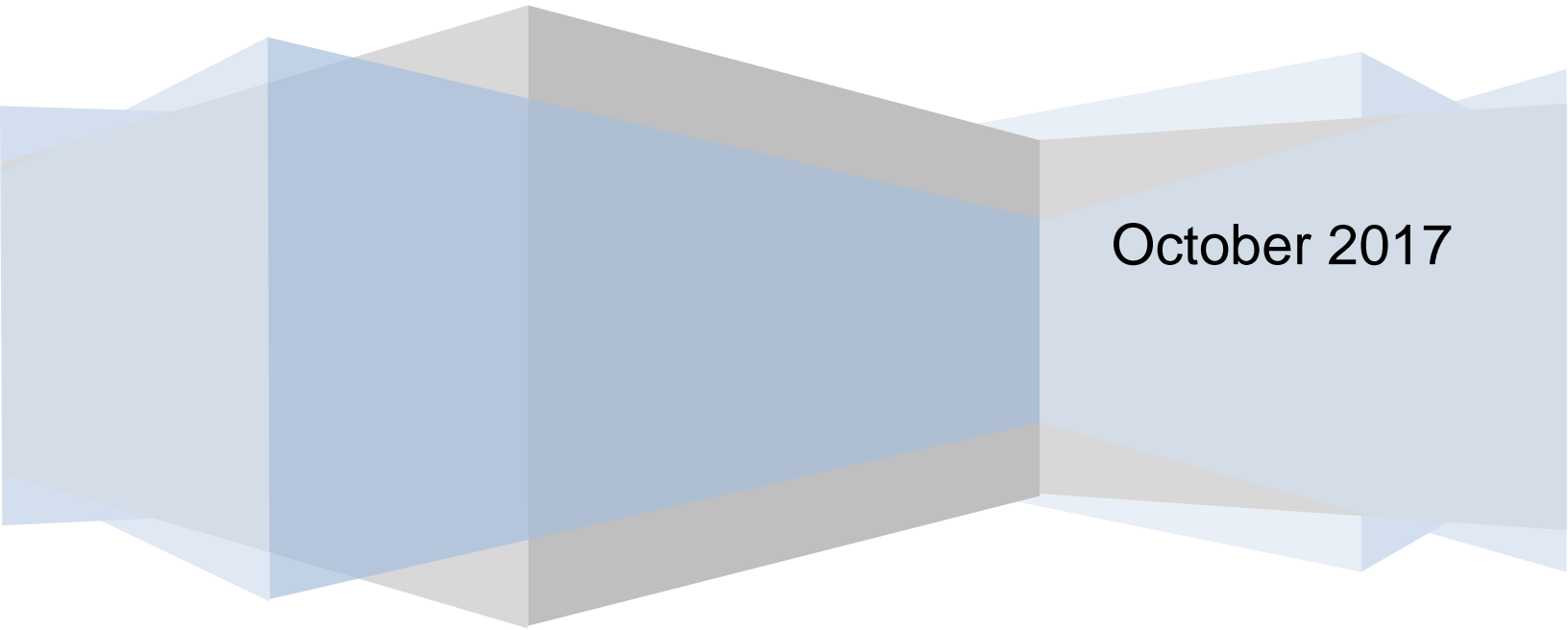


State of Nebraska
Department of Environmental Quality

Clean Water State Revolving Fund Annual Report

State Fiscal Year 2017



October 2017

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EXECUTIVE SUMMARY

The Nebraska Clean Water State Revolving Loan Fund Annual Report for state fiscal year 2017 (7/1/16 - 6/30/17) 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 287 projects with a cumulative loan award amount \$ 573.4 million.

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. Prior to this year, loans were to be repaid within 20 years of project completion. As of June 13, 2017, the Program has extended the maximum loan term to 30 years for eligible borrowers. All repayments, including interest and principal, must be used for the purposes of the Program. The Program is capitalized by the United States Environmental Protection Agency (EPA) by a series of annual grants starting in 1989. States are required to provide an additional 20 percent of the Federal capitalization grant as matching funds in order to receive the Federal grant.

As of June 30, 2017, 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 of the initial start-up of the program. Additional matching funds have been obtained through the issuance of revenue bonds and cash funds.

The Program is administered by the Nebraska Department of Environmental Quality (Agency). The Agency's primary activities with regard to the Program include the making of loans for water pollution control facilities and the management and coordination of the Program. The Nebraska Environmental Quality Council approves the rules and regulations of the Agency and the Program's 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, 2017. This analysis has been prepared by management of the Agency and is intended to be read in conjunction with the Program's financial statements and related footnotes, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Program's basic financial statements. The Program's basic financial statements include the following: 1) Balance

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

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

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

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

ANALYSIS OF BALANCES AND TRANSACTIONS - ENTERPRISE FUND

Changes in Net Position

For the fiscal year ended June 30, 2017, the Net Position of the Program increased by 4.0%. The increase in Net Position was largely impacted by a net increase in Loans Receivable of over \$15.4 million. The decrease in the Liabilities is mainly due to the decrease in the amount Due to Grant Recipients of around \$152,000.

	NET POSITION		
	2017	2016	% Change
Current Assets	\$ 84,779,322	\$ 88,913,727	-4.6%
Non-current Assets	213,501,804	197,633,758	8.0%
Total Assets	297,779,322	286,547,485	3.9%
Current Liabilities	99,777	268,814	-62.9%
Non-current Liabilities	76,479	66,762	14.6%
Total Liabilities	176,256	335,576	-47.5%
Net Position:			
Net Investment in Capital Assets	196,740	167,457	17.5%
Unrestricted	297,406,326	286,044,452	4.0%
Total Net Position	\$ 297,603,066	\$ 286,211,909	4.0%

CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Loan Fees Administration	\$ 1,526,902	\$ 1,483,372	2.9%
Interest on Loans	3,612,688	3,321,368	8.8%
Fines, Forfeits & Penalties	33,005	140	100.0%
Total Operating Revenues	<u>5,172,595</u>	<u>4,804,880</u>	<u>7.7%</u>
Administration	981,357	998,665	-1.7%
Grant Expense	642,778	402,420	59.7%
Loan Forgiveness	571,159	710,296	-19.6%
Total Operating Expenses	<u>2,195,294</u>	<u>2,111,381</u>	<u>4.0%</u>
Operating Income	<u>2,977,301</u>	<u>2,693,499</u>	<u>10.5%</u>
Federal Grants	6,798,999	7,135,967	-4.7%
Interest Revenue	1,620,627	1,780,966	-9.0%
Bond Expenses	(5,770)	(3,953)	46.0%
Total Non-Operating Revenue (Expense)	<u>8,413,856</u>	<u>8,912,980</u>	<u>-5.6%</u>
Change in Net Position	<u>11,391,157</u>	<u>11,606,479</u>	<u>-1.9%</u>
Beginning Net Position July 1	<u>286,211,909</u>	<u>274,605,430</u>	<u>4.2%</u>
Ending Net Position June 30	<u>\$297,603,066</u>	<u>\$ 286,211,909</u>	<u>4.0%</u>

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

LINKED DEPOSIT PROGRAM

The Agency continues the implementation of a linked deposit program for nonpoint source pollution control projects from authorizations in 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.

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 was extracted from spreadsheets and other data systems to load LGTS with data, test the validity of the data, and ensure that LGTS can be used effectively. This task was handled by a combination of staff efforts to assemble existing data sources and outside help to ensure that the data 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 has implemented 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. In 2017, the existing internal system was discontinued, and LGTS became the sole system for use within the SRF program alongside the State Accounting system. NDEQ has found that LGTS has reduced the

occurrence of human error. Due to this, SFY 2016 and SFY 2017 Annual Reports may have conflicting data.

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

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CLEAN WATER STATE REVOLVING FUND PROGRAM
B. UNAUDITED BALANCE SHEET
 Fiscal Year Ended June 30, 2017

Enterprise Fund

ASSETS

CURRENT ASSETS:

Cash in State Treasury	\$	71,293,477
Due from Federal Government		10,098
Interest Receivable		93,837
Loans Receivable – Current		12,880,106
TOTAL CURRENT ASSETS		84,277,518

NON-CURRENT ASSETS

Loans Receivable		213,305,064
Capital Assets, Net		196,740
TOTAL NON-CURRENT ASSETS		213,501,804
TOTAL ASSETS	\$	297,779,322

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable & Accrued Liabilities	\$	59,221
Due to Grant Recipients		32,992
Compensated Absences		7,564
TOTAL CURRENT LIABILITIES		99,777

NON-CURRENT LIABILITIES:

Compensated Absences		76,479
TOTAL NON-CURRENT LIABILITIES		76,479
TOTAL LIABILITIES		176,256

NET ASSETS

Net Investment in Capital Assets		196,740
Unrestricted		297,406,326
TOTAL NET POSITION		297,603,066
TOTAL LIABILITIES AND NET POSIT	\$	297,779,322

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, 2017
UNAUDITED

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration	\$ 1,526,902
Interest on Loans	3,612,688
Fines Forfeits & Penalties	33,005
TOTAL OPERATING REVENUES	\$ 5,172,595
OPERATING EXPENSES:	
Administrative Costs from Fees	780,277
4% Administrative Costs From Grants	201,080
Small Town Grants	506,050
Facility Planning Grants	136,728
Loan Forgiveness	571,159
TOTAL OPERATING EXPENSES	\$ 2,195,294
OPERATING INCOME	2,977,301
NONOPERATING REVENUE (EXPENSE)	
Capital Contributions - Federal Grants	6,771,276
Capital Contributions - Federal Grants – Capital Assets	27,723
Interest on Fund Balance - State Operating Investment Pool	1,620,627
Interest Expense on Bonds Payable	(10,098)
Cost of Bond Issuance	4,328
NET NONOPERATING REVENUE (EXPENSE)	8,413,856
CHANGE IN NET POSITION	11,391,157
TOTAL NET POSITION, BEGINNING OF YEAR	286,211,909
TOTAL NET POSITION, END OF YEAR	\$ 297,603,066

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CLEAN WATER STATE REVOLVING FUND PROGRAM
D. UNAUDITED STATEMENT OF CASH FLOWS
 Fiscal Year Ended June 30, 2017

Enterprise Fund

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts From Customers	\$ 25,242,740
Interest on Fund Balance – Trustee	-
Payments for Administration	(989,156)
Payments for Small Town Grants	(581,346)
Payments for Facility Planning Grants	(116,928)
Loan Forgiveness	(667,325)
Payments to Borrowers	(35,685,354)
NET CASH USED BY OPERATING ACTIVITIES	\$ (12,797,369)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Grants Received From the Environmental Protection Agency	6,771,276
Receipts from Bond Issue	1,360,000
Repayment of Bond	(1,360,000)
Bond Interest Payments	(10,098)
Payment for Bond Issuance Costs	4,328
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES:	6,765,506

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Capital Contributions	27,722
Purchase of Capital Assets	(29,283)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	\$ (1,561)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	1,644,460
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 1,644,460

Net Decrease in Cash and Cash Equivalents	(4,388,964)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	75,682,441
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 71,293,477

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

Net Operating Income \$ 2,977,301

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

(Increase)/Decrease in Loans Receivable (15,615,209)

(Increase)/Decrease in Administration Fees Receivable -

(Increase)/Decrease in Loan Interest Receivable -

(Increase)/Decrease in Fines Receivable -

Increase/(Decrease) in Compensated Absences 10,678

Increase/(Decrease) in Accounts Payable & Accrued Liabilities (18,477)

Increase/(Decrease) in Payables to Grant Recipients (151,662)

NET CASH USED BY OPERATING ACTIVITIES

\$ (12,797,369)

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, 2017

1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

The basic financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of the Department of Administrative Services (DAS).

B. Reporting Entity

The Program is established under and governed by the Clean Water Act of the Federal Government and by laws of the State of Nebraska. The Agency is a State agency established under and governed by the laws of the State of Nebraska. As such, the Agency is exempt from State and Federal income taxes. The Program's management has also considered all potential component units for which it is financially accountable and other organizations that are fiscally dependent on the Program or whose relationship with the Program is so significant that exclusion would be misleading or incomplete. The 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, 2017, 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, 2017, which is collectible in fiscal year 2018. Loans receivable that were paid in full, prior to their due date, as of August 31, 2017, were included in the current loans receivable balance as opposed to the long-term receivable balances.

Over the past year, the Village of Riverton has demonstrated difficulties in making repayments toward their 1997 Clean Water SRF loan obligation. Management believes this has stemmed from potential mismanagement of funds via the former Village Clerk who was charged with misdemeanor theft after the State Auditor investigated the Village's financial records. Since the incident, Riverton has made notable efforts to continue repayments toward all debt obligations. In 2017, Management established a new signed agreement with Riverton, adjusting their repayment billing schedule from being semi-annual to monthly, reducing overall payments to something more manageable by the community. To-date, we are unaware of any repayment issues from Riverton and believe that the loan is on track to being fully repaid. No other provisions were made for additional uncollectible accounts, as management believes that all loans will be repaid according to the loan terms at this time.

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 was 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, 2017. All interest revenue is allocated to the General Fund except allocations required by law to be made to other funds. All funds of the Program were designated for investment during fiscal year 2017. Amounts are allocated on a monthly basis based on average balances of all invested funds.

3. Loans Receivable

As of June 30, 2017, the Program had 187 outstanding community loans, to 152 separate communities, that totaled \$226,185,168. The outstanding balances of the 10 communities with the largest loan balances, which represent 67% of the total loans, were as follows:

Community	Outstanding Balance
Omaha	\$ 78,730,885
Grand Island	27,542,147
Lincoln	18,302,646
Kearney	4,618,670
Broken Bow	4,136,544
Nebraska City	4,068,415
Lexington	3,974,707
York	3,919,298
Wayne	3,788,348
Gosper Cnty SID #1	3,021,050
TOTAL	\$152,102,710

4. Capital Assets

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

	Beginning Balance As Restated	Additions	Retirements	Ending Balance
Software Development In-Progress Loans and Grants Tracking System	\$ 167,457*	\$ 29,283	\$ -	\$ 196,740

*Prior year balance was overstated by \$7,514.

5. Bonds Payable

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

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

6. Noncurrent Liabilities

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

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

7. Capital Contributions

Included in the net position is the total amount of capitalization grants drawn from the EPA by the Agency. The following summarizes the capitalization grants awarded and drawn, as well as the remaining balance as of June 30, 2017. The year column relates directly to the grant amount column and represents the fiscal year the grant funds were appropriated by Congress. The amount drawn column is as of June 30, 2017, and may have been drawn over multiple years.

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

2015	7,107,000	7,107,000	-
2016	6,771,276	6,771, 276	-
TOTAL	\$ 209,157,744	\$ 209,157,744	\$

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

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

8. Loan Fees Administration

To meet the long-term administrative needs of the Program, an annual fee of up to 1% is charged against the outstanding principal on loans. These fees are calculated on a semi-annual basis and billed when loan principal and interest payments are due. These fees are not included in the loan principal. The Director of the Program may waive this fee during construction, except on projects that 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 2017 was capped at \$474,180. In the 2017 Intended Use Plan (IUP), the Agency set the upper limit of grant to each community at \$250,000 per project, concurrent with a Program loan. Projects are prioritized based on the type of project and Median Household Income of the community.

Facility Planning Grants

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

Loan Forgiveness

The State may choose to provide additional subsidization in the form of loan forgiveness up to a maximum of \$100,000 per project to qualifying disadvantaged communities that meet the affordability criteria found in the 2017 IUP. Awarding loan forgiveness is dependent on the availability of funding from Federal capitalization grants and the total amount of funds the Program decides to allocate for forgiveness from each grant. The Program will reserve up to \$680,300 (approximately 10% of the Capitalization Grant) for forgiveness to be used for additional subsidization. The Program's authority to distribute the additional subsidization is an existing authority under the Nebraska Protection Act at Neb. Rev. Stat. § 81-1504(4) (Reissue 2014) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81-15,150 (Reissue 2014). Together, these statutes allow the Program to accept and expend Federal grants for designated projects. Loan forgiveness discharges the community from repaying that portion of the principal amount of its loan under the terms and conditions of the loan contract.

11. State Employees Retirement Plan (Plan)

The single-employer 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, 2017, employees contributed \$23,948 and the Agency contributed \$37,358. A separate plan report is issued and can be obtained from the Nebraska Public Employees Retirement System. This report contains full pension-related disclosures.

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

12. **Contingencies and Commitments**

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

employee health care, employee indemnification, and workers' compensation. The State has chosen to purchase insurance for the following:

- A. Motor vehicle liability, which is insured for the first \$5,000,000 of exposure per accident with a self-insured retention of \$300,000 per accident. Insurance is also purchased, with various limits and deductibles, for physical damage and uninsured and underinsured motorists. State agencies have the option to purchase coverage for physical damage to vehicles.
- B. Crime coverage, with a limit of \$31,000,000 for each loss, and a \$25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.
- C. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly acquired properties are covered up to \$10,000,000 for 120 days and, after 120 days, if the property has not been reported, the limit decreases to \$5,000,000. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self-insurance. State agencies have the option to purchase building contents and inland marine coverage.

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

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

II. PROGRAM INFORMATION SECTION

A. FUND ACTIVITIES

1. Loan and Investment Status

The fund has a loan portfolio containing \$573,401,133, which is comprised of \$555,813,159 in loans and \$17,587,974 of obligated loan forgiveness. Of the \$555,813,159, \$287,085,505 has been repaid and \$42,750,291 has yet to be dispersed, leaving a current outstanding loan balance of \$226,185,168. Of the \$17,587,974 of loan forgiveness, \$17,380,168 has been dispersed. Details on the Fund loan portfolio are in Attachment 1. The SFY 2017 blended interest rate on the outstanding loan balance is 1.757%. The SFY 2016 blended rate was 1.859%. This year's blended interest rate is 10.2 basis points below last year.

2. Source of CWSRF Funds by Quarter

The \$1,360,000 Nebraska Investment Finance Authority (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 nine new binding commitments and two loan amendments to existing funded communities, which provided financial assistance totaling \$24,127,350. The binding commitment total for SFY 2017, plus 4% administration, equals \$24,327,350. The cumulative binding commitment exceeds the federal 120% binding commitment requirement for SFY 2017. The cumulative binding commitment amount of initial loan awards plus 4% administration totals \$636,387,541.

Attachment 2 provides information showing the binding commitments entered into during SFY 2017 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 \$636,387,541 or 266% of the required amount.

4. Small Town Grant Report

The Agency has authority to obligate up to 65% of the previous SFY administration fee income for small town matching grants and facility planning grants. In SFY 2017, \$474,180 was available for Small Town Grants and \$45,000 was made available to facility planning grants.

The following table reports allocations to projects during SFY 2017 for Small Town Grants. Attachment 3 provides more detail on fund history, disbursements, and balances.

<u>COMMUNITY</u>	<u>PROJEC T #C31</u>	<u>GRANT AWARD DATE</u>	<u>GRANT AMOUNT</u>
Gilead	7709-01	09/19/2016	\$78,100
Lynch	7993-01	06/02/2017	\$250,000
SFY 2016 Allocation Total			\$328,100

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 \$15,000. Facility planning grants were awarded to Humboldt, Peru, and Stratton in SFY 2017.

Since the grant's inception through the Nebraska Environmental Partnership (NEP) in SFY 2004 the CWSRF has awarded planning grants to 75 communities for a total of \$1,268,170. 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 five SRF projects during SFY 2017. It was determined zero Environmental Impact Statements (EIS) were necessary. Environmental Assessments (EA) were prepared and Finding of No Significant Impact Statements (FNSI) were issued for one project: Hastings. Categorical Exclusions (CE) were issued for four projects: Kearney, Taylor, Wauneta and South Sioux City. In order to expedite the review process, FNSIs and CEs are now available on-line.

The following six SRF wastewater projects initiated operation in SFY 2017: Alma, Anselmo, Gothenburg, Grand Island, South Sioux City and Taylor.

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 2016 capitalization grant. This project was with the City of York for a \$19,355,000. The rest of the possible equivalent requirements were applied to all loans.

2. Short Term Goals and Accomplishments

Six short term goals were described in the SFY 2017 Intended Use Plan (IUP) to be undertaken in SFY 2017. 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 on the importance of submission of the Needs Surveys:

- Presented at numerous conferences/workshops throughout the year,

- Provided updated information to the Agency's Field Office staff to promote the Needs Surveys,
- Sent out the 2017 Needs Survey to all municipalities, Sanitary Improvement Districts (SIDs) and consulting engineers.

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 13, 2017 at Lincoln, Nebraska to receive public input and Council approval. The draft IUP and Project Priority Lists were made available to the public 30 days prior to the hearing.

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

Loan funds were committed to nine separate communities during SFY 2017: York, Stanton County SID 1, Creighton, Taylor, Alma, Gretna, Omaha and South Sioux City.

In addition, two loan amendments were provided to communities: Anselmo and Loup City.

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

Options that may be available include:

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

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

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 this time the Agency is working on implementing the Linked Deposit Program by discussing the program with Nebraska banks and entering into Linked Deposit Lender Agreements with banks that wish to participate to funding eligible projects.

4. *Revise Title 131 to include the clean water amendments signed by President Obama on June 10, 2014. This would include loans made for up to 30 years, additional eligibilities, and the modified definition of the treatment works.*

Other Clean Water Act amendments from 2014, such as CWSRF eligibilities and extended loan terms, required Nebraska State Statute changes and have made progress since last report. Nebraska State Statute was successfully amended in 2016 to incorporate the previously mentioned changes. The NDEQ proposed changes to Title 131 to match the State Statute wording to the Environmental Quality Council (EQC) on June 13, 2017. The EQC approved all proposed Title 131 changes and NDEQ is currently awaiting for the Governor's approval and an update to the "Effective Date" for amended portions. Awaiting the final "Effective Date" will not have any impact on the SRF's ability to implement these changes or keep in compliance with federal and state regulations

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

Projects in three communities were designated as Green Project Reserve (GPR) for the SFY 2017 IUP – Creighton, Long Pine and Superior. For the SFY 2018 IUP, seven communities are on the Green Project Reserve List for funding including Long Pine due to a delay in the project. Those communities are: Amherst, Grand Island, Gresham, Hastings, Long Pine, Loup City and Taylor. The CWSRF promotes green projects by using a lower interest rate for green projects. GPR and all green project loans are assessed at 1.25%, 0.25% less than other SRF loans.

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

The Agency used a priority ranking system to evaluate facilities in eight categories for the 2017 IUP. The greater number of points the higher the ranking. The eight categories are:

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

3. Long Term Goals and Accomplishments

Eight long term goals were included in the SFY 2017 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 2016, providing candidates for the SFY 2017 IUP. 328 communities responded to the needs survey and out of that number, 277 of the communities identified one or more needs. The SFY 2017 public participation process involved providing conference/workshop presentations and in person training at Agency's field offices.

- 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 the Agency to utilize the fund for the best alternative. Additionally, the Program continues to promote the use of Fiscal Sustainability Plans and Cost Effective Analysis reports.

The EPA provided guidance for the SRF program concerning eligible green infrastructure projects for the FFY 2017 federal capitalization grant. The Agency continues to incentivize green projects with lower than non-green interest rates.

- 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.*

The Agency continues to use the Priority Ranking System described in #6 of the short term goal. This insures that funds are available to the greatest need. Projects identified during the needs survey process are ranked in accordance with the priority ranking system and placed on the Project Planning List. Ranking for the projects is based on total points awarded for the following eight categories: project benefit; beneficial use; classification of receiving water;

water quality of receiving waters; enforcement actions; readiness to proceed; population served; Assessing Wastewater Infrastructure Needs (AWIN); and financial impacts. The greater the total number of points, the higher the ranking. Projects addressing public health and environmental concerns, as well as, readiness to proceed receive the higher points.

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 2017 IUP as part of the planning list are nonpoint source projects. The program has also developed regulations and is working to implement a linked deposit program for nonpoint source pollution. Additional amendments to the State Statutes covering the SRF program made in LB737, which was approved by EQC in June, 2017 to be added to Title 131 included the addition of eligible projects containing nonpoint source activities.

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 changes from the original SFY 2017 IUP approved by the Environmental Quality Council (EQC) on June 14, 2016. Attachment 4 provides more detail on the status of projects listed on the 2017 IUP Priority Project Funding List.

D. USEFUL LIFE OF PROJECT

Design Life

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

Project Alternatives

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

Useful Life

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

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

Salvage Value

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

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

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

Examples of Useful Life

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

Table A - Asset Type

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

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

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

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

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

E. PROGRAM CHANGES and CHANGES UNDER CONSIDERATION

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

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 35% of administration fee from the previous year is \$ 474,180 for Small Town Grants and \$45,000 for Planning Grants.

CWSRF has implemented the 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 has been designed specifically for Nebraska's SRF program to track and manage all aspects of program loans, capital contributions, and bond issuance and repayment. LGTS is being implemented in phases. The first phase of entering financial information was started on July 1, 2014. The Agency will 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 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 Clean Water Act amendments from 2014, such as CWSRF eligibilities and extended loan terms, required Nebraska state statute changes and have made progress since last report. Nebraska state statute was successfully amended in 2016 to incorporate the previously mentioned changes. The NDEQ proposed changes to Title 131 to match the State Statute wording to the Environmental Quality Council (EQC) on June 13, 2017. The EQC approved all proposed Title 131 changes and NDEQ is currently waiting for the Governor's approval and an update to the "Effective Date" for amended portions. Awaiting the final "Effective Date" will not have any impact on the SRF's ability to implement these changes or keep in compliance with federal and state regulations.

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 2016 and SFY 2017. 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**

**SFY 2017
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PROJ #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317238	Adams		P	598,777.00	598,777.00	0.00	3.16	0.00	
C317029	Ainsworth		P	519,800.00	519,800.00	0.00	3.50	0.00	
C317559	Ainsworth		F	345,000.00	157,046.48	187,953.52	2.00	375,907.04	
C317103	Albion	FFATA	F	3,000,000.00	529,142.44	2,470,857.56	2.25	5,559,429.51	
C317030	Alda		F	116,940.00	109,208.44	7,731.56	3.14	24,277.10	
C317478	Allen		F	84,758.00	23,954.93	60,803.07	2.00	121,606.14	
C317838	Allen	GP		796,000.00	11,369.58	419,587.42	1.43	600,010.01	
C317750	Alma			132,056.00	0.00	132,056.00	1.50	198,084.00	
C317104	Alvo		F	212,423.00	175,890.50	36,532.50	4.00	146,130.00	
C317239	Amherst	GP12	F	245,651.00	39,564.70	206,086.30	1.33	274,094.78	
C317686	Anselmo			80,000.00	0.00	55,877.00	1.50	83,815.50	
C317136	Ansley	FFATA	F	811,671.00	139,780.05	671,890.95	2.50	1,679,727.38	
C317325	Arlington		P	1,223,435.00	1,223,435.00	0.00	3.59	0.00	
C317198	Arnold		P	99,952.00	99,952.00	0.00	3.00	0.00	
C317033-01	Aurora		P	3,800,000.00	3,800,000.00	0.00	3.31	0.00	
C317184	Aurora		P	590,000.00	590,000.00	0.00	2.80	0.00	
C317326	Aurora		P	3,121,183.00	3,121,183.00	0.00	2.25	0.00	
C317522	Aurora		P	276,682.00	276,682.00	0.00	3.00	0.00	
C317025	Avoca		P	157,514.00	157,514.00	0.00	3.05	0.00	
C317070	Axtell		P	388,787.00	388,787.00	0.00	3.94	0.00	
C317185	Ayr		F	75,991.00	50,407.44	25,583.56	3.00	76,750.68	
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	47,747.97	50,483.03	2.57	129,741.39	
C317561	Bassett	GP11/FFATA	F	709,351.00	32,099.30	677,251.70	1.33	900,744.76	
C317041	Beatrice		P	1,775,315.00	1,775,315.00	0.00	3.18	0.00	
C317743	Beatrice		P	98,575.00	98,575.00	0.00	2.00	0.00	
C317017	Bellevue		P	1,857,908.39	1,857,908.39	0.00	5.00	0.00	

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C317123	Bellevue		P	1,400,000.00	1,400,000.00	0.00	3.30	0.00	
C317531	Bellevue		F	3,727,993.00	912,596.69	2,815,396.31	4.00	11,261,585.24	
C317242	Bellwood		F	324,468.00	233,789.59	90,678.41	3.00	272,035.23	
C317327	Bertrand		F	639,103.00	323,598.91	315,504.09	2.85	899,186.66	
C317665	Bertrand		F	219,993.00	33,784.77	186,208.23	1.50	279,312.35	
C317167	Big Springs		P	874,849.00	874,849.00	0.00	3.00	0.00	
C317982	Big Springs		F	68,133.00	10,102.28	58,030.72	1.50	87,046.08	
C317638	Blair		F	875,403.00	151,530.26	723,872.74	2.10	1,520,132.75	
C317243	Bloomfield		F	202,955.00	152,283.78	50,671.22	3.00	152,013.66	
C317519	Brainard		F	694,096.00	109,479.86	584,616.14	2.00	1,169,232.28	
C317596	Broken Bow	ARRA	F	5,318,801.00	1,182,256.57	4,136,544.43	1.52	6,307,398.81	
C317747	Broken Bow		F	745,000.00	61,722.28	683,277.72	1.50	1,024,916.58	
C317281	Brule		F	131,004.00	79,688.58	51,315.42	3.00	153,946.26	
C317690	Brule		F	58,590.00	16,672.96	41,917.04	2.00	83,834.08	
C317761	Bruning		F	435,212.00	67,191.32	368,020.68	1.90	699,239.29	
C317919	Bruno		F	76,550.00	3,535.59	73,014.41	1.50	109,521.62	
C317284	Butler Cnty SID #1		F	205,878.00	189,778.44	16,099.56	3.00	48,298.68	
C317764	Butler Cnty SID #1		F	103,791.00	81,158.43	22,632.57	2.00	45,265.14	
C317093	Cairo		F	620,921.00	520,399.16	100,521.84	3.20	321,669.89	
C317107	Carroll		F	319,680.00	66,925.28	252,754.72	2.25	568,698.12	
C317328	Cass Cnty SID #5		F	1,107,232.06	549,292.04	557,940.02	3.50	1,952,790.07	
C317532	Cedar Bluffs		F	511,915.00	139,592.93	372,322.07	1.33	495,188.35	
C317028	Cedar Cnty SID #1	ARRA	P	72,700.00	72,700.00	0.00	3.50	0.00	
C317134	Cedar Rapids		P	134,755.00	134,755.00	0.00	3.00	0.00	
C317031	Central City		P	4,000,000.00	4,000,000.00	0.00	3.10	0.00	
C317151	Chadron	ARRA	F	3,270,000.00	968,075.65	2,301,924.35	1.33	3,061,559.39	
C317329	Chambers		F	67,511.00	44,770.70	22,740.30	3.00	68,220.90	
C317477	Chapman		F	359,101.00	143,674.16	215,426.84	3.00	646,280.52	

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PROJ #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317874	Chappell		F	1,707,925.00	73,577.35	1,634,347.65	1.50	2,451,521.48	
C317875	Chester		F	358,465.00	9,592.72	348,872.28	1.50	523,308.42	
C317533	Clarkson	GP10	F	166,425.00	27,328.89	139,096.11	2.00	278,192.22	
C317233	Clay Center		P	180,000.00	180,000.00	0.00	3.00	0.00	
C317388	Cody		F	191,384.00	8,758.80	182,625.20	1.50	273,937.80	
C317427	Coleridge		F	62,379.00	38,591.83	23,787.17	2.50	59,467.93	
C317597	Coleridge		F	56,146.00	18,493.77	37,652.23	2.00	75,304.46	
C317468	Concord		F	297,449.00	264,278.87	33,170.13	3.11	103,159.10	
C317258	Cook		F	579,956.00	534,198.65	45,757.35	3.00	137,272.05	
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	415,184.12	1,339,218.88	2.00	2,678,437.76	
C317081	Crab Orchard		F	65,978.00	43,607.18	22,370.82	3.00	67,112.46	
C317039	Crawford	GO	F	2,528,698.00	331,395.56	2,197,302.44	1.50	3,295,953.66	
C317158	Creighton	GP16		958,000.00	0.00	534,605.00	1.25	668,256.25	
C317731	Creighton		F	220,536.00	67,430.77	153,105.23	2.00	306,210.46	
C317664	Culbertson		F	597,201.00	13,972.97	583,228.03	1.50	874,842.05	
C317653	Dakota City			6,644,600.00	0.00	899,219.00	1.50	1,348,828.50	
C317139	Dannebrog		F	425,000.00	385,784.91	39,215.09	3.00	117,645.27	
C317109	David City		F	2,728,924.00	2,458,556.17	270,367.83	3.22	870,584.41	
C317908	Denton		F	244,408.00	45,233.45	199,174.55	1.50	298,761.83	
C317391	Deshler		P	892,808.00	892,808.00	0.00	2.55	0.00	
C317110	DeWitt		F	524,900.00	487,064.68	37,835.32	4.30	162,691.88	
C317196	Diller		F	301,264.00	217,070.37	84,193.63	3.00	252,580.89	
C317564	Dodge		F	85,577.00	29,521.53	56,055.47	1.50	84,083.21	
C317565	Dorchester	ARRA	F	503,227.00	137,217.59	366,009.41	1.33	486,792.52	
C317599	Duncan	GP10	F	320,905.00	81,786.52	239,118.48	2.00	478,236.96	
C317484	Dwight		F	307,650.00	106,739.31	200,910.69	3.30	663,005.28	

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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	28,402.20	63,991.80	3.00	191,975.40	
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	54,051.32	154,421.68	2.00	308,843.36	
C317392	Ewing		F	67,000.00	36,775.98	30,224.02	2.50	75,560.05	
C317338	Exeter		F	54,945.00	31,846.14	23,098.86	3.02	69,758.56	
C317061	Fairbury		F	1,931,134.00	1,623,122.73	308,011.27	3.00	924,033.81	
C317043	Falls City		P	2,500,000.00	2,500,000.00	0.00	2.50	0.00	
C317119	Farwell		F	175,000.00	147,022.72	27,977.28	3.00	83,931.84	
C317594	Filley		F	245,000.00	69,154.73	175,845.27	2.00	351,690.54	
C317049	Firth		P	62,716.00	62,716.00	0.00	3.56	0.00	
C317698	Firth		F	433,660.00	5,876.35	215,339.65	1.50	323,009.48	
C317272	Fremont		P	3,200,000.00	3,200,000.00	0.00	3.00	0.00	
C317159	Garland		F	331,950.00	148,256.34	183,693.66	3.17	582,308.90	
C317059	Gering		P	3,250,000.00	3,250,000.00	0.00	2.50	0.00	
C317156	Gibbon		P	1,258,946.00	1,258,946.00	0.00	3.66	0.00	
C317307	Gibbon		P	7,000,000.00	7,000,000.00	0.00	5.25	0.00	
C317709	Gilead			78,100.00	0.00	5,293.00	1.50	7,939.50	
C317390	Gosper Cnty SID #1		F	15,484,961.00	12,463,910.67	3,021,050.33	2.66	8,035,993.88	
C317883	Gosper Cnty SID #1		F	536,646.00	100,474.40	436,171.60	1.50	654,257.40	
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	176,081.77	196,023.23	3.05	597,870.85	
C317568	Gothenburg	BASE	F	129,827.00	42,779.99	87,047.01	2.00	174,094.02	
C317568 ARRA	Gothenburg	ARRA	F	75,000.00	27,631.52	47,368.48	0.00	0.00	
C317781	Gothenburg	GP12/13/FFA TA		2,133,400.00	30,726.47	1,744,182.53	1.25	2,180,228.16	

PROJ #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317867	Grand Island		F	6,200,000.00	278,069.49	5,921,930.51	1.50	8,882,895.77	
C317981	Grand Island	GP15/FFATA		29,000,000.00	0.00	21,620,216.00	1.25	27,025,270.00	
C317984	Grand Island			4,800,000.00	0.00	0.00	1.50	0.00	
C317045	Gresham		F	129,298.00	52,123.75	77,174.25	1.50	115,761.38	
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	127,505.10	1,771,509.90	1.50	2,657,264.85	
C317986	Gretna			5,147,000.00	0.00	1,788,838.00	1.50	2,683,257.00	
C317234	Guide Rock		F	321,451.00	84,330.60	237,120.40	3.00	711,361.20	
C317004	Hartington		P	544,167.00	544,167.00	0.00	3.50	0.00	
C317341	Hartington		F	82,465.00	23,296.50	59,168.50	2.00	118,337.00	
C317471	Hartington	GP13	F	804,595.00	55,190.75	749,404.25	1.25	936,755.31	
C317053	Hay Springs		F	311,792.00	311,792.00	0.00	3.00	0.00	
C317291	Hayes Center	SP10/11	F	295,809.00	55,520.41	240,288.59	2.25	540,649.33	
C317131	Hebron		P	329,098.00	329,098.00	0.00	3.00	0.00	
C317886	Hebron		F	500,019.00	22,252.91	477,766.09	1.50	716,649.14	
C317019	Herman		P	124,865.00	124,865.00	0.00	3.50	0.00	
C317398	Hickman		P	390,000.00	390,000.00	0.00	3.50	0.00	
C317887	Hickman		F	747,419.00	98,762.40	648,656.60	1.50	972,984.90	
C317213	Holbrook		F	231,000.00	202,352.77	28,647.23	3.00	85,941.69	
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	78,245.93	221,370.07	2.00	442,740.14	
C317115	Howells		F	346,933.00	175,143.14	171,789.86	2.80	481,011.61	
C317343	Indianola		F	756,740.00	553,978.79	202,761.21	3.00	608,283.63	
C317292	Jackson		F	54,642.00	31,751.29	22,890.71	3.00	68,672.13	
C317786	Jansen	GP12	F	264,729.00	17,973.17	246,755.83	1.36	335,587.93	
C317021	Kearney		P	3,954,696.00	3,954,696.00	0.00	3.86	0.00	

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C317275	Kearney		P	2,560,497.00	2,560,497.00	0.00	3.39	0.00	
C317789	Kearney		F	1,250,000.00	295,818.66	954,181.34	2.00	1,908,362.68	
C317865	Kearney		F	941,713.00	106,022.69	835,690.31	1.50	1,253,535.47	
C317956	Kearney	GP14	F	5,078,570.00	459,900.34	4,618,669.66	1.28	5,893,422.49	
C317057	Kenesaw		F	521,711.00	448,999.49	72,711.51	3.00	218,134.53	
C317118	Kennard		P	693,000.00	693,000.00	0.00	2.99	0.00	
C317144	Kimball		P	610,000.00	610,000.00	0.00	3.15	0.00	
C317404	Lancaster Cnty SID #5		F	271,286.00	41,978.61	229,307.39	2.00	458,614.78	
C317705	Laurel		F	160,000.00	48,871.04	111,128.96	2.00	222,257.92	
C317837	Lawrence		F	75,401.00	42,195.37	33,205.63	2.25	74,712.67	
C317447	Leigh	GP10	F	475,000.00	99,198.64	375,801.36	2.00	751,602.72	
C317002	Lexington		P	4,100,000.00	4,100,000.00	0.00	3.50	0.00	
C317676	Lexington		F	4,600,833.00	626,125.87	3,974,707.13	1.50	5,962,060.70	
C317008	Lincoln		P	9,017,565.54	9,017,565.54	0.00	5.00	0.00	
C317078	Lincoln		F	5,000,000.00	1,181,530.84	3,818,469.16	2.00	7,636,938.32	
C317247	Lincoln	ARRA	F	3,558,792.00	1,058,560.36	2,500,231.64	1.30	3,244,050.55	
C317830	Lincoln		F	17,000,000.00	2,515,822.96	14,484,177.04	2.25	32,589,398.34	
C317204	Lindsay		P	405,000.00	405,000.00	0.00	3.14	0.00	
C317839	Lindsay	GP11/FFATA	F	411,494.00	80,151.46	331,342.54	1.82	603,043.42	
C317236	Loomis		P	167,381.00	167,381.00	0.00	3.18	0.00	
C317611	Loup City			365,300.00	3,224.09	116,358.91	1.50	174,538.37	
C317573	Lower Platte North NRD		P	11,603,660.00	11,603,660.00	0.00	2.00	0.00	
C317539	Lynch		F	174,300.00	83,190.20	91,109.80	3.00	273,329.40	
C317852	Lynch		F	24,261.00	11,409.10	12,851.90	2.50	32,129.75	
C317449	Lyons		P	891,491.00	891,491.00	0.00	3.00	0.00	
C317405	Madison		P	1,892,461.00	1,892,461.00	0.00	3.06	0.00	
C317575	Malcolm	ARRA	F	750,000.00	240,452.57	509,547.43	1.34	684,640.67	
C317613	Marquette	BASE	F	48,942.00	13,186.83	35,755.17	2.00	71,510.34	

**ATTACHMENT 1
CWSRF LOAN INVESTMENT STATUS REPORT**

**SFY 2017
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PROJ #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317832	Maxwell		F	125,063.00	15,189.99	109,873.01	1.50	164,809.52	
C317259	Maywood		P	184,518.00	184,518.00	0.00	3.00	0.00	
C317105	McCook		P	337,040.99	337,040.99	0.00	3.00	0.00	
C317150	McCook		P	1,903,003.00	1,903,003.00	0.00	3.00	0.00	
C317349	McCook	LAND	P	4,200,000.00	4,200,000.00	0.00	2.50	0.00	
C317451	McCool Junction		P	82,903.00	82,903.00	0.00	2.50	0.00	
C317331	McGrew		F	47,100.00	29,936.23	17,163.77	3.00	51,491.31	
C317854	Mead	FFATA	F	912,536.00	121,232.60	791,303.40	1.50	1,186,955.10	
C317217	Meadow Grove		F	138,190.00	84,029.91	54,160.09	3.00	162,480.27	
C317248	Melbeta		F	259,437.00	72,832.85	186,604.15	3.15	587,803.07	
C317169	Memphis		F	83,130.00	77,699.22	5,430.78	3.00	16,292.34	
C317250	Murray		F	1,425,000.00	616,300.82	808,699.18	2.95	2,385,662.58	
C317741	Nebraska City		F	4,889,865.00	821,449.57	4,068,415.43	2.25	9,153,934.72	
C317071	Neligh		F	1,653,678.00	1,143,192.71	510,485.29	3.00	1,531,455.87	
C317498	Newman Grove		F	333,099.00	162,779.75	170,319.25	3.00	510,957.75	
C317431	Nickerson		F	281,011.00	139,439.57	141,571.43	3.24	458,691.43	
C317036-01	Norfolk		P	9,299,999.80	9,299,999.80	0.00	4.18	0.00	
C317142	North Bend		F	308,000.00	152,256.26	155,743.74	3.45	537,315.90	
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	182,930.27	27,026.73	3.00	81,080.19	
C317409	Oakland	ARRA	F	1,757,490.00	434,872.42	1,322,617.58	1.43	1,887,142.51	
C317682	Oconto			168,750.00	3,607.88	159,137.12	1.50	238,705.68	
C317152	Ogallala		F	2,397,400.00	1,787,108.85	610,291.15	3.23	1,971,240.41	
C317500	Ogallala		F	422,832.00	91,148.40	331,683.60	2.00	663,367.20	
C317005	Omaha		P	4,000,000.00	4,000,000.00	0.00	3.80	0.00	
C317016	Omaha		P	2,830,825.00	2,830,825.00	0.00	4.00	0.00	
C317052	Omaha		P	1,810,894.00	1,810,894.00	0.00	3.50	0.00	

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PROJ #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317079	Omaha		P	10,000,000.00	10,000,000.00	0.00	3.00	0.00	
C317082	Omaha		P	3,432,976.00	3,432,976.00	0.00	3.50	0.00	
C317182	Omaha		P	1,600,000.00	1,600,000.00	0.00	3.00	0.00	
C317311	Omaha		P	898,294.00	898,294.00	0.00	3.00	0.00	
C317319	Omaha		P	20,000,000.00	20,000,000.00	0.00	3.50	0.00	
C317375	Omaha		P	12,100,000.00	12,100,000.00	0.00	4.00	0.00	
C317432	Omaha	ARRA	F	6,592,000.00	1,667,151.46	4,924,848.54	1.48	7,278,926.14	
C317476	Omaha	BASE	F	7,354,121.00	1,573,522.58	5,780,598.42	2.00	11,561,196.84	
C317734	Omaha	FFATA	F	55,000,000.00	1,224,562.14	53,775,437.86	1.50	80,663,156.79	
C317735	Omaha			15,000,000.00	0.00	14,250,000.00	1.50	21,375,000.00	
C317205	Osmond	GP11	F	330,216.00	63,271.29	266,944.71	2.23	595,286.70	
C317229	Oxford		P	865,353.00	865,353.00	0.00	2.77	0.00	
C317543	Oxford		F	306,097.00	46,509.62	259,587.38	2.11	547,729.37	
C317414	Palmer		P	654,028.00	654,028.00	0.00	2.79	0.00	
C317353	Paxton		P	1,352,254.00	1,352,254.00	0.00	2.50	0.00	
C317807	Paxton		F	32,300.00	20,270.00	12,030.00	2.00	24,060.00	
C317087	Pickrell		F	350,000.00	244,321.83	105,678.17	4.00	422,712.68	
C317060	Plainview		F	968,910.00	371,963.20	596,946.80	2.75	1,641,603.70	
C317745	Platte Center	ARRA	F	128,690.00	33,382.96	95,307.04	2.00	190,614.08	
C317980	Platte Cnty SID #7		F	697,674.00	32,986.73	664,687.27	1.50	997,030.91	
C317526	Plattsmouth		F	1,599,810.00	337,188.95	1,262,621.05	2.19	2,765,140.10	
C317834	Plattsmouth		F	1,735,961.00	727,831.17	1,008,129.83	2.00	2,016,259.66	
C317266	Pleasanton		F	117,076.00	94,797.96	22,278.04	3.00	66,834.12	
C317744	Pleasanton	ARRA	P	232,817.00	232,817.00	0.00	2.00	0.00	
C317035	Polk		P	81,453.00	81,453.00	0.00	3.50	0.00	
C317696	Polk Cnty SID #1	FFATA	F	2,024,805.00	374,501.41	1,650,303.59	2.25	3,713,183.08	
C317506	Red Cloud	ARRA	F	372,404.00	110,508.77	261,895.23	1.33	348,320.66	
C317073	Rising City		F	350,340.00	161,866.78	188,473.22	2.55	480,606.71	

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PROJ #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317101	Riverton		P	140,442.00	140,442.00	0.00	3.00	0.00	
C317101-03	Riverton		F	14,629.78	2,932.02	11,697.76	3.00	35,093.28	
C317188	Rushville		P	1,035,000.00	1,035,000.00	0.00	3.00	0.00	
C317416	Ruskin		F	271,020.00	139,271.47	131,748.53	2.50	329,371.33	
C317128	Sarpy Cnty SID #101		F	4,785,104.84	4,583,497.41	201,607.43	3.00	604,822.29	
C317195	Schuyler		F	579,336.00	538,416.53	40,919.47	3.00	122,758.41	
C317215	Schuyler		F	2,481,856.00	1,400,555.79	1,081,300.21	3.01	3,254,713.63	
C317001	Scottsbluff		P	2,453,873.39	2,453,873.39	0.00	3.26	0.00	
C317086	Scottsbluff		F	4,600,000.00	4,006,555.66	593,444.34	3.00	1,780,333.02	
C317219	Scottsbluff	ARRA	F	2,527,500.00	1,604,427.50	923,072.50	1.33	1,230,763.95	
C317378	Scottsbluff		F	1,004,334.00	645,905.01	358,428.99	3.00	1,075,286.97	
C317813	Shelby		F	291,974.00	55,887.98	236,086.02	2.25	531,193.55	
C317062	Shelton		P	493,043.00	493,043.00	0.00	3.37	0.00	
C317301	Shelton		F	1,071,763.00	743,752.41	328,010.59	3.00	984,031.77	
C317189	Sidney	ARRA/BASE	F	4,125,000.00	1,323,288.84	2,801,711.16	1.33	3,735,613.95	
C317433	Sidney	LAND	F	819,924.00	541,414.28	278,509.72	2.52	701,844.49	
C317945	Sidney	GO		1,792,000.00	0.00	0.00	1.25	0.00	
C317508	Silver Creek		F	175,165.00	70,841.15	104,323.85	2.75	286,890.59	
C317360	South Sioux City		F	3,112,135.00	983,262.37	2,128,872.63	3.65	7,770,385.10	
C317725	South Sioux City	ARRA	F	1,682,752.00	461,094.78	1,221,657.22	1.32	1,608,922.56	
C317835	South Sioux City	GP12/FFATA	F	1,444,535.00	229,369.68	1,215,165.32	2.50	3,037,913.30	
C317988	South Sioux City			1,486,200.00	0.00	0.00	1.50	0.00	
C317363	Spencer		F	73,146.00	8,247.89	64,898.11	1.50	97,347.17	
C317897	Sprague		F	248,680.00	16,694.06	231,985.94	1.50	347,978.91	
C317027	St. Helena		P	70,695.00	70,695.00	0.00	3.50	0.00	
C317263	St. Paul		P	306,513.00	306,513.00	0.00	2.82	0.00	
C317080	Stamford		P	395,400.00	395,400.00	0.00	2.50	0.00	
C317164	Stanton		F	1,053,787.00	790,581.54	263,205.46	3.00	789,616.38	

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PROJ #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317985	Stanton Cnty SID #1		F	668,164.00	0.00	668,164.00	1.50	1,002,246.00	
C317011	Sterling		P	177,430.00	177,430.00	0.00	3.50	0.00	
C317048	Stromsburg		P	599,516.00	599,516.00	0.00	3.04	0.00	
C317320	Stromsburg		F	156,000.00	111,674.96	44,325.04	3.30	146,272.63	
C317510	Stuart		F	48,856.00	10,481.87	38,374.13	2.00	76,748.26	
C317096	Superior		P	341,898.00	341,898.00	0.00	3.00	0.00	
C317818	Superior			114,000.00	0.00	67,439.00	1.25	84,298.75	
C317364	Sutherland		P	165,880.00	165,880.00	0.00	2.50	0.00	
C317365	Sutherland		F	960,299.00	21,288.81	939,010.19	1.50	1,408,515.29	
C317190	Sutton		P	1,505,100.00	1,505,100.00	0.00	3.12	0.00	
C317430	Taylor			94,000.00	0.00	53,330.00	1.50	79,995.00	
C317231	Tecumseh		F	370,629.00	288,797.90	81,831.10	3.00	245,493.30	
C317051	Tekamah		F	1,297,286.00	1,212,544.80	84,741.20	3.00	254,223.60	
C317252	Tekamah	ARRA	F	879,140.00	220,082.81	659,057.19	1.33	876,546.06	
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	66,733.31	45,477.69	2.50	113,694.23	
C317460	Verdigre		F	200,000.00	55,355.06	144,644.94	3.00	433,934.82	
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	22,472.65	110,062.35	2.00	220,124.70	
C317032	Wayne		F	1,838,650.00	40,994.08	1,797,655.92	1.50	2,696,483.88	
C317369	Wayne		F	4,949,020.00	1,160,671.89	3,788,348.11	2.00	7,576,696.22	
C317040	West Point		P	195,000.00	195,000.00	0.00	3.50	0.00	
C317055	West Point		F	5,116,139.00	2,574,042.54	2,542,096.46	2.94	7,473,763.59	
C317659	Western		F	69,863.00	21,362.30	48,500.70	2.00	97,001.40	
C317129	Wilber		F	570,000.00	532,737.10	37,262.90	3.00	111,788.70	

**ATTACHMENT 1
CWSRF LOAN INVESTMENT STATUS REPORT**

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PROJ #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	LOAN BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317827	Winside		F	918,576.00	20,933.70	897,642.30	1.50	1,346,463.45	
C317012	Wisner		P	1,156,786.00	1,156,786.00	0.00	3.01	0.00	
C317426	Wisner	GP11	F	63,321.00	10,468.37	52,852.63	1.75	92,492.10	
C317979	Wisner			234,929.00	5,708.71	229,220.29	1.50	343,830.44	
C317723	Wolbach		F	20,500.00	9,572.58	10,927.42	2.25	24,586.70	
C317098	Wymore		P	248,700.00	248,700.00	0.00	3.00	0.00	
C317552	Wymore		F	402,800.00	313,467.78	89,332.22	3.00	267,996.66	
C317983	York	YR16FFATA		19,355,000.00	0.00	3,919,298.00	1.50	5,878,947.00	
	LOAN TOTAL			555,813,158.79	287,085,505.37	226,185,168.42		397,405,149.67	1.757
	PROJECT IDENTIFIER CODES:								
	AMERICAN RECOVERY & 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 2015	GP15							
	GREEN PROJECT 2016	GP16							
	GREEN PROJECT	GP			ACTIVE				
	GREEN PROJECT	GP			FINAL		F		
	NONPOINT SOURCE-LAND ACQUISITION	LAND			PAID OFF		P		

**ATTACHMENT 2
CWSRF BINDING COMMITMENTS**

**SFY 2017
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COMMUNITY NAME	Project #C31	State Fiscal Year 2016				State Fiscal Year 2017			
		1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR
PROGRAM ADMINISTRATION									
CHESTER	7875	475,000							
GRAND ISLAND	7984	4,800,000							
GRAND ISLAND AMD #1	7867	200,000							
MAXWELL AMD #1	7832	50,000							
ALLEN	7838		896,000						
CULBERTSON	7664		783,950						
HARTINGTON AMD #1	7471		40,000						
LOUP CITY	7611		235,300						
OCONTO	7682		268,750						
SIDNEY	7945		1,792,000						
DAKOTA CITY	7653				6,644,600				
FIRTH	7698				455,000				
SUPERIOR	7818				214,000				
YORK	7983				19,355,000				
PROGRAM ADMINISTRATION -4TH WTR 2015*		226,410				-			
ANSELMO AMD #1	7686					85,720			
CREIGHTON	7158					1,058,000			
GILEAD	7709					78,100			
STANTON CNTY SID #1 - WOODLAND PARK	7985					767,700			
GRETNA	7986							5,147,000	
OMAHA	7735							15,000,000	
RIVERTON	1-03							14,630	
TAYLOR	7430							188,000	
ALMA	7750								172,000
LOUP CITY AMD #2	7611								130,000
SOUTH SIOUX CITY	7988								1,486,200
(1) BINDING COMMITMENT TOTALS		5,751,410	4,016,000	-	26,668,600	1,989,520	-	20,349,630	1,788,200
(2) CUMULATIVE BINDING COMMITMENTS		581,575,591	585,591,591	85,591,591	612,260,191	614,249,711	614,249,711	634,599,341	636,387,541
FY BINDING COMMITMENT TOTALS				FY16:	36,436,010			FY17:	24,127,350
(3) REQUIRED BINDING COMMITMENT*		8,572,800			-	8,528,400			
(4) CUMULATIVE REQUIRED AMOUNT		230,670,676	230,670,676	230,670,676	230,670,676	239,199,076	239,199,076	239,199,076	239,199,076
(5) BC AS % OF REQ'D BC AMOUNT		252	254	254	265	257	257	265	266
*INCLUDES \$200,000 PROGRAM ADMINISTRATION AND \$31,724 LGTS SOFTWARE PURCHASE									
*120% of Federal Cap Grants lagged by a year									

**ATTACHMENT 3
CWSRF SMALL TOWN GRANT HISTORY**

**SFY 2017
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								First Half SFY2018	Second Half SFY2018	First Half SFY2019	Second Half SFY2019
COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2017	PAID DURING SFY 2017	ESTIMATED 12-31-17	ESTIMATED 6-30-18	ESTIMATED 12-31-18	ESTIMATED 6-30-19
STERLING	7011-01	90	6/26/1990	50	177,430	177,430					
SFY90 ALLOCATION TOTAL					177,430						
HERMAN	7019-01	91	5/31/1991	24	124,864	124,864					
ST. HELENA	7027-01	91	5/24/1991	50	70,695	70,695					
SFY91 ALLOCATION TOTAL					195,559						
CEDAR CO. SID#1	7028-01	92	9/1/1992	50	72,700	72,700					
SFY92 ALLOCATION TOTAL					72,700						
POLK	7035-01	93	6/4/1993	50	81,453	81,453					
SFY93 ALLOCATION TOTAL					81,453						
AVOCA	7025-01	94	5/23/1994	48	119,360	119,360					
AXTELL	7070-01	94	6/21/1994	13.85	62,150	62,150					
RIVERTON	7101-01	94	6/6/1994	50	91,100	91,100					
SFY94 ALLOCATION TOTAL					272,610						
HAY SPRINGS	7053-01	95	8/23/1994	50	200,971	200,971					
VERDIGRE	7023-01 & 02	95	11/16/1994	50	30,410	30,410					
FIRTH	7049-01	95	4/13/1995	33	27,200	27,200					
AVOCA	7025-02	95	6/29/1995	48	17,000	17,000					
SFY95 ALLOCATION TOTAL					275,581						
HAY SPRINGS	7053-02	96	8/25/1995	50	48,500	48,500					
HAY SPRINGS	7053-03	96	2/15/1996	40	57,500	57,500					
FIRTH	7049-02	96	3/14/1996	33	4,800	4,800					
RIVERTON	7101-02	96	6/7/1996	50	49,345	49,345					
SFY96 ALLOCATION TOTAL					160,145						
BASSETT	7068-01	97	2/27/1997	50	105,250	105,250					
ALDA	7030-01	97	4/30/1997	42	83,060	83,060					
SFY97 ALLOCATION TOTAL					188,310						
SFY98 ALLOCATION TOTAL					0						

CWSRF SMALL TOWN GRANT HISTORY

ANNUAL REPORT

								First Half SFY2018	Second Half SFY2018	First Half SFY2019	Second Half SFY2019
COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2017	PAID DURING SFY 2017	ESTIMATED 12-31-17	ESTIMATED 6-30-18	ESTIMATED 12-31-18	ESTIMATED 6-30-19
CRAB ORCHARD	7081-01	99	11/28/1998	5	1,700	1,700					
SFY99 ALLOCATION TOTAL					1,700						
CRAB ORCHARD AMD#1	7081-01	2000	3/13/2000	5	20,291	20,291					
ARNOLD	7198-01	2000	4/11/2000	50	92,500	92,500					
CEDAR RAPIDS	7134-01	2000	6/14/2000	50	105,000	105,000					
PLEASANTON	7266-01	2000	6/27/2000	9.3	12,005	12,005					
SFY2000 ALLOCATION TOTAL					229,796						
CEDAR RAPIDS AMD#1	7134-01	2001	8/25/2000	50	29,755	29,755					
ARNOLD AMD#1	7198-01	2001	9/18/2000	50	7,451	7,451					
DILLER	7196-01	2001	10/16/2000	24	95,658	95,658					
AYR	7185-01	2001	3/14/2001	50	75,989	75,989					
BELLWOOD	7242-01	2001	5/7/2001	38	100,000	100,000					
DANNEBROG	7139-01	2001	6/28/2001	50	100,000	100,000					
SFY2001 ALLOCATION TOTAL					408,853						
MAYWOOD	7259-01	2002	11/29/2001	50	67,314	67,314					
HOLBROOK	7213-01	2002	12/3/2001	25	100,000	100,000					
BRULE	7281-01	2002	12/11/2001	43	97,029	97,029					
CHAMBERS	7329-01	2002	3/12/2002	50	67,511	67,511					
MCGREW	7331-01	2002	5/7/2002	50	47,100	47,100					
SFY2002 ALLOCATION TOTAL					378,954						
ADAMS	7238-01	2003	9/12/2002	42	100,000	100,000					
MEADOW GROVE	7217-01	2003	1/29/2003	39.28	89,394	89,394					
LINDSAY	7204-01	2003	6/10/2003	19.8	100,000	100,000					
JACKSON	7292-01	2003	6/23/2003	48.2	50,846	50,846					
COOK	7258-01	2003	6/25/2003	14.7	100,000	100,000					
EXETER	7338-01	2003	6/25/2003	41.4	38,833	38,833					
SFY2003 ALLOCATION TOTAL					479,073						

ATTACHMENT 3

SFY 2017

CWSRF SMALL TOWN GRANT HISTORY

ANNUAL REPORT

								First Half SFY2018	Second Half SFY2018	First Half SFY2019	Second Half SFY2019
COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2017	PAID DURING SFY 2017	ESTIMATED 12-31-17	ESTIMATED 6-30-18	ESTIMATED 12-31-18	ESTIMATED 6-30-19
PAXTON	7353-01	2004	9/30/2003	5.83	83,717	83,717					
FALLS CITY	7043-01	2004	2/4/2004	2.44	100,000	100,000					
MADISON	7405-01	2004	2/25/2004	4.68	100,000	100,000					
RUSKIN	7416-01	2004	3/18/2004	48.66	100,000	100,000					
BERTRAND	7327-01	2004	3/22/2004	10	100,000	100,000					
SFY2004 ALLOCATION TOTAL					483,717						
GARLAND	7159-01	2005	11/30/2004	24.27	100,000	100,000					
RISING CITY	7073-01	2005	12/16/2004	22.20	100,000	100,000					
VALLEY	7367-01	2005	1/7/2005	2.02	100,000	100,000					
PALMER	7414-01	2005	1/12/2005	15.04	100,000	100,000					
OXFORD	7229-01	2005	1/28/2005	7.14	100,000	100,000					
SFY2005 ALLOCATION TOTAL					500,000						
MURRAY	7250-01	2006	9/13/2005	1.27	18,294	18,294					
DWIGHT	7484-01	2006	3/31/2006	27.07	93,030	93,030					
KENNARD	7118-01	2006	4/4/2006	12.61	100,000	100,000					
MURRAY	7250-01	2006	5/16/2006	5.66	81,706	81,706					
SFY2006 ALLOCATION TOTAL					293,030						
CONCORD	7468-01	2007	2/26/2007	15.72	58,000	58,000					
BANCROFT	7277-01	2007	3/19/2007	12.6	100,000	100,000					
CHAPMAN	7477-01	2007	4/4/2007	19.23	100,000	100,000					
INDIANOLA	7343-01	2007	4/19/2007	9.07	75,481	75,481					
SFY2007 ALLOCATION TOTAL					333,481						
MELBETA	7428-01	2008	6/11/2008	24.1	82,359	82,359					
GUIDE ROCK	7234-01	2008	6/12/2008	25	100,000	100,000					
CONCORD INCREASE	7468-01	2008	6/24/2008	8.61	42,000	42,000					
SFY2008 ALLOCATION TOTAL					224,359						

ATTACHMENT 3

SFY 2017

CWSRF SMALL TOWN GRANT HISTORY

ANNUAL REPORT

								First Half SFY2018	Second Half SFY2018	First Half SFY2019	Second Half SFY2019
COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2017	PAID DURING SFY 2017	ESTIMATED 12-31-17	ESTIMATED 6-30-18	ESTIMATED 12-31-18	ESTIMATED 6-30-19
VERDIGRE	7460-01	2009	8/4/2008	50	200,000	200,000					
DWIGHT INCREASE	7484-01	2009	12/1/2008	9.13	6,970	6,970					
AINSWORTH	7559-01	2009	5/13/2009	57.97	200,000	200,000					
COLERIDGE	7597-01	2009	6/11/2009	50	56,146	56,146					
SFY2009 ALLOCATION TOTAL					463,116						
WESTERN	7659-01	2010	8/14/2009	50	69,863	69,863					
FILLEY	7594-01	2010	4/26/2010	43.02	185,000	185,000					
LEIGH	7447-01	2010	6/29/2010	28.41	250,000	250,000					
SFY2010 ALLOCATION TOTAL					504,863						
CEDAR BLUFFS ARRA AMD #1	7532-01	2011	1/20/2011	7.26	48,488	48,488					
PLATTE CENTER ARRA AMD #1	7745-01	2011	3/22/2011	3.28	6,213	6,213					
HAYES CENTER	7291-01	2011	3/22/2011	44.96	234,396	234,396					
CARROLL	7107-01	2011	4/1/2011	33.33	213,100	213,100					
DORCHESTER ARRA AMD #1	7565-01	2011	4/4/2011	0.27	1,718	1,718					
TEKAMAH ARRA AMD #1	7252-01	2011	5/11/2011	0.83	1,143	1,143					
POLK COUNTY SID #1	7696-01	2011	6/30/2011	9.11	202,947	202,947					
SFY2011 ALLOCATION TOTAL					708,005						
ALBION	7103-01	2012	10/14/2011	7.14	250,000	250,000					
ANSLEY	7136-01	2012	1/18/2012	17.02	250,000	250,000					
SFY2012 ALLOCATION TOTAL					500,000						
CRAWFORD	7039-01	2013	6/18/2013	7.57	250,000	250,000					
JANSEN	7786-01	2013	6/21/2013	38.89	168,473	168,473					
GILEAD - CANCELLED	7927-01	2013	6/29/2013	50	0						
SFY2013 ALLOCATION TOTAL					418,473						

ATTACHMENT 3

SFY 2017

CWSRF SMALL TOWN GRANT HISTORY

ANNUAL REPORT

								First Half SFY2018	Second Half SFY2018	First Half SFY2019	Second Half SFY2019
COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2017	PAID DURING SFY 2017	ESTIMATED 12-31-17	ESTIMATED 6-30-18	ESTIMATED 12-31-18	ESTIMATED 6-30-19
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	138,769				
SPRAGUE	7897-01	2014	6/26/2014	37.2	30,000	30,000					
SFY2014 ALLOCATION TOTAL					520,000						
CHAPPELL	7874-01	2015	3/24/2015	50	250,000	250,000	-				
JANSEN AMD #1	7786-02	2015	6/17/2015	50	0						
CHESTER	7875-01	2015	6/17/2015	50	158,990	158,990	135,039				
SPRAGUE AMD #1	7897-02	2015	6/30/2015	18.88	6,675	6,675	-				
SFY2015 ALLOCATION TOTAL					415,665						
CHESTER AMD #1	7875-01	2016	8/5/2015	50	91,010	135,039	82,753				
ALLEN	7838-01	2016	11/13/2015	50	250,000	30,508	219,492				
SFY2016 ALLOCATION TOTAL					341,010						
Gilead	7709-01	2017	9/19/2016	50	78,100		5,293	10,000	10,000	20,000	32,807
Lynch	7993-02	2017	6/21/2017	50	250,000		-		50,000	50,000	150,000
SFY2017 ALLOCATION TOTAL					328,100						

CWSRF SMALL TOWN GRANT HISTORY

ANNUAL REPORT

								First Half SFY2018	Second Half SFY2018	First Half SFY2019	Second Half SFY2019
COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2017	PAID DURING SFY 2017	ESTIMATED 12-31-17	ESTIMATED 6-30-18	ESTIMATED 12-31-18	ESTIMATED 6-30-19
PRIOR APPROPRIATIONS PLUS TRANSFERS					1,655,284						
FY01 Fee					408,853						
FY02 Fee					378,954						
FY03 Fee					479,073						
FY04 Fee					483,717						
FY05 Fee					500,000						
FY06 Fee					293,030						
FY07 Fee					333,481						
FY08 Fee					224,359						
FY09 Fee					463,116						
FY10 Fee					504,863						
FY11 Fee					708,005						
FY12 Fee					500,000						
FY13 Fee					418,473						
FY14 Fee					520,000						
FY15 Fee					415,665						
FY16 Fee					341,010						
FY17 Fee					328,100						
CURRENT APPROPRIATIONS PLUS TRANSFERS					8,955,983						
PRIOR DISBURSEMENTS						8,011,810					
CURRENT DISBURSEMENTS							581,346				
PROJECTED DISBURSEMENTS								10,000	60,000	70,000	182,087
JULY 1, 2016 FUND BALANCE PLUS TRANSFERS						944,173					
JUNE 30, 2017 FUND BALANCE							362,827				
PROJECTED FUND BALANCE								352,827	292,827	222,827	40,740

**ATTACHMENT 4
2017 IUP FUNDING LIST RECONCILIATIONS**

**SFY 2017
ANNUAL REPORT**

COMMUNITY	F or P	Project #C31	Estimated Project Cost	2017 IUP Estimated SRF Loan	Total Assistance	Actual Forgiveness and/or Small Town Grant	Net Loan Amount	Agreement Date	Comments
ALMA	F	7750	300,000	300,000	172,000	0	172,000	5/3/2017	
CREIGHTON	F	7158	1,075,000	1,075,000	1,058,000	100,000	958,000	9/2/2016	
DAKOTA CITY	F	7653	6,828,180	6,828,180	6,644,600	0	6,644,600	6/27/2016	
FIRTH	F	7698	950,000	950,000	455,000	21,340	43,660	4/27/2016	
GILEAD	F	7709	250,000	78,100	156,200	78,100	78,100	9/19/2016	
LONG PINE	F	7214	1,100,000	1,100,000	0	0	0		Project planned for 2018
OMAHA	F	7735	273,500,000	15,000,000	15,000,000	0	15,000,000	3/15/2017	
STANTON CNTY SID #1 - WOODLAND PARK	F	7985	800,000	767,700	767,700	0	668,164	9/2/2016	
SUPERIOR	F	7818	3,625,000	3,625,000	214,000	100,000	114,000	6/8/2016	
YORK	F	7983	19,915,200	19,915,200	19,355,000	0	19,355,000	5/16/2016	
			308,343,380	49,639,180	43,822,500	299,440	43,033,524		
SFY 2017 PLANNING LIST - BYPASS SYSTEMS									
ANSELMO AMD #1	P	7686	224,850	224,850	85,720	42,860	42,860	9/19/2016	
GRETNA	P	7986	5,500,000	5,500,000	5,147,000	0	5,147,000	2/21/2017	
LOUP CITY AMD #2	P	7611	670,000	670,000	130,000	0	130,000	6/12/2017	
RIVERTON	P	1-03	0	0	14,630	0	14,630	1/9/2017	Revised loan
TAYLOR	P	7430	200,000	188,000	188,000	94,000	94,000	1/30/2017	
SOUTH SIOUX CITY	P	7988	1,250,000	1,486,200	1,486,200	0	1,486,200	6/23/2017	
			7,844,850	8,069,050	7,051,550	136,860	6,914,690		

ATTACHMENT 5

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

JULY 1, 2015 THROUGH JUNE 30, 2016

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

JULY 1, 2015 THROUGH JUNE 30, 2016

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

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

Issued on March 16, 2017

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

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NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

BACKGROUND

The Nebraska Department of Environmental Quality (Agency) – Clean Water State Revolving Fund Program (Program) was established pursuant to Title VI of the Federal Clean Water Act, as amended by the Water Quality Act of 1987. Created by LB 766 (1988), the Wastewater Treatment Facilities Construction Assistance Act is set out at Neb. Rev. Stat. § 81-15,147 (Reissue 2014, Cum. Supp. 2016) et seq. The Federal Water Quality Act and State statutes established the Program to provide loans, at reduced interest rates, to finance the construction of publicly and privately owned water pollution control facilities, non-point source pollution control projects, and estuary management plans. Instead of making grants to communities that pay for a portion of the building of wastewater treatment facilities, the Program provides for low-interest loans to finance the entire cost of qualified projects. The Program provides a flexible financing source, which can be used for a variety of projects. Loans made by the Program must be repaid within the lesser of 30 years or the projected useful life of the project, and all repayments, including interest and principal, must be used for the purposes of the Program. The Program was capitalized by the United States Environmental Protection Agency (EPA) by a series of annual grants starting in 1989. States are required to provide an additional 20% of the Federal capitalization grant as matching funds in order to receive a Federal grant. As of June 30, 2016, the EPA had awarded \$209.2 million in capitalization grants to the State. Of the \$209.2 million awarded, approximately \$20 million was funded by the American Recovery and Reinvestment Act (ARRA). The \$189.2 million not funded by ARRA required the State to contribute approximately \$38 million in matching funds. Since the inception of the Program the State has appropriated \$955,000 to meet the State's matching requirement. Additional matching funds have been obtained through the issuance of revenue bonds.

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

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

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

Nebraska Department of Environmental Quality
1200 N Street, Suite 400
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NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

SUMMARY OF COMMENTS

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

1. ***Financial Statement Errors:*** The Agency made errors in preparing its financial statements. Current loans receivable were understated by \$1,984,992, and non-current loans receivable were overstated by the same amount. Amounts Due to Grant Recipients, totaling \$116,973, were not accrued. Accounts payable, totaling \$8,669, in indirect costs were not accrued. Finally, the compensated absences liability was overstated by \$7,602.
2. ***Administrative Fees:*** The Agency did not properly charge loan administrative fees based on actual outstanding loan balances. We noted a community was overcharged \$170 when administrative fees were not adjusted for midstream disbursements occurring between billing cycles. Additionally, the Agency's method of calculating the fees was not always consistent with the method expressed in loan contracts.

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

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENTS AND RECOMMENDATIONS

1. Financial Statement Errors

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

- The Agency's split of loans receivable between current and non-current on the Balance Sheet was incorrect. The Agency's procedure is to reflect as current loans receivable any principle payments owed during the upcoming fiscal year as well as any loans receivable that were paid off early, prior to their due date, as of August 31, 2016. However, we noted the Agency received a payoff and an advanced principle payment in August 2016 that it failed to reflect as current loans receivable. As a result, current loans receivable were understated by \$1,984,992, and non-current loans receivable were overstated by \$1,984,992.
- The Agency did not include loan forgiveness and grant payments to four communities in its grants payable total for the fiscal year ended June 30, 2016, even though the expenses were incurred prior to June 30, 2016. This resulted in Due to Grant Recipients on the Balance Sheet and expenditures on the Statement of Revenues, Expenses, and Changes in Net Position being understated by \$116,973.
- The Agency did not include indirect costs of \$8,669 related to the June 13, 2016, to June 26, 2016, payroll period as a fiscal year ended June 30, 2016, accrual. The Agency paid the costs and recorded the entry as a journal entry in July 2016, but it should have recorded the entry as a P9/J9 (prior-year payable) transaction. This resulted in Accounts Payable & Accrued Liabilities on the Balance Sheet and expenditures on the Statement of Revenues, Expenses, and Changes in Net Position being understated by \$8,669.
- The Agency did not calculate its accrued compensated absences liability properly. It included a liability for one employee who was no longer working on the Program subsequent to the end of the fiscal year. Also, the Agency used all pay types (including leave) to calculate the percentage of time employees worked on the Program instead of using only direct hours worked on the Program. This caused errors in how employees' accrued leave was distributed between the Drinking Water and Clean Water State Revolving Fund Programs. As a result, Compensated Absences on the Balance Sheet and expenditures on the Statement of Revenues, Expenses, and Changes in Net Position were overstated by \$7,602.

The APA discussed the above issues with the Agency, and audit adjustments were made to correct each error.

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Financial Statement Errors (Concluded)

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

Agency Response: The agency attempted to capture the non-current loans and grant payments correctly but a misstep occurred with the LGTS search. In the future, the agency will save the LGTS and E1 search reports as of August 31st, YYYY to document the attempt. This same process will be used with indirect costs and accrued compensated absences, but E1 will be the sole source. According to the agency's knowledge, the financial statements reflect the corrected figures.

2. Administrative Fees

The Agency did not properly charge communities' loan administrative fees based on actual outstanding loan balances. Additionally, the Agency's method of calculating the fees was inconsistent with the method presented in loan contracts.

Title 131 Nebraska Administrative Code (NAC) 8-004.04 states, "An administrative fee up to 1% may be assessed each year against the loan principal balance on the dates set by the Department, and payable on those dates[.]"

Generally loan payments are made biannually and due on June 15 and December 15 of each year. The loan contracts state "[A]n annual administrative fee of 1% per annum of the Loan Amount to be paid in semiannual installments of 0.5% of the Loan Amount outstanding on the date invoices are mailed in accordance with the Loan Repayment schedule"

Per discussion with Agency staff, the administrative fee is charged based on the outstanding balance when the invoice is sent out, except when an off-cycle principal payment is received, in which case the administrative fee is manually calculated to account for the decrease in the outstanding balance. However, if the loan recipients receive any additional disbursements between invoice dates, the administrative fee is not calculated to take into consideration the change in balances during the period.

During testing of 18 loan repayments, we noted a community was billed an administrative fee of \$9,495 on a \$1,899,015 loan balance at the time the invoice was generated. However, the balance increased from \$1,727,283 to \$1,899,015 during the six-month invoice cycle due to various payments that the Agency made to the community. The Agency charged the administrative fee on the full \$1,899,015 balance for the entire six-month period causing the community to be overcharge by \$170.

Sound business practices require that loan administrative fees be fairly charged based on the actual loan balances outstanding throughout the invoicing period. Additionally, loan contract language should clearly outline how administrative fees will be assessed on the loan balance.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Administrative Fees (Concluded)

When loan fees are not properly calculated, there is an increased risk that loan fees will be overcharged or undercharged.

We recommend the Agency implement policies and procedures to ensure that all loan administrative fees are fairly charged based on actual loan balance activity between invoicing cycles and that loan contracts state clearly how all fees will be calculated.

Agency Response: The agency agrees with the finding and has contacted Northbridge to correctly charge the admin fees during the invoice cycle. This math would include actual loan balances outstanding throughout the invoice period. Management is currently discussing an update to the loan contract language.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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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, 2016, 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, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program are intended to present the balance sheet, the changes in financial position, and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program. They do not purport to, and do not, present fairly the balance sheet of the Nebraska Department of Environmental Quality as of June 30, 2016, and the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 13 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 7, 2017, 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 *U.S. Office of Management and Budget (OMB) Compliance Supplement*, we have also issued our report dated March 7, 2017, 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 7, 2017



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, 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 \$11,606,479 or 4.2%. The increase in net position was largely impacted due to \$7,135,967 being drawn from available Federal capitalization grants and loaned to approved communities. As a result, non-current assets increased. In addition, net position increased from interest earned and administration fees charged on outstanding loan balances.

The draw-down of Federal capitalization grants decreased by \$10,963,643 compared to FY15. In FY15, the EPA requested that \$18 million be drawn; otherwise, the Program would have given up capitalization grant funds. Thus, in FY16, non-operating revenue decreased \$11.1 million or 55.5% compared to FY15.

Changes in Current Liabilities

Dollars Due to Grant Recipients increased in FY16 over FY15 because at FYE15 there was no loan forgiveness payable, and at FYE16 there was \$109,358 in loan forgiveness payable. In addition, there were more communities that were eligible for government aid in FY16.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Changes in Net Investment in Capital Assets

The fiscal year over year comparison represents an inception-to-date summary. In FY15, the Program invested \$69,704 in the Loan and Grant Tracking System (LGTS). In FY16, an additional \$69,092 was invested in LGTS software development.

NET POSITION			
	2016	2015	% Change
Current Assets	\$ 88,913,727	\$ 100,179,455	-11.2%
Non-current Assets	197,633,758	174,624,427	13.2%
Total Assets	286,547,485	274,803,882	4.3%
Current Liabilities	268,814	117,601	128.6%
Non-current Liabilities	66,762	80,851	-17.4%
Total Liabilities	335,576	198,452	69.1%
Net Position:			
Net Investment in Capital Assets	167,457	98,365	70.2%
Unrestricted	286,044,452	274,507,065	4.2%
Total Net Position	\$ 286,211,909	\$ 274,605,430	4.2%

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	-34.6%
Total Operating Revenues	4,804,880	4,637,170	3.6%
Administration	998,665	974,437	2.5%
Grant Expense	402,420	300,820	33.8%
Loan Forgiveness	710,296	568,157	25.0%
Total Operating Expenses	2,111,381	1,843,414	14.5%
Operating Income	2,693,499	2,793,756	-3.6%
Federal Grants	7,135,967	18,099,610	-60.6%
Interest Revenue	1,780,966	1,968,219	-9.5%
Bond Expenses	(3,953)	(34,282)	-88.5%
Total Non-Operating Revenue (Expense)	8,912,980	20,033,547	-55.5%
Change in Net Position	11,606,479	22,827,303	-49.2%
Beginning Net Position July 1	274,605,430	251,788,127	9.1%
Ending Net Position June 30	\$ 286,211,909	\$ 274,605,430	4.2%

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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

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

ECONOMIC OUTLOOK

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

DEBT ADMINISTRATION

Short-Term Debt

The Program had debt activity during the fiscal year that was short-term in nature resulting from a bond issue. The issue was for \$1,425,000, 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 of the Nebraska Administrative Code. The Clean Water State Revolving Fund will partner with eligible lending institutions, which will disburse loans to borrowers for these projects through a linked deposit loan program. Under this program, the State agrees to place funds into low-yielding deposits, and the lending institution agrees to provide loans to borrowers at similarly reduced interest rate below common market rates. Title 131 revisions were presented to the Environmental Quality Council in November 2015 and approved. With those revisions, marketing and communication of the program has begun.

LOANS AND GRANTS TRACKING SYSTEM SOFTWARE (LGTS)

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

The software was developed to address the data management needs for all of the steps in the SRF management process, including priority list development, facility location and identification, engineering review and milestone tracking, inspections, contacts, contract approvals and change

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Concluded)

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 providing a quality assurance check of the many transactions that have occurred years ago and often by a number of staff members.

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CLEAN WATER STATE REVOLVING FUND PROGRAM
BALANCE SHEET
 June 30, 2016

	<u>Enterprise Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents:	
Cash in State Treasury (Note 2)	\$ 75,682,441
Interest Receivable	127,626
Loans Receivable (Note 3)	13,103,660
Total Current Assets	88,913,727
Noncurrent Assets:	
Loans Receivable (Note 3)	197,466,301
Capital Assets, Net (Note 4)	167,457
Total Noncurrent Assets	197,633,758
Total Assets	\$ 286,547,485
 LIABILITIES	
Current Liabilities:	
Accounts Payable & Accrued Liabilities	\$ 77,557
Due to Grant Recipients (Note 1)	184,654
Compensated Absences (Note 6)	6,603
Total Current Liabilities	268,814
Noncurrent Liabilities:	
Compensated Absences (Note 6)	66,762
Total Noncurrent Liabilities	66,762
Total Liabilities	\$ 335,576
 NET POSITION	
Net Investment in Capital Assets	167,457
Unrestricted	286,044,452
Total Net Position	286,211,909
Total Liabilities and Net Position	\$ 286,547,485

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, 2016

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration (Note 8)	\$ 1,483,372
Interest on Loans	3,321,368
Fines Forfeits and Penalties	140
Total Operating Revenues	4,804,880
OPERATING EXPENSES:	
Administrative Costs from Fees (Note 10)	802,332
4% Administrative Costs From Grants (Note 10)	196,333
Small Town Grants (Note 10)	397,470
Project Planning Activities and Report Grants (Note 10)	4,950
Loan Forgiveness (Note 10)	710,296
Total Operating Expenses	2,111,381
Operating Income	2,693,499
NONOPERATING REVENUES (EXPENSES)	
Capital Contributions - Federal Grants (Note 7)	7,079,357
Capital Contributions - Federal Grants - Capital Assets	56,610
Interest on Fund Balance - State Operating Investment Pool (Note 9)	1,780,966
Interest Expense on State Match Bonds	(6,698)
Debt Service Refund	2,745
Total Nonoperating Revenues (Expenses)	8,912,980
Change in Net Position	11,606,479
NET POSITION, JULY 1	274,605,430
NET POSITION, JUNE 30	\$ 286,211,909

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, 2016

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts From Customers	\$ 27,110,526
Payments for Administration	(989,022)
Payments for Small Town Grants	(374,963)
Payments for Project Planning Activities and Report Grants	(9,333)
Loan Forgiveness	(600,938)
Payments to Borrowers	(38,599,484)
Net Cash Flows from Operating Activities	(13,463,214)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Grants Received From the Environmental Protection Agency	7,080,869
Receipts from Bond Issue (Short-Term)	1,425,000
Repayment of Bonds (Short-Term)	(1,425,000)
Bond Interest Payments (Short-Term)	(6,698)
Debt Service Refunds	2,745
Net Cash Flows from Noncapital Financing Activities	7,076,916
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Contributions	56,610
Purchase of Capital Assets	(69,092)
Net Cash Flows from Capital Financing Activities	(12,482)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	1,793,532
Net Cash Flows from Investing Activities	1,793,532
Net Decrease in Cash and Cash Equivalents	(4,605,248)
CASH AND CASH EQUIVALENTS, JULY 1	80,287,689
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 75,682,441
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Income	\$ 2,693,499
Adjustments to reconcile operating income to net cash flows from operating activities:	
(Increase)/Decrease in Loans Receivable	(16,293,838)
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	25,124
Increase/(Decrease) in Compensated Absences	(15,482)
Increase/(Decrease) in Payables to Grant Recipients	127,483
Total Adjustments	(16,156,713)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (13,463,214)

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, 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 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, 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.

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 management believed all loans would be repaid according to the loan terms.

G. Use of Estimates

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

H. Compensated Absences

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

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

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

I. Due to Grant Recipients

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

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) (Cum. Supp. 2016) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81-15,150 (Cum. Supp. 2016). To qualify for loan forgiveness, a community must be considered disadvantaged in regards to meeting affordability criteria, and have a population equal to or fewer than 10,000 people. The loan recipient will not be required to repay the portion of the loan principal that has been designated as loan forgiveness under the terms and conditions of the loan contract. Loan forgiveness is considered a grant for purposes of the financial statements, since repayment is not required.

For Project Planning Activities and Report Grants, Small Town Grants, and Loan Forgiveness awards, once the municipality submits proof of vendor payment to the Agency, it is reimbursed for its project costs by the Program. The Program's financial statements recognized the expense and accrued liability to the Program when the municipality incurred the project expense, which may not have been in the same fiscal year as when costs were reimbursed by the Program.

J. Operating Revenues and Expenses

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

K. Capital Assets

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. Cash in State Treasury

Cash in State Treasury, as reported on the balance sheet, is under the control of the Nebraska State Treasurer or other administrative bodies, as determined by law. Investment of all available cash is made by the State Investment Officer on a daily basis, based on total bank balances. These funds are held in the State of Nebraska Operating Investment Pool (OIP), an internal investment pool. Additional information on the deposits and investments portfolio, including investment policies, risks, and types of investments, can be found in the State of Nebraska's CAFR for the fiscal year ended June 30, 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 186 outstanding community loans that totaled \$210,569,961. 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
TOTAL	<u>\$ 142,943,570</u>

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 (LGTS)	\$ 98,365	\$ 69,092	\$ -	\$ 167,457

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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:

	Beginning Balance	Additions	Retirements	Ending Balance
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:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$ 88,847	\$ -	\$ 15,482	\$ 73,365	\$ 6,603

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.

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	7,144,000	-
2015	7,080,590	7,080,590	-
2016	6,771,276	-	6,771,276
TOTAL	\$ 209,157,744	\$ 202,386,468	\$ 6,771,276

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

The amount of in-kind contributions utilized for the LGTS software during the fiscal year ending June 30, 2016, was \$69,062. The total amount utilized for LGTS as of June 30, 2016, was \$167,457. 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 receive only interim financing during construction. The fee is applied to all loans in accordance with Title 131 Nebraska Administrative Code (NAC) Chapter 8 and the loan agreements.

9. Interest on Fund Balance – State Operating Investment Pool

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

10. Operating Expenses

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

Administrative Costs from Fees

To meet the long-term administrative needs of the program, an annual fee of up to 1% is charged against the outstanding principal on loans. This fee is deposited into a separate account and is used for administrative costs of the Program and other eligible water quality related purposes. The fee on a loan made from leveraged bond proceeds may be set to reflect the cost of issuing bonds and management of the leveraged loan portfolio.

4% Administrative Costs from Grants

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

Small Town Grants

Per Neb. Rev. Stat. § 81-15,151(2) (Cum. Supp. 2016) and Neb. Rev. Stat. § 81-15,153(11) (Cum. Supp. 2016), 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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. Operating Expenses (Concluded)

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.

Project Planning Activities and Report Grants

Project Planning Activities and Report Grants may be provided to municipalities with populations of 10,000 or fewer inhabitants that demonstrate serious financial hardship. Municipalities with wastewater treatment facility project needs that are identified on the project priority list, have not received a grant in the past five years, and also qualify for a Small Town Grant can receive up to 90% of project costs up to a maximum of \$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) (Cum. Supp. 2016) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81-15,150 (Cum. Supp. 2016). Together, these statutes allow the Program to accept and expend Federal grants for designated projects. Loan forgiveness discharges the community from repaying that portion of the principal amount of its loan under the terms and conditions of the loan contract.

11. State Employees Retirement Plan (Plan)

The single-employer Plan became effective by statute on January 1, 1964. The Public Employees Retirement Board was created in 1971 to administer the Plan. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a 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 will be equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is a single-life annuity with five-year certain, payable monthly. Members will have the option to convert their member cash balance account to a monthly annuity with built-in cost-of-living adjustments of 2.5% annually. Also available are additional forms of payment allowed under the Plan, which are actuarially equivalent to the normal form, including the option of lump-sum or partial lump-sum.

For the fiscal year ended June 30, 2016, employees contributed \$23,007, and the Agency contributed \$35,892. A separate plan report is issued and can be obtained from the Nebraska Public Employees Retirement System. This report contains full pension-related disclosures.

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

12. Contingencies and Commitments

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

12. Contingencies and Commitments (Concluded)

- A. Motor vehicle liability with vehicular pursuit, which is insured for the first \$5,000,000 of exposure per accident with a self-insured retention of \$300,000 and \$300,000 corridor retention. Motor vehicle liability is insured for \$1,000,000 with a self-insured retention of \$200,000, and with excess coverage of \$250,000,000. Insurance is also purchased, with various limits and deductibles, for physical damage and uninsured and underinsured motorists. State agencies have the option to purchase coverage for physical damage to vehicles. There is a \$5,000 deductible for this coverage.
- B. Life insurance for eligible employees.
- C. Crime coverage, with a limit of \$31,000,000 for each loss, and a \$25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.
- D. Real and personal property on a blanket basis for losses up to \$251,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly acquired properties are covered up to \$10,000,000 for 120 days, and after 120 days, if the property has not been reported, the limit decreases to \$5,000,000. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self-insurance. State agencies have the option to purchase building contents and inland marine coverage.

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

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



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

Independent Auditor's Report

Nebraska Department of Environmental Quality
Lincoln, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program, as of and for the year ended June 30, 2016, 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 7, 2017.

Internal Control Over Financial Reporting

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

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

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Additional items

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

Nebraska Department of Environmental Quality's Response to Findings

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

Purpose of this Report

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

Lincoln, Nebraska
March 7, 2017


Philip J. Olsen, CPA, CISA
Audit Manager



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

INDEPENDENT AUDITOR'S REPORT

Nebraska Department of Environmental Quality
Lincoln, Nebraska

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

We have audited the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

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

the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program occurred. An audit includes examining, on a test basis, evidence about the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

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

Lincoln, Nebraska
March 7, 2017



Philip J. Olsen, CPA, CISA
Audit Manager

ATTACHMENT 6

SUMMARY LOAN LIST – SFY 2016

CW Benefits Summary Loan List for Nebraska – SFY 2016					
STATE	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	1200	WISNER	C317979	-97,271	9/25/2015
NE	1238	YORK	C317983	19,355,000	5/16/2016
TOTAL FOR ALL 22 LOANS:				\$35,226,821	

SUMMARY LOAN LIST – SFY 2017

CW Benefits Summary Loan List for Nebraska – SFY 2017					
STATE	SYSTEM NUMBER	RECIPIENT	TRACKING NUMBER	ASSISTANCE AMOUNT	INITIAL AGREEMENT
NE	1256	ALMA	C317750	132,056	5/3/2017
NE	1216	ANSELMO	C317686	85,720	9/19/2016
NE	304	BASSETT	C317561	-25,649	8/18/2016
NE	1207	BRUNO	C317919	-11,900	8/1/2016
NE	1209	CHAPPELL	C317874	-732,200	11/23/2016
NE	1219	CHESTER	C317875	-16,535	6/27/2017
NE	1218	CODY	C317388	-16,174	5/9/2017
NE	94	CREIGHTON	C317158	1,058,000	9/2/2016
NE	1220	CULBERTSON	C317664	-199,085	5/10/2017
NE	1243	GILEAD	C317709	78,100	9/19/2016
NE	1255	GRETNA	C317986	5,147,000	2/21/2017
NE	1221	LOUP CITY	C317611	130,000	6/12/2017
NE	506	MAXWELL	C317832	-29,453	11/22/2016
NE	424	OMAHA	C317735	15,000,000	3/15/2017
NE	1253	RIVERTON	C317101-03	14,630	1/9/2017
NE	1258	SOUTH SIOUX CITY	C317988	1,486,200	6/23/2017
NE	1240	STANTON CNTY SID #1 - WOODLAND PARK	C317985	668,164	9/2/2016
NE	194	SUTHERLAND	C317365	-124,701	10/12/2016
NE	1254	TAYLOR	C317430	188,000	1/30/2017
NE	502	WINSIDE	C317827	-141,424	5/9/2017
TOTAL FOR ALL 20 LOANS:				\$22,690,749	

SUMMARY REPORT

Nebraska CW Benefits Summary Report for Projects with Water Uses Reported

ALL LOANS

	LOANS		PROJECTS			BORROWERS		
	ASSISTANCE DOLLARS (MILLIONS)	LOAN COUNT	ASSISTANCE DOLLARS (MILLIONS)	SUBSIDY DOLLARS (MILLIONS)	PROJECT COUNT	FACILITY POPULATION (MILLIONS)	FACILITY FLOW (MGD)	BORROWER COUNT
TOTAL RECORDS	23.9	9	23.8		9	0.4	62	9
RECORDS WITH BENEFITS DATA IMPACTING HUMAN HEALTH	22.4	4	22.3	8.5	4	0.4	62	4
	22.4	4	22.3	8.5	4	0.4	62	4
	100%	100%	100%			19,196 People Served per \$million		100%
WITH IMPAIRED WATERBODY			22.3	8.5	4	0.4	62	4
			100%	100%		19,196 People Served per \$million	100%	
WITH WATERBODY MEETING STANDARDS			0	0	0			
TO IMPROVE WATER			15	5.7	1			
TO MAINTAIN WATER QUALITY			0	0	0			
TO ACHIEVE COMPLIANCE			15	5.7	1			
TO MAINTAIN COMPLIANCE			5.1	2	1			