

State of Nebraska
Department of Environmental Quality

Clean Water State Revolving Fund Annual Report

State Fiscal Year 2012



October 2012

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EXECUTIVE SUMMARY

The Nebraska Clean Water State Revolving Loan Fund Annual Report for state fiscal year 2012 (7/1/11 - 6/30/12) 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 238 projects with a cumulative loan award amount of \$378 million.

I. Financial Section

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

BACKGROUND

The Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program (Program) was established pursuant to Title VI of the Federal Clean Water Act, as amended by the Water Quality Act of 1987. Neb. Rev. Stat. § 81-15,147 created the Wastewater Treatment Facilities Construction Assistance Act. The Federal Water Quality Act and State statutes established the Clean Water State Revolving Fund Program to provide loans, at reduced interest rates, to finance the construction of publicly and privately owned water pollution control facilities, non-point source pollution control projects, and estuary management plans. Instead of making grants to communities that pay for a portion of the building of wastewater treatment facilities, the Program provides for low interest loans to finance the entire cost of qualified projects. The Program provides a flexible financing source which can be used for a variety of projects. Loans made by the Program must be repaid within 20 years, and all repayments, including interest and principal, must be used for the purposes of the Program. The Program was capitalized by the United States Environmental Protection Agency (EPA) by a series of grants starting in 1989. States are required to provide an additional 20 percent of the Federal capitalization grant as matching funds in order to receive a Federal grant. As of June 30, 2012, the EPA had awarded \$174 million in capitalization grants to the State. Of the \$174 million awarded, approximately \$20 million was funded by the American Recovery and Reinvestment Act (ARRA). The \$174 million not funded by ARRA required the State to contribute approximately \$31 million in matching funds. The State provided appropriations to contribute \$955,000 of the funds to meet the State's matching requirement. Additional matching funds were obtained through the issuance of revenue bonds.

The Program is administered by the Nebraska Department of Environmental Quality (Department). The Department'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 Department and the Program's Intended Use Plan.

A. Management's Discussion and Analysis (Unaudited)

This section of the Nebraska Department of Environmental Quality (Department) - 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, 2012. This analysis has been prepared by management of the Department, and is intended to be read in conjunction with the Program's financial statements and related footnotes which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Program's basic financial statements. The Program's basic financial statements include: 1) Balance Sheet, 2) Statement of Revenues, Expenses, and Changes in Net Assets, 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 assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Program's net assets 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 additional information that is essential to a full understanding of the data provided in the financial statements.

AMERICAN RECOVERY AND REINVESTMENT FUNDS

Nebraska was awarded \$20,045,000 in American Recovery and Reinvestment Act (ARRA) funds for wastewater treatment facility improvements, which are known as Clean Water projects. These funds are administered by the Agency. The purpose of these funds is to improve the wastewater infrastructure in communities that have been identified as having significant needs.

The ARRA funds supplement the State's Clean Water State Revolving Loan Fund (CWSRF). The CWSRF provides low-interest loans to communities for construction of wastewater treatment facilities and sanitary sewer collection systems, to alleviate public health and environmental problems. The Agency's CWSRF loan program annually surveys the wastewater needs of communities across the State, and develops an Intended Use Plan that prioritizes those needs and is the basis for allocating the loans.

The \$20 million in ARRA funds was blended with approximately \$34 million of Nebraska's existing CWSRF loan funds. Prior to the addition of ARRA funds, the 2009 CWSRF Intended Use Plan had targeted six communities to receive low-interest loans in 2009, with numerous others communities waiting for future funding. The addition of the ARRA funds expanded this list to 16 communities that received a combination of low-interest loans and principal forgiveness. These communities were offered a package including a 50 percent low interest loan from existing State CWSRF funding, a 25 percent no-interest loan of ARRA funds, and 25 percent principal forgiveness of ARRA funds. ARRA requires the State to use at least 50 percent of the ARRA funds supplied by this grant to provide additional subsidization, which the State elected to do in the form of principal forgiveness.

Analysis of Balances and Transactions of Enterprise Fund

Changes in Net Assets

For the fiscal year ended June 30, 2012, net assets of the Program increased by 3%. Revenues decreased 8% and expenses decreased 63%. The 3% increase in current assets was primarily due to several loan payoffs. Operating expenses decreased mainly due to most of ARRA forgiveness being loaned out in previous years, and the completion of the ARRA grant.

NET ASSETS			
	2012	2011	% Change
Current Assets	\$ 94,519,633	\$ 87,568,922	7.9%
Noncurrent Assets	\$ 138,633,585	\$ 138,902,591	(.2%)
Total Assets	\$ 233,153,218	\$ 226,471,513	2.9%
Current Liabilities	-	\$ 35,775	0%
Noncurrent Liabilities	-	\$ 113,063	0%
Total Liabilities	-	\$ 148,838	0%
Net Assets:			
Unrestricted	\$ 233,153,218	\$ 226,322,675	3.0%
Total Net Assets	\$ 233,153,218	\$ 226,471,513	3.0%
CHANGES IN NET ASSETS			
	2012	2011	% Change
Loan Fees Administration	\$ 1,133,028	\$ 1,267,361	(10.6%)
Interest	5,962,643	6,442,572	(7.4%)
Total Operating Revenues	7,095,671	7,709,933	(8.0%)
Administration	1,372,766	1,635,815	(16.1%)
Bond Expenses	15,125	12,001	26.0%
ARRA Principal Forgiveness	26,547	4,573,879	(99.4%)
Non-ARRA Principal Forgiveness	1,328,986	1,178,292	12.8%
Total Operating Expenses	2,743,424	7,399,987	(62.9%)
Operating Income	4,352,247	309,946	1304.2%
Capital Federal Grants	2,402,781	6,605,026	(63.6)%
Capital Contributions ARRA Grants	53,197	9,422,500	(99.4%)
Change in Net Assets	6,808,225	16,337,472	(58.3%)
Beginning Net Assets July 1	226,322,675	209,985,203	7.8%
Ending Net Assets June 30	\$ 233,130,900	\$ 226,322,675	3.0%

Economic Outlook

Nebraska's economy has been affected by the current national economic decline in recent years; however, net State general fund revenues for fiscal year 2012 finished the year 2.9% above projections. 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 to be 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 infrastructure requirements. As of the fiscal year ended June 30, 2011, the program had received \$20,045,000 in ARRA funds and about half of those funds were provided as principal forgiveness to communities. The ARRA funding does not require a State match.

Debt Administration

Short-Term Debt

The Clean Water State Revolving Fund Program had debt activity during the fiscal year that was short-term in nature resulting from a bond issue. The issue was for \$1,505,000, which was repaid within the same fiscal year.

B. BALANCE SHEET - UNAUDITED

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM
BALANCE SHEET
June 30, 2012

	<u>Enterprise Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash in State Treasury (Note 2)	\$ 84,080,324
Administration Fees Receivable	464
Loan Interest Receivable	1,393
Interest Receivable	165,751
Loans Receivable (Note 3)	10,271,701
TOTAL CURRENT ASSETS	<u>94,519,633</u>
NON-CURRENT ASSETS	
Loans Receivable (Note 3)	138,633,585
TOTAL NON-CURRENT ASSETS	<u>138,633,585</u>
TOTAL ASSETS	<u><u>\$233,153,218</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	-
Compensated Absences (Note 5)	-
TOTAL CURRENT LIABILITIES	<u>-</u>
NON-CURRENT LIABILITIES	
Compensated Absences (Note 5)	-
TOTAL NON-CURRENT LIABILITIES	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
NET ASSETS	
Unrestricted	233,153,218
TOTAL NET ASSETS	<u>233,153,218</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 233,153,218</u></u>

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

	<u>Enterprise Fund</u>
OPERATING REVENUES:	
Loan Fees Administration (Note 7)	\$ 1,133,028
Interest on Loans	3,951,583
Interest on Fund Balance - State Operating Investment Pool (Note 8)	2,009,634
Fines Forfeits & Penalties	593
Debt Service Refund	833
TOTAL OPERATING REVENUES	<u>\$ 7,095,671</u>
OPERATING EXPENSES:	
Administrative Costs from Fees	591,340
4% Administrative Costs From Grants	116,325
Small Town Grants (Note 9)	642,423
Facility Planning Grants	360
Interest Expense on Bonds Payable	15,125
Principal Forgiveness ARRA (Note 9)	26,547
Principal Forgiveness Non-ARRA	1,328,986
TOTAL OPERATING EXPENSES	<u>\$ 2,721,106</u>
OPERATING INCOME	4,374,565
CAPITAL CONTRIBUTIONS - FEDERAL GRANTS	2,402,781
CAPITAL CONTRIBUTIONS - ARRA FEDERAL GRANTS	<u>53,197</u>
CHANGE IN NET ASSETS	6,830,543
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>226,322,675</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 233,153,218</u>

D. STATEMENT OF CASH FLOWS - UNAUDITED

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts From Customers	\$ 30,416,880
Interest on Investments	2,009,634
Payments for Administration	(864,451)
Payments for Small Town Grants	(642,423)
Payments for Facility Planning Grants	(360)
Principal Forgiveness	(1,355,533)
Payments to Borrowers	(24,837,668)
Interest on Bond	(15,125)
Debt Service Refund	833
Receipts from Bond Issue	1,505,000
Repayment of Bond	(1,505,000)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,711,787
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CASH FLOWS FROM NON-CAPITAL & RELATED FINANCING ACTIVITIES:	
Funds Received From the Environmental Protection Agency	2,402,781
Funds Received From the Environmental Protection Agency - ARRA Funds	53,197
	<hr/>
NET CASH FROM NON-CAPITAL & RELATED FINANCING ACTIVITIES:	2,455,978
	<hr/>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	76,912,559
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 84,080,324
	<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 4,374,565
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
(Increase)/Decrease in Loans Receivable	494,696
(Increase)/Decrease in Interest Receivable	(7,947)
(Increase)/Decrease in Administration Fees Receivable	(172)
(Increase)/Decrease in Loan Interest Receivable	(516)
Increase/(Decrease) in Compensated Absences	(121,573)
Increase/(Decrease) in Accounts Payable	(27,266)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,711,787
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E. NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - UNAUDITED

For the Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying 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 Clean Water State Revolving Fund Program is a program within the Agency and 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 of the Program for which it is financially accountable, and other organizations which are fiscally dependent on the Program's management, or the significance of their relationship with the Program's management are such that exclusion would be misleading or incomplete. 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.

As required by generally accepted accounting principles, these financial statements present the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund 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. It includes the following funds as identified in the Wastewater Treatment Facilities Construction Assistance Act:

- Clean Water Facilities Funds – General Fund 10000, Federal Funds 48412 and 48413, and Bond Funds 68470, 68471, 68472 and 68473.
- Administration Funds – Cash Funds 28460, 28461 and 28462.

In addition to the funds above, the Agency created Fund 48410 to track ARRA activity.

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 have 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 they 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 because the major source of revenue is Federal assistance.

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 assets.

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.

In reporting the financial activity of its enterprise fund, the Program's management applied all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

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, 2012, 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 that 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 Receivables

The State operates the Program as a direct loan program, whereby loans are made to communities. The entire Clean Water Program is funded, on average, 83.33% from Federal capitalization grants and 16.67% from State matching funds, other than American Recovery and Reinvestment Act (ARRA) funds. ARRA funds do not require State matching funds. 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, and after the final disbursement has been made, the payment schedule identified in the loan agreement is adjusted for the actual amounts disbursed and accrued interest during the project period. The interest rates on loans range from 1.25% to 5.25% and the terms are between 5 to 20 years. The current loans receivable amount was determined using the amount of principal payment due to the Program at June 30, 2012, which is collectible in fiscal year 2013.

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

G. Use of Estimates

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

H. Compensated Absences

All permanent employees working for the Program earn sick and annual leave and are allowed to accumulate compensatory leave rather than being 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 who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Program employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 180 days. There is no maximum limit on the accumulation of sick leave days for employees under certain labor contracts. Sick leave is not vested except upon death or upon reaching the retirement eligibility age of 55, or at 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 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.

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, 2012. All interest revenue is allocated to the general fund except allocations required by law to be made to other funds. All funds of the Clean Water State Revolving Fund Program were designated for investment during fiscal year 2012. Amounts are allocated on a monthly basis based on average balances of all invested funds.

3. Loans Receivable

As of June 30, 2012, the Program had 183 outstanding loans with communities that totaled \$178,235,074. The outstanding balances of the ten communities with the largest loan balances, which represent 53.8% of the total loans, were as follows:

<u>City</u>	<u>Outstanding Balance</u>
Lincoln	\$25,011,021
Omaha	13,791,885
North Platte	12,131,886
Gosper County SID #1	9,746,060
Lower Platte North NRD	9,201,652
Wayne	6,611,925
Broken Bow	5,318,801
Nebraska City	4,889,865
Scottsbluff	4,719,160
South Sioux City	4,383,926
TOTAL	\$95,806,181

4. Bonds Payable

The EPA requires the Program to provide 20% matching funds for each capitalization grant under Sec. 602(b)(2) of the Federal Clean Water Act. During the fiscal year, the Program issued Series 2011B short-term revenue bonds to meet this requirement. Bond Series 2011B was retired during the year ended June 30, 2012. Bonds Payable activity for fiscal year 2012 was:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Bonds Payable	\$ -	\$ 1,505,000	\$ 1,505,000	\$ -

5. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2012, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	Amounts Due Within One Year
Compensated Absences	\$ -	\$ -	\$ -	\$ -	-

6. Net Assets

Included in the Net Assets is the total amount of capitalization grants drawn from the EPA by the Agency. The following summarizes the capitalization grants awarded, drawn, and the remaining balance as of June 30, 2012. 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, 2012, and may have been drawn over multiple years.

Year	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	8,518,313	1,903,687
2011	7,529,000	466,410	7,062,590
TOTAL	\$174,422,397	\$165,456,120	\$ 8,966,277

The 2011 grant was delayed and was not awarded until August 31, 2011, after the end of State fiscal year 2011.

The following is a summary of changes in the total contributed capital.

Contributed Capital July 1, 2011	\$ 163,955,217
Contributed During the Year - Funds From EPA	2,402,781
Contributed During the Year - Funds From ARRA	53,197
Contributed Capital June 30, 2012	<u>\$ 166,411,195</u>

Also included in the Contributed Capital is a total of all general funds received by the Program from the Nebraska State Legislature. These assets were to be used as match for the Program for the initial capitalization grant received by the State. The State contributed \$300,000 and \$655,000 in fiscal years ended June 30, 1989 and 1990, respectively.

7. Loan Fees Administration

The reported amount comes from a one percent fee charged to loan recipients each year based on the amount of the loan outstanding. The fee is collected semi-annually and waived for the first year of the loan.

8. Interest on Fund Balance - State Operating Pool

The reported amount represents the earnings the Program has 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.

9. Small Town Grants and ARRA Principal Forgiveness

Small Town Grants are made to communities that have a population of 10,000 people or less. The total maximum of Small Town Grants for State fiscal year 2012 was \$850,000. In the 2012 Intended Use Plan, the Agency limited the maximum amount of small town grants to \$250,000 per project, concurrent with a Program loan. The maximum amount to be used for Small Town Grants and Planning Grants is set at 65% of the previous State fiscal year's administration fees. The IUP caps this at \$850,000. For State fiscal year 2013 the maximum available is \$635,893. Projects are prioritized based on type of project and financial hardship. Small Town Grants are funded with loan fees administration funds.

ARRA provided funding in the form of principal forgiveness for Clean Water loans. ARRA requires states to use at least 50% of the funds supplied by this grant to provide additional subsidization in the form of principal forgiveness.

10. 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 primary operating revenues of the Program is the Loan Fees Administration and interest from loans, since making loans is the primary purpose of the Program. The principal operating expenses of the Program are administration expenses and principal forgiveness. Interest expenses are also operating expenses since making loans is the primary purpose of the Program.

11. State Employees' Retirement Plan (Plan)

The single-employer plan became effective by statute on January 1, 1964. 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 to either continue participation in the defined contribution option or begin participation in the cash balance benefit. The defined contribution option is closed to new entrants. All new members of the Plan on or after January 1, 2003, become members of the cash balance benefit. The benefits and funding policy of the Plan is 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 twenty years, may exercise the option to begin participation in the retirement system.

Contribution. Per statute, each member contributes 4.8% of his or her monthly 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 Benefit. 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, 2012, employees contributed \$22,757.93 and the Agency contributed \$35,502.37. 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 Report (CAFR) also includes pension-related disclosures. The CAFR 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:

- A. Motor vehicle liability, which is insured for the first \$5 million of exposure per accident with a self-insured retention of \$300,000 per accident, except for accidents involving vehicular pursuit which have a \$1,000,000 self-insured retention per accident. Insurance is also purchased for physical damage, and uninsured and underinsured motorists with various limits and deductibles. State agencies have the option to purchase coverage for physical damage to vehicles.
- B. Life insurance for eligible employees.
- C. Crime coverage, with a limit of \$31 million 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 \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly acquired properties are covered up to \$5,000,000 for 120 days or until the value of the property is reported to the insurance company. 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.

Litigation. The potential amount of liability involved in litigation pending against the Agency, if any, could not be determined at this time. However, it is the Agency's opinion that final settlement of those matters should not have an adverse effect on the Agency's ability to administer current programs. Any judgment against the Agency would have to be processed through the State Claims Board and be approved by the Legislature.

II. PROGRAM SECTION

A. FUND ACTIVITIES

1. *Loan and Investment Status*

The fund has a loan portfolio containing \$378,237,565 total loan allocations; \$199,009,181 was repaid, \$148,905,286 is outstanding, leaving \$30,323,098 to be disbursed. Details on the Fund loan portfolio are in Attachment 1. The FY2012 blended interest rate on the outstanding loan balance is 2.454%. The FY2011 blended rate was 2.666%. This year's blended interest rate is 21.2 basis points below last year.

2. *Source of CWSRF Funds by Quarter*

State match for the FFY2011 capitalization grant was provided by the \$1,505,000 NIFA/SRF 2011B bond issued on September 1, 2011. The FFY2011 capitalization grant was awarded on August 31, 2011. The \$1,440,000 NIFA/CWSRF 2012 bond, state match for the FFY2012 capitalization grant was issued on July 26, 2012 and the capitalization grant award was awarded August 15, 2012.

SOURCE OF STATE MATCH
PROGRAM FUNDING YEAR FFY2011 AND FFY2012
CAPITALIZATION GRANTS

NIFA Bond	Quarter	Bond Funds	Cash
2011B	SFY2012-Q1	\$1,505,000	\$800
2012	SFY2013-Q1	\$1,440,000	\$400

CAPITALIZATION GRANT PAYMENT SCHEDULE

CAP GRANT	QUARTER	PAYMENT
FFY2011	SFY2012-Q1	\$7,529,000
FFY2012	SFY2013-Q1	\$7,202,000

3. *Binding Commitments*

The CWSRF entered into 11 binding commitments and eight loan amendments to existing funded communities which provided financial assistance to 11 new Section 212 Projects totaling \$10,281,262. There were no new ARRA projects funded, but eight contract amendments were made to the following seven communities: Blair, Hayes Center, Lynch, Oakland (ARRA), Omaha (ARRA), Osmond (2), and Plattsmouth. The binding commitment total for SFY2012 after final loan adjustments totals \$13,035,924. The cumulative binding commitment exceeds the federal 120% binding commitment requirement for SFY2012. The cumulative binding commitment amount of initial loan awards plus 4% administration totals \$434,557,784.

Attachment 2 provides information showing the binding commitments entered into during SFY2012 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 \$434,557,784 or 216% of the required amount.

4. Small Town Grant Report

The Department has authority to obligate 65% of the previous SFY administration fee income up to \$850,000 per year for small town matching grants and facility planning grants. In SFY 2012 \$735,891 was available for Small Town Grants. No facility planning grants were awarded in SFY 2012. It is our intent to provide funding to as many projects as possible who qualify; therefore, we limit the amount that any one community could receive to \$250,000 per year.

The following table reports allocations to projects during SFY2012. Attachment 3 provides more detail on fund history, disbursements, and balances.

COMMUNITY	PROJECT #C31	GRANT AWARD DATE	GRANT AMOUNT
Ansley	7136	1/18/2012	\$250,000
Albion	7103	10/14/2011	250,000
SFY2012 Allocation Total			\$500,000

5. Facility Planning Grants

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

Facility planning grants may be provided to municipalities with populations of 10,000 or fewer people that are identified with a financial hardship. This includes any city, town, village, sanitary improvement district, natural resources district, or other public body created by or pursuant to state law having jurisdiction over a wastewater treatment facility. Privately owned wastewater treatment systems are not eligible for assistance.

Grants are provided for up to 90% of the eligible facility plan project cost, but cannot exceed \$20,000. No grants were awarded for SFY2011 or SFY2012; however, grant funds are available for SFY2013 and have been awarded to five communities.

Since the grant's inception through the Nebraska Environmental Partnership (NEP) in SFY2004 the CWSRF has awarded planning grants to 52 communities for a total of \$823,710. 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
- MBE/WBE Requirements
- Other Federal Authorities
- State Environmental Review Process (SERP)
- Cash Draw Procedures

Environmental Reviews were conducted on 19 Section 212 projects during SFY2012. It was determined that no Environmental Impact Statements (EIS) were necessary; instead Environmental Assessments (EA) were prepared and Finding of No Significant Impact Statements (FNSI) were issued for 3 projects: McCook, Brainard, and Lancaster County SID #5. Categorical Exclusions (CE) were issued for projects: Maxwell, Wisner, Lindsay, Bassett, Marquette, Blair Amendment #1, Lynch, and Plattsmouth. In order to expedite the review process, FNSIs and CEs are now available on-line.

The following 8 SRF wastewater projects initiated operation in SFY2012: Oakland, Lawrence, Stuart, Wayne, Cozad, Kearney, Ogallala, and Broken Bow.

2. Short Term Goals and Accomplishments

Five short term goals were described in the SFY2012 Intended Use Plan (IUP) to be undertaken in SFY2012. 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.

All eligible entities that did not respond to the 2012 Needs Survey were contacted to insure those that had needs were accounted for in the SFY 2013 Project Priority List.

The IUP and state Project Priority Lists are subject to public review and comment in accordance with federal statute 40 CFR Part 35. The department held a public hearing for the IUP and state Priority Lists at the regularly scheduled Environmental Quality Council meeting on June 21, 2012 at North Platte, Nebraska to receive public input and Council approval. The draft IUP and Project Priority Lists were made available 30 days prior to the hearing.

In addition, the department participated either through presentation or through information booths at nine different conferences and financial workshops throughout the state to increase participation.

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

The Department has begun work on a new initiative called Assessing Wastewater Infrastructure Needs (AWIN) that evaluates a town's capability through a number of significant impact statistics. This is in its beginning stages and will ultimately provide a tool to help the engineers and the municipality better evaluate both the need and the financial assurance associated with the need.

Loan funds were committed to 11 separate communities during SFY2012: Albion, Ansley, Brainard, Bruning, Lancaster County SID #5, Lindsay, Lynch, Marquette, Oxford, Plattsmouth, and Wisner.

In addition, loan amendments were provided for 7 communities: Blair, Hayes Center, Lynch, Oakland (ARRA), Omaha (ARRA), Osmond (2), and Plattsmouth.

3. Assist any potentially eligible CWSRF entities in correcting onsite wastewater system failures and onsite wastewater impacts to Waters of the State

Several communities are in the very difficult and expensive process of evaluating wastewater alternatives to replace failing onsite systems. Legislation is being proposed for the SFY 2013 session to provide for the development of a linked deposit program between CWSRF, banks, and borrowers. This would be available to individual households with failing on-site systems.

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

Projects in four communities were designated as Green Project Reserve (GPR). Loans were made with Osmond, Lindsay, Hayes Center, and Wisner. The SFY 2013 IUP has 4 communities on the Green Project Reserve List for funding: Arapahoe, Gresham, DuBois, and Bassett. The CWSRF promotes green projects by using a lower interest rate for green projects. GPR and all green project loans are 0.25% less than other SRF loans.

5. 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 Department uses a priority ranking system to evaluate facilities in seven categories. The greater number of points the higher the ranking. The seven categories are:

- Project benefit
- Beneficial use and classification of receiving water
- Water quality of receiving waters
- Enforcement actions initiated by the Department to address violations of the Environmental Protection Act and other related acts.
- Readiness to proceed
- Population served
- Financial impacts

3. Long Term Goals and Accomplishments

Eight long term goals were included in the SFY2012 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.*

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%. Review management practices annually to assist in achieving the growth goals. Request EPA capitalization grants and provide state match in a timely manner. Encourage the federal government to continue annual capitalization grants for this fund. Allocate 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.*

It is our intent to continue 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.

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.*

4.

The DEQ completed an annual SRF needs survey during SFY2012, providing candidates for the SFY2013 IUP. Three hundred eighty-four (384) communities responded to the needs survey, identifying one or more needs. The FY2012 public participation process involved providing conference presentations and information booths (twelve different events). The next SFY will include additional promotional activities through the assistance of two new Environmental Assistance Coordinators.

On March 22, 2012, the draft DWSRF SFY2013 Priority Funding and Planning Lists and Land Acquisition and Source Water Protection Priority Lists were presented along with the proposed DWSRF Priority Ranking System at the Public Forum, held by the NDHHS-DPH in Lincoln. The final drafts of the DWSRF ranking system and project lists were again presented to the Governor's Advisory Council on Public Water Supply on March 29, 2012.

5. *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.*

The EPA provided considerable guidance for the SRF program concerning eligible projects under green infrastructure requirements for the FFY2012 federal capitalization grant. We will use this guidance to help develop policies and procedures to encourage green concepts and projects to fund under the SRF program.

The Department also continues to incentivize green projects with lower than market rates of interest. This is being provided on projects and parts of projects that meet the Federal guidelines for green projects over and above the Federally required amount in the 2012 Capitalization Grant.

6. *Encourage the federal government to continue annual CWSRF capitalization grants. Request annual EPA capitalization grants and provide state match in a timely manner.*

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

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

Unsewered communities with public health or environmental concerns are placed on the priority list as a result of this effort. Each project is required to undergo extensive facility planning, which includes the review of several alternatives and a cost-effectiveness analysis comparing the appropriateness of the alternatives. Nine unsewered communities were listed on the 2013 IUP Priority List: Danbury, Kilgore, Lake Maloney, Linwood, Lorton, Morse Bluff, Salem, and South Bend.

The Department continues to use the Priority Ranking System described in #5 of the short term goals. This insures that funds are available to the greatest need.

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

The NDEQ/NRD liaison has assisted us with contacts to obtain more relevant and timely information through the natural resources districts. We are also working with other state and federal agencies to improve the environmental review process, particularly in the Platte River corridor.

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

The Nebraska Environmental Partnerships is now a part of the SRF program (in SFY2012). We continue 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.

C. STATUS OF PROJECTS ON FUNDABLE LIST

The Annual Report reflects the following changes from the original SFY2013 Intended Use Plan approved by the Environmental Quality Council (EQC) on June 21, 2012. Attachment 4 provides more detail on the projects on the Funding Program Project Priority List scheduled to receive CWSRF funding in the form of loan issuance.

D. PROGRAM CHANGES and CHANGES UNDER CONSIDERATION

The minimum interest rate started the year at 2.25%, but decreased to 2.0% in the fourth quarter. The construction interest rate remained at 2%. We continued to waive the 1% administrative fee for the first year of a loan. With continued downward pressure on interest rates, rates were again decreased on July 1, 2012, at the beginning of SFY 2013 to 1.5% and 1.25% for green projects. Administration fee remains at 1%

The maximum available for Small Town Grant awards remained at \$850,000 for SFY 2012 and the financial hardship evaluation procedure as it relates to the project cost and the community's median household income remained the same as the previous year. The amount of funds available for SFY 2013 based on 65% of administration fee from the previous year is \$635,893 for Small Town Grants and \$100,000 for planning grants

Donna Garden was selected as supervisor of the Financial Assistance Section in December of 2011. The SRF Engineering staff was combined with non-SRF Engineering staff in August, 2011. This change will provide for better consistency of Construction Permits and begin to train/educate other Water Division engineers about the SRF program, with the idea of planning for further SRF staff retirements in the future. . Two new Environmental Assistance Coordinators will be hired in the Financial Assistance Section to act as SRF project coordinators and grant administrators. One staff member retired in June of 2012.

E. CWSRF BENEFITS REPORTING

DEQ SRF program staff completed CWSRF benefits reporting (CBR) forms during SFY2012. Copies of the forms that were completed during the year are included as Attachment 6, available on NDEQ's website. This document contains a summary of the reports available.

ATTACHMENT 1
CWSRF LOAN STATUS AS OF 6/30/2012

SFY2012
ANNUAL REPORT

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317238	Adams		F	598,777.00	505,888.41	92,888.59	3.16	293,527.94	
C317029	Ainsworth		P	519,800.00	519,800.00	0.00	3.50	0.00	
C317559	Ainsworth		F	345,000.00	36,016.81	308,983.19	2.00	617,966.38	
C317103	Albion	FFATA		3,000,000.00	0.00	642,205.00	2.25	1,444,961.25	
C317030	Alda		F	116,940.00	73,966.14	42,973.86	3.14	134,937.92	
C317478	Allen		F	84,758.00	5,270.08	79,487.92	2.00	158,975.84	
C317104	Alvo		F	212,423.00	112,826.56	99,596.44	4.00	398,385.76	
C317136	Ansley	FFATA		969,100.00	0.00	100,133.00	2.50	250,332.50	
C317325	Arlington		F	1,223,435.00	129,464.98	1,093,970.02	3.59	3,927,352.37	
C317198	Arnold		F	99,952.00	47,922.09	52,029.91	3.00	156,089.73	
C317033	Aurora		P	3,800,000.00	3,800,000.00	0.00	3.31	0.00	
C317184	Aurora		P	590,000.00	590,000.00	0.00	2.80	0.00	
C317326	Aurora			3,150,000.00	0.00	2,012,484.00	2.25	4,528,089.00	
C317522	Aurora		P	276,682.00	276,682.00	0.00	3.00	0.00	
C317025	Avoca		F	157,514.00	122,667.98	34,846.02	3.05	106,280.36	
C317070	Axtell		F	388,787.00	309,515.26	79,271.74	3.94	312,330.66	
C317185	Ayr		F	75,991.00	30,520.66	45,470.34	3.00	136,411.02	
C317277	Bancroft		F	1,020,198.00	116,381.19	903,816.81	3.00	2,711,450.43	
C317068	Bassett		F	107,752.00	65,722.94	42,029.06	3.00	126,087.18	
C317279	Bassett		F	98,231.00	24,328.30	73,902.70	2.57	189,929.94	
C317041	Beatrice		P	1,775,315.00	1,775,315.00	0.00	3.18	0.00	
C317743	Beatrice		F	98,575.00	8,180.45	90,394.55	2.00	180,789.10	
C317017	Bellevue		P	1,857,908.39	1,857,908.39	0.00	5.00	0.00	
C317123	Bellevue		P	1,400,000.00	1,400,000.00	0.00	3.30	0.00	
C317531	Bellevue		F	3,727,993.00	195,339.85	3,532,653.15	4.00	14,130,612.60	
C317242	Bellwood		F	324,468.00	146,309.37	178,158.63	3.00	534,475.89	
C317327	Bertrand		F	639,103.00	170,520.44	468,582.56	2.85	1,335,460.30	
C317167	Big Springs		F	874,849.00	136,133.04	738,715.96	3.00	2,216,147.88	
C317638	Blair	FFATA		876,615.00	0.00	146,968.00	2.10	308,632.80	
C317243	Bloomfield		F	202,955.00	96,728.14	106,226.86	3.00	318,680.58	
C317519	Brainard	FFATA		1,070,000.00	0.00	0.00	2.00	0.00	
C317596	Broken Bow	ARRA	F	5,318,801.00	0.00	5,318,801.00	1.52	8,110,102.45	
C317281	Brule		F	131,004.00	46,448.04	84,555.96	3.00	253,667.88	
C317690	Brule		F	58,590.00	2,405.78	56,184.22	2.00	112,368.44	
C317761	Bruning	FFATA		344,300.00	0.00	0.00	2.00	0.00	
C317284	Butler Co. SID #1		F	205,878.00	157,983.75	47,894.25	3.00	143,682.75	
C317764	Butler Co. SID #1		F	103,791.00	4,884.60	98,906.40	2.00	197,812.80	
C317093	Cairo		F	620,921.00	341,258.16	279,662.84	3.20	894,921.09	
C317107	Carroll			375,000.00	0.00	315,879.00	2.25	710,727.75	
C317328	Cass Co. SID #5		F	1,107,232.06	290,234.91	816,997.15	3.50	2,859,490.03	
C317532	Cedar Bluffs	ARRA	F	511,915.00	22,501.35	489,413.65	1.33	650,920.15	
C317028	Cedar Co. SID #1		P	72,700.00	72,700.00	0.00	3.50	0.00	
C317134	Cedar Rapids		P	134,755.00	134,755.00	0.00	3.00	0.00	
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	214,763.11	3,055,236.89	1.33	4,063,465.06	
C317329	Chambers		F	67,511.00	25,478.53	42,032.47	3.00	126,097.41	

ATTACHMENT 1
CWSRF LOAN STATUS AS OF 6/30/2012

SFY2012
ANNUAL REPORT

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317477	Chapman		F	359,101.00	62,486.40	296,614.60	3.00	889,843.80	
C317533	Clarkson	GP10		500,000.00	0.00	84,203.00	2.00	168,406.00	
C317233	Clay Center		P	180,000.00	180,000.00	0.00	3.00	0.00	
C317427	Coleridge		F	62,379.00	22,736.93	39,642.07	2.50	99,105.18	
C317597	Coleridge		F	56,146.00	5,867.13	50,278.87	2.00	100,557.74	
C317468	Concord		F	297,449.00	144,137.64	153,311.36	3.70	567,252.03	
C317258	Cook		F	579,956.00	509,701.32	70,254.68	3.00	210,764.04	
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	35,991.17	1,718,411.83	2.00	3,436,823.66	
C317081	Crab Orchard		F	65,978.00	26,216.75	39,761.25	3.00	119,283.75	
C317731	Creighton		F	220,536.00	18,317.27	202,218.73	2.00	404,437.46	
C317139	Dannebrog		F	425,000.00	360,382.55	64,617.45	3.00	193,852.35	
C317109	David City		F	2,728,924.00	1,645,521.93	1,083,402.07	3.22	3,488,554.67	
C317391	Deshler		F	892,808.00	202,309.00	690,499.00	2.55	1,760,772.45	
C317110	DeWitt		F	524,900.00	320,254.31	204,645.69	4.30	879,976.47	
C317196	Diller		F	301,264.00	135,846.19	165,417.81	3.00	496,253.43	
C317565	Dorchester	ARRA	F	503,227.00	22,111.27	481,115.73	1.33	639,883.92	
C317599	Duncan	GP10		333,400.00	12,000.00	298,958.00	2.00	597,916.00	
C317484	Dwight		F	307,650.00	40,376.12	267,273.88	3.31	884,676.54	
C317203	Eagle		F	218,656.00	156,773.94	61,882.06	3.50	216,587.21	
C317225	Eagle		P	1,932,107.00	1,932,107.00	0.00	3.00	0.00	
C317606	Elgin		F	92,394.00	8,772.00	83,622.00	3.00	250,866.00	
C317111	Elkhorn		P	2,940,673.00	2,940,673.00	0.00	3.33	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	8,529.48	199,943.52	2.00	399,887.04	
C317392	Ewing		F	67,000.00	20,719.07	46,280.93	2.50	115,702.33	
C317338	Exeter		F	54,945.00	18,075.08	36,869.92	3.02	111,347.16	
C317061	Fairbury		F	1,931,134.00	1,071,804.85	859,329.15	3.00	2,577,987.45	
C317043	Falls City		F	2,500,000.00	680,774.73	1,819,225.27	2.50	4,548,063.18	
C317119	Farwell		F	175,000.00	96,945.49	78,054.51	3.00	234,163.53	
C317594	Filley		F	245,000.00	15,117.19	229,882.81	2.00	459,765.62	
C317049	Firth		F	62,716.00	44,527.01	18,188.99	3.56	64,752.80	
C317272	Fremont		P	3,200,000.00	3,200,000.00	0.00	3.00	0.00	
C317159	Garland		F	331,950.00	71,494.63	260,455.37	3.17	825,643.52	
C317059	Gering		P	3,250,000.00	3,250,000.00	0.00	2.50	0.00	
C317156	Gibbon		P	1,258,946.00	1,258,946.00	0.00	3.66	0.00	
C317307	Gibbon		P	7,000,000.00	7,000,000.00	0.00	5.25	0.00	
C317390	Gosper Co. SID		F	15,484,961.00	5,738,901.26	9,746,059.74	2.66	25,924,518.91	
C317009	Gothenburg		P	2,947,700.00	2,947,700.00	0.00	3.50	0.00	
C317183	Gothenburg		F	630,339.00	89,368.73	540,970.27	3.00	1,622,910.81	
C317395	Gothenburg		F	372,105.00	88,162.23	283,942.77	3.05	866,025.45	
C317568	Gothenburg	BASE	F	129,827.00	13,588.97	116,238.03	2.00	232,476.06	
C317568	Gothenburg	ARRA	F	75,000.00	7,894.72	67,105.28	0.00	0.00	
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	3.00	0.00	

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PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317234	Guide Rock		F	321,451.00	18,038.12	303,412.88	3.00	910,238.64	
C317004	Hartington		F	544,167.00	436,709.21	107,457.79	3.50	376,102.27	
C317341	Hartington		F	82,465.00	5,113.91	77,351.09	2.00	154,702.18	
C317291	Hayes Center	GP10/11		315,500.00	0.00	89,832.00	2.25	202,122.00	
C317053	Hay Springs		F	311,792.00	215,881.17	95,910.83	3.00	287,732.49	
C317131	Hebron		F	329,098.00	246,746.77	82,351.23	3.00	247,053.69	
C317019	Herman		F	124,865.00	112,219.62	12,645.38	3.50	44,258.83	
C317398	Hickman		P	390,000.00	390,000.00	0.00	3.50	0.00	
C317213	Holbrook		F	231,000.00	183,795.96	47,204.04	3.00	141,612.12	
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	4.18	0.00	
C317491	Holdrege		F	299,616.00	12,988.47	286,627.53	2.00	573,255.06	
C317115	Howells		F	346,933.00	91,510.51	255,422.49	2.80	715,182.97	
C317343	Indianola		F	756,740.00	488,674.18	268,065.82	3.00	804,197.46	
C317292	Jackson		F	54,642.00	18,088.01	36,553.99	3.00	109,661.97	
C317021	Kearney		P	3,954,696.00	3,954,696.00	0.00	3.86	0.00	
C317275	Kearney		F	2,560,497.00	1,007,374.74	1,553,122.26	3.39	5,265,084.46	
C317789	Kearney		F	1,250,000.00	25,647.17	1,224,352.83	2.00	2,448,705.66	
C317057	Kenesaw		F	521,711.00	285,084.86	236,626.14	3.00	709,878.42	
C317118	Kennard		P	693,000.00	693,000.00	0.00	2.99	0.00	
C317144	Kimball		F	610,000.00	352,880.81	257,119.19	3.15	809,925.45	
C317404	Lancaster County SID #5			350,000.00	0.00	0.00	2.00	0.00	
C317705	Laurel		F	160,000.00	13,222.83	146,777.17	2.00	293,554.34	
C317837	Lawrence		F	75,401.00	21,767.20	53,633.80	2.25	120,676.05	
C317447	Leigh	GP10		475,000.00	0.00	432,912.00	2.00	865,824.00	
C317002	Lexington		P	4,100,000.00	4,100,000.00	0.00	3.50	0.00	
C317008	Lincoln		P	9,017,565.54	9,017,565.54	0.00	5.00	0.00	
C317078	Lincoln			5,000,000.00	100,000.00	4,747,213.00	2.00	9,494,426.00	
C317247	Lincoln	ARRA	F	3,558,792.00	237,858.30	3,320,933.70	1.30	4,308,911.48	
C317830	Lincoln			17,000,000.00	0.00	3,854,811.00	2.25	8,673,324.75	
C317204	Lindsay		P	405,000.00	405,000.00	0.00	3.14	0.00	
C317839	Lindsay	GP11		537,500.00	0.00	0.00	1.82	0.00	
C317236	Loomis		F	167,381.00	137,502.14	29,878.86	3.18	95,014.77	
C317573	Lower Platte North NRD			6,000,000.00	2,300,000.00	3,700,000.00	3.00	11,100,000.00	
C317573	Lower Platte North NRD-AMD#1			6,000,000.00	0.00	5,603,660.00	2.00	11,207,320.00	
C317539	Lynch		F	174,300.00	28,807.60	145,492.40	3.00	436,477.20	
C317852	Lynch	FFATA		25,500.00	0.00	2,300.00	2.50	5,750.00	
C317449	Lyons		F	891,491.00	101,058.64	790,432.36	3.00	2,371,297.08	
C317405	Madison		P	1,892,461.00	1,892,461.00	0.00	3.06	0.00	
C317575	Malcolm	ARRA	F	250,000.00	25,000.00	225,000.00	0.00	0.00	
C317575	Malcolm	BASE	F	500,000.00	41,568.26	458,431.74	2.00	916,863.48	
C317613	Marquette	FFATA		53,000.00	0.00	0.00	2.00	0.00	
C317259	Maywood		F	184,518.00	74,842.91	109,675.09	3.00	329,025.27	
C317105	McCook		P	337,040.99	337,040.99	0.00	3.00	0.00	
C317150	McCook		F	1,903,003.00	1,082,929.97	820,073.03	3.00	2,460,219.09	

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C317349	McCook		F	4,200,000.00	1,046,756.54	3,153,243.46	2.50	7,883,108.65	
C317451	McCool Junction		P	82,903.00	82,903.00	0.00	2.50	0.00	
C317331	McGrew		F	47,100.00	17,798.78	29,301.22	3.00	87,903.66	
C317217	Meadow Grove		F	138,190.00	48,946.69	89,243.31	3.00	267,729.93	
C317248	Melbeta		F	259,437.00	18,975.68	240,461.32	3.15	757,453.16	
C317169	Memphis		F	83,130.00	52,843.71	30,286.29	3.00	90,858.87	
C317250	Murray		F	1,425,000.00	272,888.99	1,152,111.01	2.95	3,398,727.48	
C317741	Nebraska City			4,889,865.00	0.00	2,443,494.00	2.25	5,497,861.50	
C317071	Neligh		F	1,653,678.00	703,880.36	949,797.64	3.00	2,849,392.92	
C317498	Newman Grove		F	333,099.00	37,331.79	295,767.21	3.00	887,301.63	
C317431	Nickerson		F	281,011.00	72,539.72	208,471.28	3.24	675,446.95	
C317036	Norfolk		P	9,299,999.80	9,299,999.80	0.00	4.18	0.00	
C317142	North Bend		F	308,000.00	79,697.83	228,302.17	3.45	787,642.49	
C317122	North Platte		F	14,300,000.00	2,168,114.21	12,131,885.79	3.27	39,671,266.53	
C317351	North Platte		P	2,221,722.00	2,221,722.00	0.00	3.72	0.00	
C317074	Oakdale		F	209,957.00	122,003.43	87,953.57	3.00	263,860.71	
C317409	Oakland	ARRA	F	1,621,500.00	35,491.58	1,586,008.42	1.33	2,109,391.20	
C317409	Oakland Amd #1	BASE	F	135,990.00	2,637.38	133,352.62	2.50	333,381.55	
C317152	Ogallala		F	2,397,400.00	1,126,424.80	1,270,975.20	3.23	4,105,249.90	
C317500	Ogallala			423,000.00	0.00	342,042.00	2.00	684,084.00	
C317005	Omaha Monroe		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	3.50	0.00	
C317052	Omaha GIS		P	1,810,894.00	1,810,894.00	0.00	3.50	0.00	
C317079	Omaha		P	10,000,000.00	10,000,000.00	0.00	3.00	0.00	
C317082	Omaha		P	3,432,976.00	3,432,976.00	0.00	3.50	0.00	
C317182	Omaha		P	1,600,000.00	1,600,000.00	0.00	3.00	0.00	
C317311	Omaha NPS		F	898,294.00	846,745.46	51,548.54	3.00	154,645.62	
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	5,592,000.00	176,869.61	5,415,130.39	1.34	7,256,274.72	
C317432	Omaha	BASE	F	1,000,000.00	21,377.19	978,622.81	2.25	2,201,901.32	
C317476	Omaha			7,500,000.00	0.00	7,228,639.00	2.00	14,457,278.00	
C317205	Osmond	GP11		407,062.00	0.00	62,873.00	2.23	140,206.79	
C317229	Oxford		F	865,353.00	214,496.57	650,856.43	2.77	1,802,872.31	
C317543	Oxford	FFATA		200,750.00	0.00	0.00	2.50	0.00	
C317414	Palmer		F	182,000.00	28,808.21	153,191.79	2.79	427,405.09	
C317414	Palmer		P	472,028.00	472,028.00	0.00	3.00	0.00	
C317353	Paxton		F	1,352,254.00	430,424.90	921,829.10	2.50	2,304,572.75	
C317807	Paxton		F	32,300.00	4,474.78	27,825.22	2.00	55,650.44	
C317087	Pickrell		F	350,000.00	157,701.90	192,298.10	4.00	769,192.40	
C317060	Plainview		F	968,910.00	154,530.75	814,379.25	2.75	2,239,542.94	
C317745	Platte Center	ARRA	F	128,690.00	5,287.49	123,402.51	2.00	246,805.02	
C317526	Plattsmouth			1,599,810.00	0.00	1,599,810.00	2.19	3,503,583.90	
C317834	Plattsmouth	FFATA		1,735,961.00	0.00	0.00	2.00	0.00	
C317266	Pleasanton		F	117,076.00	61,817.71	55,258.29	3.00	165,774.87	
C317744	Pleasanton	ARRA	F	232,817.00	14,430.59	218,386.41	2.00	436,772.82	

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C317035	Polk		F	81,453.00	67,928.25	13,524.75	3.50	47,336.63	
C317696	Polk Co. SID #1			2,212,847.00	0.00	1,238,881.00	2.25	2,787,482.25	
C317506	Red Cloud	ARRA	F	372,404.00	24,802.65	347,601.35	1.33	462,309.80	
C317073	Rising City		F	350,340.00	79,461.38	270,878.62	2.55	690,740.48	
C317101	Riverton		F	140,442.00	89,579.90	50,862.10	3.00	152,586.30	
C317188	Rushville		F	1,035,000.00	464,650.60	570,349.40	3.00	1,711,048.20	
C317416	Ruskin		F	271,020.00	73,799.68	197,220.32	2.50	493,050.80	
C317027	St. Helena		P	70,695.00	70,695.00	0.00	3.50	0.00	
C317263	St. Paul		F	306,513.00	68,172.68	238,340.32	2.82	672,119.70	
C317128	Sarpy Co. SID #101		F	4,785,104.84	4,058,838.02	726,266.82	3.00	2,178,800.46	
C317195	Schuyler		F	579,336.00	351,137.77	228,198.23	3.00	684,594.69	
C317215	Schuyler		F	2,481,856.00	755,523.27	1,726,332.73	3.01	5,196,261.52	
C317001	Scottsbluff		P	2,453,873.39	2,453,873.39	0.00	3.26	0.00	
C317086	Scottsbluff		F	4,600,000.00	2,668,745.12	1,931,254.88	3.00	5,793,764.64	
C317219	Scottsbluff	ARRA	F	2,527,500.00	358,048.40	2,169,451.60	1.33	2,885,370.63	
C317378	Scottsbluff		F	1,004,334.00	385,880.56	618,453.44	3.00	1,855,360.32	
C317813	Shelby			365,625.00	0.00	260,581.00	2.25	586,307.25	
C317062	Shelton		F	493,043.00	337,258.41	155,784.59	3.37	524,994.07	
C317301	Shelton		F	1,071,763.00	458,733.68	613,029.32	3.00	1,839,087.96	
C317189	Sidney	ARRA	F	1,375,000.00	137,500.00	1,237,500.00	0.00	0.00	
C317189	Sidney	BASE	F	2,750,000.00	229,487.27	2,520,512.73	2.00	5,041,025.46	
C317433	Sidney		F	819,924.00	295,682.59	524,241.41	2.52	1,321,088.35	
C317508	Silver Creek		F	175,165.00	30,746.53	144,418.47	2.75	397,150.79	
C317360	South Sioux City		F	3,112,135.00	335,223.37	2,776,911.63	3.65	10,135,727.45	
C317725	South Sioux City	ARRA	F	1,682,752.00	75,737.28	1,607,014.72	1.32	2,116,438.39	
C317080	Stamford		P	395,400.00	395,400.00	0.00	2.50	0.00	
C317164	Stanton		F	1,053,787.00	502,739.09	551,047.91	3.00	1,653,143.73	
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	69,312.68	86,687.32	3.30	286,068.16	
C317510	Stuart		F	48,856.00	0.00	48,856.00	2.00	97,712.00	
C317096	Superior		P	341,898.00	341,898.00	0.00	3.00	0.00	
C317364	Sutherland		F	165,880.00	95,273.94	70,606.06	2.50	176,515.15	
C317190	Sutton		P	1,505,100.00	1,505,100.00	0.00	3.12	0.00	
C317231	Tecumseh		F	370,629.00	185,744.27	184,884.73	3.00	554,654.19	
C317051	Tekamah		F	1,297,286.00	824,704.21	472,581.79	3.00	1,417,745.37	
C317252	Tekamah	ARRA		603,944.00	13,000.00	573,093.00	2.00	1,146,186.00	
C317252	Tekamah	ARRA		301,972.00	7,000.00	286,047.00	0.00	0.00	
C317367	Valley		P	4,510,111.00	4,510,111.00	0.00	3.21	0.00	
C317023	Verdigre		P	30,410.00	30,410.00	0.00	3.00	0.00	
C317434	Verdigre		F	112,211.00	38,765.34	73,445.66	2.50	183,614.15	
C317460	Verdigre		F	200,000.00	13,026.45	186,973.55	3.00	560,920.65	
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		F	4,515,601.00	1,443,356.49	3,072,244.51	3.49	10,722,133.34	
C317369	Wayne			6,750,000.00	95,000.00	4,567,175.00	2.00	9,134,350.00	

ATTACHMENT 3
CWSRF SMALL TOWN GRANTS HISTORY

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								First Half SFY2013	Second Half SFY2013	First Half SFY2014	Second Half SFY2014
COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2013	PAID DURING SFY 2013	ESTIMATED 12-31-12	ESTIMATED 6-30-13	ESTIMATED 12-31-13	ESTIMATED 6-30-14
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						
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	90,750	90,750					

ATTACHMENT 3
CWSRF SMALL TOWN GRANTS HISTORY

SFY 2012
ANNUAL REPORT

COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2013	PAID DURING SFY 2013	First Half SFY2013	Second Half SFY2013	First Half SFY2014	Second Half SFY2014
								ESTIMATED 12-31-12	ESTIMATED 6-30-13	ESTIMATED 12-31-13	ESTIMATED 6-30-14
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					423,614						
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						
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					

ATTACHMENT 3
CWSRF SMALL TOWN GRANTS HISTORY

SFY 2012
ANNUAL REPORT

COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2013	PAID DURING SFY 2013	First Half SFY2013	Second Half SFY2013	First Half SFY2014	Second Half SFY2014
								ESTIMATED 12-31-12	ESTIMATED 6-30-13	ESTIMATED 12-31-13	ESTIMATED 6-30-14
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						
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	227,844	22,156				
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	250,000	71,182	54,548	75,000	49,270		
CARROLL	7107-01	2011	4/1/2011	33.33	250,000	210,566	2,414	37,020			
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	10,068	1,143		8,925			
POLK COUNTY SID #1	7696-01	2011	6/30/2011	9.11	221,796	124,173	28,106	50,000	19,517		
SFY2011 ALLOCATION TOTAL					788,283						
ALBION	7103-01	2012	10/14/2011	7.14	250,000	53,493	34,265	75,000	50,000	37,242	
ANSLEY	7136-01	2012	1/18/2012	17.02	250,000	25,839	30,800	100,000	93,361		
SFY2012 ALLOCATION TOTAL					500,000						
PRIOR APPROPRIATIONS PLUS TRANSFERS					1,655,284						
FY01 Fee					423,614						
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					788,283						
FY12 Fee					500,000						
CURRENT APPROPRIATIONS PLUS TRANSFERS					7,027,774						
PRIOR DISBURSEMENTS						6,260,150					

ATTACHMENT 3
CWSRF SMALL TOWN GRANTS HISTORY

SFY 2012
ANNUAL REPORT

								First Half SFY2013	Second Half SFY2013	First Half SFY2014	Second Half SFY2014
COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2013	PAID DURING SFY 2013	ESTIMATED 12-31-12	ESTIMATED 6-30-13	ESTIMATED 12-31-13	ESTIMATED 6-30-14
CURRENT DISBURSEMENTS							172,289				
PROJECTED DISBURSEMENTS								345,945	212,148	37,242	-
JULY 1, 2011 FUND BALANCE PLUS TRANSFERS						767,624					
JUNE 30, 2012 FUND BALANCE							595,335				
PROJECTED FUND BALANCE								249,390	37,242	-	-

ATTACHMENT 4
PROJECTS ON THE FUNDING PROJECT PRIORITY LIST SCHEDULED TO RECEIVE CWSRF FUNDING

SFY 2012
ANNUAL REPORT

COMMUNITY	F or P	PROJ #C31	ESTIMATED PROJECT COST	2012 IUP ESTIMATED SRF LOAN	TOTAL ASSISTANCE	ACTUAL FORGIVENESS &/OR SMALL TOWN GRANT	NET LOAN AMOUNT	AGREEMENT DATE / QUARTER	COMMENTS
So. Sioux City	F	7835	14,000,000	14,000,000					Project delayed. Moved to 2013 IUP Funding List
Plattsmouth CSO Phase 2	F	7583	2,636,090	2,636,090	\$1,780,000.00	\$44,039.00	\$1,735,961.00	SFY2012 - Q4	
Lexington	F	7676	2,500,000	2,500,000			\$0.00		Project delayed. CatEx signed 9/19/2012
Alexandria	F	7749	1,458,100	899,520			\$0.00		Funded by USDA/CDBG
Ashton	F	7240	1,150,000	1,150,000			\$0.00		Funded by USDA/CDBG
Aurora	F	7326	2,575,000	2,575,000	\$1,030,461.00		\$1,030,461.00	SFY2012 - Q3	
Ansley	F	7136	1,900,000	1,900,000	\$1,469,100.00	\$500,000.00	\$969,100.00	SFY2012 - Q3	
Lincoln	F	7866	9,500,000	9,500,000			\$0.00		Project delayed. Moved to 2013 IUP Funding List
Albion	F	7103	3,500,000	3,500,000	\$3,500,000.00	\$500,000.00	\$3,000,000.00	SFY2012 - Q2	
Polk Co. SID #1	F	7696	2,746,000	2,746,000			\$0.00		Funded with SRF 6/30/2011
Grand Island	F	7867	3,500,000	3,500,000			\$0.00		Project delayed. Move to 2013 Funding List
Lindsay	F	7839	790,000	790,000	\$787,000.00	\$250,000.00	\$537,000.00	SFY2012 - Q4	
Kearney	F	7865	2,000,000	2,000,000			\$0.00		Project delayed. Move to 2013 Funding List
David City	F	7836	2,733,000	2,733,000			\$0.00		Municipality decided not to proceed
Ulysses	F	7600	590,000	590,000			\$0.00		Funded by USDA
SID 5 Lancaster County	F	7404	\$250,000.00	\$250,000.00	\$350,000.00		\$350,000.00	SFY2012 - Q4	
Juniata	F	7401	\$500,000.00	\$500,000.00					Project delayed
Clarkson	F	7533	\$800,000.00	\$800,000.00					Funded with SRF 5/25/2011
SFY 2012 Planning List - Bypass Systems			SFY 2012 Funded Program						
Osmond Amd #1	P	7205	\$250,000.00	\$250,000.00	\$301,818.00	\$135,365.00	\$166,453.00	SFY2012 - Q2	Funded per SFY 2012 Bypass Criteria.
Osmond Amd #2	P	7205	N/A	N/A	\$141,244.00	\$7,635.00	\$133,609.00	SFY2012 - Q4	Funded per SFY 2012 Bypass Criteria.
Bassett		7561	N/A	N/A	\$850,000.00	\$250,000.00	\$600,000.00	SFY 2012 - Q1	Funded per SFY 2012 Bypass Criteria.
Blair Amd#1		7638	N/A	N/A	\$570,000.00	\$17,385.00	\$552,615.00	SFY2012 - Q4	Funded per SFY 2012 Bypass Criteria.
Brainard		7519	N/A	N/A	\$1,320,000.00	\$250,000.00	\$1,070,000.00	SFY2012 - Q4	Funded per SFY 2012 Bypass Criteria.
Bruning		7761	N/A	N/A	\$594,300.00	\$250,000.00	\$344,300.00	SFY2012 - Q4	Funded per SFY 2012 Bypass Criteria.
Hayes Center Amd #1		7291	N/A	N/A	\$75,000.00	\$65,500.00	\$9,500.00	SFY2012 - Q2	Funded per SFY 2012 Bypass Criteria.
Lynch		7852	N/A	N/A	\$33,000.00	\$16,500.00	\$16,500.00	SFY2012 - Q3	Funded per SFY 2012 Bypass Criteria.
Lynch Amd #1		7852	N/A	N/A	\$15,522.00	\$7,761.00	\$7,761.00	SFY2012 - Q3	Funded per SFY 2012 Bypass Criteria.
Marquette		7613	N/A	N/A	\$85,800.00	\$32,500.00	\$53,300.00	SFY2012 - Q4	Funded per SFY 2012 Bypass Criteria.
Oakland ARRA Amd #1		7409	N/A	N/A	\$135,990.00		\$135,990.00	SFY2012 - Q2	Funded per SFY 2012 Bypass Criteria.
Omaha ARRA Amd #1		7432	N/A	N/A	\$1,000,000.00		\$1,000,000.00	SFY 2012 - Q1	Funded per SFY 2012 Bypass Criteria.
Oxford		7543	N/A	N/A	\$401,500.00	\$200,750.00	\$200,750.00	SFY2012 - Q2	Funded per SFY 2012 Bypass Criteria.
Plattsmouth Amd #2		7526	N/A	N/A	\$600,000.00		\$600,000.00	SFY2012 - Q4	Funded per SFY 2012 Bypass Criteria.
Wisner		7426	N/A	N/A	\$210,000.00	\$105,000.00	\$105,000.00	SFY2012 - Q4	Funded per SFY 2012 Bypass Criteria.

ATTACHMENT 5

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

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

JULY 1, 2010 THROUGH JUNE 30, 2011

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

**Modification of this document may change the accuracy of the original
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Issued on April 10, 2012

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 - Clean Water State Revolving Fund Program (Program) was established pursuant to Title VI of the Federal Clean Water Act, as amended by the Water Quality Act of 1987. Neb. Rev. Stat. § 81-15,147 created the Wastewater Treatment Facilities Construction Assistance Act. The Federal Water Quality Act and State statutes established the Clean Water State Revolving Fund Program to provide loans, at reduced interest rates, to finance the construction of publicly and privately owned water pollution control facilities, non-point source pollution control projects, and estuary management plans. Instead of making grants to communities that pay for a portion of the building of wastewater treatment facilities, the Program provides for low interest loans to finance the entire cost of qualified projects. The Program provides a flexible financing source which can be used for a variety of projects. Loans made by the Program must be repaid within 20 years, and all repayments, including interest and principal, must be used for the purposes of the Program. The Program was capitalized by the United States Environmental Protection Agency (EPA) by a series of grants starting in 1989. States are required to provide an additional 20 percent of the Federal capitalization grant as matching funds in order to receive a Federal grant. As of June 30, 2011, the EPA had awarded \$166 million in Capitalization grants to the State. Of the \$166 million awarded, approximately \$20 million was funded by the American Recovery and Reinvestment Act (ARRA). The \$146 million not funded by ARRA required the State to contribute approximately \$29 million in matching funds. The State provided appropriations to contribute \$955 thousand of the funds to meet the State's matching requirement for the first Capitalization grant. Additional matching funds were obtained through the issuance of revenue bonds.

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

EXIT CONFERENCE

An exit conference was held March 1, 2012, with the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program to discuss the results of our examination. Those in attendance for the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program were:

<u>NAME</u>	<u>TITLE</u>
Tom Lamberson	Deputy Director
Martie Guthrie	Budget Officer III
Shelley Schneider	Division Administrator
Mark B. Herman	Compliance Specialist
Kris Young	Accountant
Amy Wilson	State Accounting
Curtis Youngman	State Accounting
Chin Chew	Department of Health and Human Services - Engineering Section Supervisor
Marty Link	Acting Water Quality Division Administrator
Mary Brady	Federal Aid Administrator II
Donna Garden	Financial Assistance Section Supervisor

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

SUMMARY OF COMMENTS

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

1. ***Cash Management:*** The Agency withdrew Federal funds to reimburse expenses prior to incurring those expenses.
2. ***Federal Reporting:*** Various problems and lack of internal controls were identified related to Federal reporting.
3. ***Loan Testing:*** The Agency was not in compliance with various Federal regulations.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Agency to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the Agency declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next audit.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENTS AND RECOMMENDATIONS

1. **Cash Management – [Note: The following comment was included in both the Drinking and Clean Water SRF fiscal year end June 30, 2011, audit reports due to the cross cutting nature of the finding]**

Program: CFDA 66.458 – Capitalization Grants for Clean Water State Revolving Fund and ARRA CWSRF; CFDA 66.468 – Capitalization Grants for Drinking Water State Revolving Fund and ARRA DWSRF – Cash Management

Grant Number & Year: All open grants including #2W-97705101, FFY 2009 (ARRA); #CS-31000110, FFY 2010; #2F-97705601, FFY 2009 (ARRA); #FS-99780507, FFY 2007; #FS-99780509, FFY 2009; and #FS-9978510, FFY 2010

Federal Grantor Agency: U.S. Environmental Protection Agency (EPA)

Criteria: 31 CFR § 205.12(b)(5) (July 2010) states “Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes.”

Per the EPA’s Performance Evaluation Report dated September 22, 2011, “If a draw error of a substantial sum (i.e., \$500K) is made, the NDEQ [Agency] should return the funds rather than use the book entry adjustment method, regardless of the limitations in the ASAP system for displaying available balances.”

Good internal controls and sound business practices require an adequate accounting of funds including tracking the amount spent from each grant, reconciling total draws with total expenditures, and maintaining documentation for figures used to support Federal draws were expended.

Condition: The Agency drew down \$2,808,754 in Federal funds for the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) on April 7, 2011. The Agency had not incurred expenses to warrant this Federal draw. In addition, during testing the Agency did not initially provide the final copy of the draw spreadsheet used to track the excess funds to the Auditor of Public Accounts (APA).

Questioned Costs: None

Context: On April 7, 2011, the Agency drew down \$3,595,223 in Federal funds from the Federal Automated Standard Application for Payments (ASAP) System for the CWSRF and DWSRF programs in anticipation of a Federal government shutdown. Of this amount, \$786,469 could be paid out right away after invoices had been verified. The remaining \$2,808,754 was drawn in excess and should have been returned to the EPA within 30 days. The Agency reported they were not aware of a legitimate process to return these funds, and elected to keep the funds to use on future expenditures. The EPA performs biannual reviews of the State’s Clean and Drinking Water Revolving Funds. The EPA was aware of this large draw and reviewed it and incorporated this in their Performance Evaluation Report.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Cash Management – [Note: The following comment was included in both the Drinking and Clean Water SRF fiscal year end June 30, 2011, audit reports due to the cross cutting nature of the finding]** (Continued)

In order to track how the early draws were paid, the Agency developed a spreadsheet where expenditures were grouped by grant and tracked until the early draw had been completely paid. Per the spreadsheet, the last expenditure paid from the early CWSRF draw was on June 23, 2011, and the last expenditure paid from the early DWSRF draw was on June 27, 2011.

Based on the APA's review of the spreadsheet, we noted:

- There were variances between the original spreadsheet we received and the final one received from the EPA. Variances were not significant.
- Documentation was not readily available to support the expenditure and adjustment amounts on the spreadsheet. The APA was able to observe in the State's accounting system that these Federal funds were eventually disbursed; however, the Agency was unable to easily recreate some of the expenditure and adjustment figures included in their spreadsheet.
- The total draws did not agree to total expenditures on the spreadsheet. Expenditures exceeded cash draws by \$81,091 and the Agency was not able to explain these excess expenditures.

Cause: The Agency was not aware of a legitimate process to return excess funds.

Effect: The Agency was not in compliance with Federal regulations. Federal cash draws for funds not specifically requested by a political subdivision increase the risk Federal funds will be improperly used.

Recommendation: We recommend the Agency implement procedures to ensure that funds are only drawn on a reimbursement basis. We further recommend the Agency implement procedures to ensure that if excess funds of \$500,000 or more are drawn that they properly return them to the Federal government within 30 days.

Management Response: The situation described was an atypical one, in which the Agency reacted to legitimate reimbursement requests from SRF loan recipients. The problem occurred due to drawing Federal funds for reimbursements that ultimately were paid as recycled principal. EPA ASAP instructions did not provide the option of returning funds within 30 days if they were drawn incorrectly. The Agency used excess funds drawn as quickly as possible against other Federal draw needs within the Agency, per instructions within the EPA ASAP program.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Cash Management – [Note: The following comment was included in both the Drinking and Clean Water SRF fiscal year end June 30, 2011, audit reports due to the cross cutting nature of the finding]** (Concluded)

Corrective Action: The Agency draws funds on a reimbursement basis the vast majority of time. We are now aware that if funds are drawn in error, they may be returned to the EPA within 30 days without affecting the grant balance. The Agency has also added the subledger (loan number) to receipts within the State Accounting System when draws are made, which will make it easier to match draw requests to specific expenditure payments.

Contact: Martie Guthrie, Budget Officer III

Anticipated Completion Date: Completed

2. **Federal Reporting**

Program: CFDA 66.458 – Capitalization Grants for Clean Water State Revolving Fund (CWSRF) and ARRA CWSRF – Reporting

Grant Number & Year: #CS-31000105, FFY 2005; #2W-97705101, FFY 2009 (ARRA)

Federal Grantor Agency: U.S. Environmental Protection Agency

Criteria: The Federal Financial Report (FFR), which replaced the Financial Status Report, requires total Federal program income earned to be reported.

OMB Circular A-133 § 315 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings ... The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit’s schedule of findings and questioned costs relative to Federal awards ... When audit findings were fully corrected the summary schedule need only list the audit findings and state that corrective action was taken. When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken.”

A good internal control plan requires:

- Federal financial reports are reviewed by management level personnel not involved in report preparation and the review be adequately documented,
- adequate documentation be maintained to support figures reported, and
- a process be in place to ensure data reported agrees to EnterpriseOne, the State’s accounting system.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Federal Reporting (Continued)

Condition: During testing it was noted:

- Two of two FFRs tested were not complete and accurate as program income was not reported.
- One of two FFRs had incorrectly overstated match expenditures by \$500,000. Even though match expenditures were overstated, the Agency still met their match requirement.
- The Agency did not have documentation to support FFRs submitted during the fiscal year ended June 30, 2011, were prepared and approved by separate individuals.
- The Agency did not have documentation to support the figures reported on the March 2011 ARRA 1512 report.
- The Agency had no documentation to support that EnterpriseOne data was compared to the Federal system used to generate the data submitted on the March 2011 ARRA 1512 report. This was noted in the prior audit.
- There was no documented supervisory review of the 1512 report prior to the report being submitted to Recovery.gov. This was noted in the prior audit.

The summary schedule of prior audit findings in the Nebraska Statewide Single Audit Report for Finding #10-84-04 states the corrective action is complete. The Agency's corrective action was to implement additional reviews and approvals prior to submitting reports. The APA could not observe any documentation to support the reviews or approvals were performed. As of June 30, 2011, this action was not complete.

Questioned Costs: Unknown

Context: During testing it was noted:

- The Agency is required to submit FFRs for non-ARRA grants after the close of the grant period and interim annual FFRs for the ARRA grant. For both the ARRA and FFY 2005 grant, the program income section was left blank on the FFR. The Agency is working with the EPA to address this.
- The required match for Grant CS-31000105 was \$1,093,460. The Agency reported match of \$2,134,334 but only had actually spent \$1,634,334 on matching. Thus, the Agency had adequately met its matching requirement but misreported the amount spent as match.
- The Agency enters expenditure data into an EPA system as well as EnterpriseOne, the State's Accounting System. The Agency uses the EPA system to report financial information on the 1512 report, however, the Agency is unable to generate time specific reports from this system and thus they were not able to recreate the reports used to support the figures on the March 2011 ARRA 1512 report, nor did they maintain supporting documentation.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Federal Reporting (Concluded)

Cause: During testing it was noted:

- The Agency was working with the EPA to determine how they should report program income on the FFR. An EPA approved methodology had not been determined as of June 30, 2011.
- The Agency did not have documentation to support various reviews, approvals, and reconciliations between Federal and State information systems.

Effect: The Agency was not in compliance with Federal requirements of the ARRA and FFY 2005 grant agreements. In addition, without adequate controls in place to ensure compliance is met there is an increased risk of inaccurate reporting.

Recommendation: We recommend the Agency continue to work with the EPA to develop an approved methodology for calculating and reporting program income. We also recommend the Agency implement procedures to ensure reports submitted to the Federal government have a documented supervisory review. We further recommend the Agency maintain the documentation to support the figures reported.

Management Response: On February 20, 2012, a program income computation methodology was agreed upon with Region 7 EPA. This was shared with the APA. FFR reports prepared subsequent to the audit period have adequate documentation attached, as well as approval signatures on the face of the reports.

Due to the Supervisor of the Financial Assistance Section retiring, and the position not being filled until nearly a year later, some processes that had been planned to be implemented after the prior year audit were missed.

Corrective Action: Documentation will be saved that indicates supervisory approval for the submittal of the 1512 report and the corresponding reconciliation of the CBR Federal information system to the State Accounting System for the same time period. On February 20, 2012, a program income computation methodology was agreed upon with Region 7 EPA. This was shared with the APA. FFR reports prepared subsequent to the audit period have adequate documentation attached, as well as approval signatures on the face of the reports.

Contact: Martie Guthrie, Budget Officer III and Donna Garden, Financial Assistance Section Supervisor

Anticipated Completion Date: April 14, 2012

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Loan Testing

Program: CFDA 66.458 – Capitalization Grants for Clean Water State Revolving Fund (CWSRF) and ARRA CWSRF – Cash Management/Subrecipient Monitoring

Grant Number & Year: All open grants, including #CS-31000110, FFY 2010; #2W-97705101, FFY 2009 (ARRA)

Federal Grantor Agency: U.S. Environmental Protection Agency (EPA)

Criteria: OMB Circular A-133 § 400(d) states, “a pass-through entity shall perform the following for the Federal awards it makes: (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year ...”

2 CFR § 176.210(c) (January 1, 2011) states, “Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds. When a recipient awards Recovery Act funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental Recovery Act funds from regular subawards under the existing program.”

2 CFR § 176.210(d) (January 1, 2011) states, “Recipients agree to require their subrecipients to include on their SEFA information to specifically identify Recovery Act funding similar to the requirements for the recipient SEFA described above. This information is needed to allow the recipient to properly monitor subrecipient expenditure of ARRA funds as well as oversight by the Federal awarding agencies, Offices of Inspector General and the Government Accountability Office.”

31 CFR § 205.12(b)(5) (July 1, 2010) states, “Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes.”

OMB Circular A-133 § 315 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings ... The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit’s schedule of findings and questioned costs relative to Federal awards ... When audit findings were fully corrected the summary schedule need only list the audit findings and state that corrective action was taken. When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken.”

A good internal control plan requires procedures be in place to complete a loan award checklist for every project to ensure all administrative and mailing procedures have been completed for all loans awarded.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Loan Testing (Continued)

Condition: During State fiscal year 2011, the Agency paid out \$15,875,479 to 31 political subdivisions. During testing the APA selected 4 loans to political subdivisions who received a total of \$5,939,306 during the State fiscal year. During testing it was noted:

- For all four loans tested, the loan agreement did not contain one or all of the following: the Federal award name, Federal award number, or CFDA Title. In addition, if the loan was ARRA funded, the loan did not include the requirement for the political subdivision to provide appropriate identification of ARRA funds in their Schedule of Expenditures of Federal Awards (SEFA) and their SF-SAC (Data Collection Form). This was noted in the prior audit.
- For three of the four loans tested, the loan award checklist was not on file. This was noted in the prior audit.
- For all three loans tested, which received ARRA funds, the Agency did not notify the subrecipient of the award number of the funds disbursed during the fiscal year.
- For two of six payments the Agency did not pay the political subdivision before drawing the Federal funds. The two payments identified were paid using the early cash draw identified in Finding #11-84-01 in the Nebraska Statewide Single Audit Report and Comment Number 1 in this report.

The summary schedule of prior audit findings in the Nebraska Statewide Single Audit Report for Finding #10-84-03 states the corrective action is complete. The Agency's corrective action was to reinstitute their loan checklist to ensure compliance requirements were met. The corrective action also included adding more items to review during their engineer's onsite checklist. While the Agency did address some of the items reported last year, there were other items that had not been adequately addressed as of June 30, 2011.

Questioned Costs: None

Context: During testing it was noted:

- The Agency sent out a letter to all political subdivisions, after the political subdivision's fiscal year end, which included the CFDA number, and whether ARRA funded. However, the letter did not include the Federal grant award number.
- In response to a potential Federal Government shutdown, the Agency requested funds in advance of payment to the political subdivisions. This is related to Finding #11-84-01 in the Nebraska Statewide Single Audit Report and Comment Number 1 in this report. One payment was made on April 26, 2011, for \$563,607 and the other payment was made on June 27, 2011, for \$34,732.

Cause: During testing it was noted:

- The Agency started using a new template for loan contracts as of February 1, 2012, that now includes the CFDA number and title, as well as, the Federal grant award name and number.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Loan Testing (Concluded)

- The Agency began using the loan checklist during the fiscal year. During testing the APA observed the checklist in a loan file for a loan dated January 17, 2011.
- The Agency was not aware of a process to return excess funds.

Effect: There is an increased potential for noncompliance with Agency rules and regulations as well as Federal grant compliance requirements.

Recommendation: We recommend the following:

- The Agency continue to use their updated loan agreement, which includes CFDA title and number, as well as, grant award name and number.
- A loan award checklist be completed for every loan that is awarded.
- The Agency incorporate the Federal grant award number in their annual correspondence with political subdivisions.
- The Agency only request Federal funds after they have made payment to political subdivisions.

Management Response: The Agency recognizes the importance of a good internal control plan for loan processing and monitoring, to ensure necessary steps are completed, as well as compliance with Federal regulations. Due to the Supervisor of the Financial Assistance Section retiring, and the position not being filled until nearly a year later, some processes that had been planned to be implemented after the prior year audit were delayed.

Corrective Action: As of February 1, 2012, the Agency adopted and is using a new template for loan contracts that includes the CFDA number and title, as well as the Federal grant award name and number. The Agency will use the standard grant award number without the fiscal year extension, so that contracts would be inclusive of any currently open or future grants available for payment of reimbursement requests.

The Agency will continue to send out a yearly letter to remind political subdivisions of the Single Audit Act. The letter will provide the amount of Federal and State loan funds, loan forgiveness, and ARRA funds. The letter will contain CFDA name and number and the Federal grant award name and number.

The Agency will continue to include in the file of every loan awarded, the loan award checklist to ensure all administrative and mailing procedures have been completed for all loans awarded.

Contact: Pat Rice, Assistant Director, Water Division; Donna Garden, Supervisor Financial Assistance Section

Anticipated Completion Date: 2/1/12 – for new contract templates; 10/1/12 – for annual Single Audit Act letter to subdivisions



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NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY CLEAN WATER STATE REVOLVING FUND PROGRAM

INDEPENDENT AUDITORS' REPORT

Nebraska Department of Environmental Quality
Lincoln, Nebraska

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 (Program), as of and for the year ended June 30, 2011, which collectively comprise the Program's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Program's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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 financial position and changes in financial position 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 financial position of the business type activities of the State of Nebraska as of June 30, 2011, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2012, on our consideration of the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* and should be read in conjunction with this report in considering the results of our audit.

In accordance with the *U.S. Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs*, we have also issued our report dated April 2, 2012, on our consideration of the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program's compliance with certain provisions of laws, regulations, and grants.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's basic financial statements. Management's Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Signed Original on File

April 2, 2012

Don Dunlap, CPA
Assistant Deputy Auditor

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

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 fiscal year ended June 30, 2011. 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: 1) Balance Sheet, 2) Statement of Revenues, Expenses, and Changes in Net Assets, 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 assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Program's net assets 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 additional information that is essential to a full understanding of the data provided in the financial statements.

AMERICAN RECOVERY AND REINVESTMENT FUNDS

Nebraska was awarded \$20,045,000 in American Recovery and Reinvestment Act (ARRA) funds for wastewater treatment facility improvements, which are known as Clean Water projects. These funds are administered by the Agency. The purpose of these funds is to improve the wastewater infrastructure in communities that have been identified as having significant needs.

The ARRA funds supplement the State's Clean Water State Revolving Fund (CWSRF). The CWSRF provides low-interest loans to communities for construction of wastewater treatment facilities and sanitary sewer collection systems, to alleviate public health and environmental problems. The Agency's CWSRF loan program annually surveys the wastewater needs of communities across the State, and develops an Intended Use Plan that prioritizes those needs and is the basis for allocating the loans.

The \$20 million in ARRA funds was blended with approximately \$34 million of Nebraska's existing CWSRF loan funds. Prior to the addition of ARRA funds, the 2009 CWSRF Intended Use Plan had targeted six communities to receive low-interest loans in 2009, with numerous others communities waiting for future funding. The addition of the ARRA funds expanded this

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

(Continued)

list to 16 communities that received a combination of low-interest loans and principal forgiveness. These communities were offered a package including a 50 percent low-interest loan from existing State CWSRF funding, a 25 percent no-interest loan of ARRA funds, and 25 percent principal forgiveness of ARRA funds. ARRA requires the State to use at least 50 percent of the ARRA funds supplied by this grant to provide additional subsidization, which the State elected to do in the form of principal forgiveness.

ANALYSIS OF BALANCES AND TRANSACTIONS OF ENTERPRISE FUND

Changes in Net Assets

For the fiscal year ended June 30, 2011, net assets of the Program increased by 8% - primarily due to a 54% increase in cash with the State Treasury. Revenues decreased by less than 1% and expenses increased by 1%. A significant payoff by the City of Omaha of its CWSRF loans totaled \$31,474,421, and while adding to cash, decreased accounts receivable. The net effect to accounts receivable was an 11% decrease in current accounts receivable, and a 6% decrease to long-term accounts receivable.

	NET ASSETS		
	2011	2010	% Change
Current Assets	\$ 87,568,922	\$ 61,773,245	42%
Noncurrent Assets	138,902,591	148,211,958	(6%)
Total Assets	226,471,513	209,985,203	8%
Current Liabilities	35,775	-	100%
Noncurrent Liabilities	113,063	-	100%
Total Liabilities	148,838	-	100%
Net Assets:			
Unrestricted	226,322,675	209,985,203	8%
Total Net Assets	\$ 226,322,675	\$ 209,985,203	8%

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

(Continued)

CHANGES IN NET ASSETS			
	2011	2010	%Change
Loan Fee Administration	\$ 1,267,361	\$ 1,528,624	(17%)
Interest	6,442,076	6,207,685	4%
Fines, Forfeits, and Penalties	496	-	100%
Total Operating Revenue	7,709,933	7,736,309	(.3%)
Administration	1,635,815	1,910,226	(14%)
Bond Expenses	12,001	8,165	47%
ARRA Principal Forgiveness	4,573,879	5,435,631	(16%)
Non-ARRA Principal Forgiveness	1,178,292	-	100%
Total Operating Expenses	7,399,987	7,354,022	1%
Operating Income	309,946	382,287	(19%)
Capital Federal Grant	6,605,026	3,392,691	95%
Capital Contributions ARRA Grant	9,422,500	10,569,303	(11%)
Change in Net Assets	16,337,472	14,344,281	14%
Beginning Net Assets July 1	209,985,203	195,640,922	7%
Ending Net Assets June 30	\$ 226,322,675	\$ 209,985,203	8%

ECONOMIC OUTLOOK

Nebraska's economy has been affected by the current national economic decline in recent years; however, net State tax revenues for fiscal year 2011 finished the year 4% above projections. 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 to be 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 infrastructure requirements. For the fiscal year ended June 30, 2011, the Program received \$9.4 million in ARRA funds and about half of those funds were provided as principal forgiveness to communities. The ARRA funding does not require a State match.

DEBT ADMINISTRATION

Short -Term Debt

The Clean Water State Revolving Fund Program had debt activity during the fiscal year that was short-term in nature resulting from a bond issue. The issue was for \$2,085,000, which was repaid within the same fiscal year.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CLEAN WATER STATE REVOLVING FUND PROGRAM
BALANCE SHEET
 JUNE 30, 2011

	<u>Enterprise Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash in State Treasury (Note 2)	\$ 76,912,558
Administration Fees Receivable	292
Loan Interest Receivable	877
Interest Receivable	157,804
Loans Receivable (Note 3)	10,497,391
TOTAL CURRENT ASSETS	<u>87,568,922</u>
NON-CURRENT ASSETS	
Loans Receivable (Note 3)	138,902,591
TOTAL NON-CURRENT ASSETS	<u>138,902,591</u>
TOTAL ASSETS	<u>\$ 226,471,513</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 27,265
Compensated Absences (Note 5)	8,510
TOTAL CURRENT LIABILITIES	<u>35,775</u>
NON-CURRENT LIABILITIES	
Compensated Absences (Note 5)	113,063
TOTAL NON-CURRENT LIABILITIES	<u>113,063</u>
TOTAL LIABILITIES	<u>148,838</u>
NET ASSETS	
Unrestricted	226,322,675
TOTAL NET ASSETS	<u>226,322,675</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 226,471,513</u>

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CLEAN WATER STATE REVOLVING FUND PROGRAM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 For the Year Ended June 30, 2011

	<u>Enterprise Fund</u>
OPERATING REVENUES:	
Loan Fees Administration (Note 7)	\$ 1,267,361
Interest on Loans	4,420,602
Interest on Fund Balance - State Operating Investment Pool (Note 8)	2,021,474
Fines, Forfeits, and Penalties	496
TOTAL OPERATING REVENUES	7,709,933
OPERATING EXPENSES:	
Administrative Costs From Fees	1,031,180
4% Administrative Costs From Grants	170,230
Small Town Grants (Note 9)	376,604
Facility Planning Grants	57,801
Interest Expense on Bonds Payable	12,001
Principal Forgiveness ARRA (Note 9)	4,573,879
Principal Forgiveness Non-ARRA	1,178,292
TOTAL OPERATING EXPENSES	7,399,987
OPERATING INCOME	309,946
CAPITAL CONTRIBUTIONS - FEDERAL GRANTS	6,605,026
CAPITAL CONTRIBUTIONS - ARRA FEDERAL GRANTS	9,422,500
CHANGE IN NET ASSETS	16,337,472
TOTAL NET ASSETS, BEGINNING OF YEAR	209,985,203
TOTAL NET ASSETS, END OF YEAR	\$ 226,322,675

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, 2011

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts From Customers	\$ 48,187,327
Interest on Investments	2,028,459
Payments for Administration	(1,052,572)
Payments for Small Town Grants	(376,604)
Payments for Facility Planning Grants	(57,801)
Principal Forgiveness	(5,752,171)
Payments to Borrowers	(31,897,675)
Interest on Bond	(12,001)
Receipts From Bond Issue	2,085,000
Repayment of Bond	(2,085,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,066,962
CASH FLOWS FROM NON-CAPITAL & RELATED FINANCING ACTIVITIES:	
Funds Received From the Environmental Protection Agency	6,605,026
Funds Received From the Environmental Protection Agency-ARRA Funds	9,422,500
NET CASH FROM NON-CAPITAL & RELATED FINANCING ACTIVITIES	16,027,526
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	49,818,070
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 76,912,558
RECONCILIATION OF OPERATING INCOME	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 309,946
ADJUSTMENTS TO RECONCILE OPERATING INCOME	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Decrease in Loans Receivable	10,595,660
Decrease in Interest Receivable	6,984
Decrease in Administration Fees Receivable	1,740
Decrease in Loan Interest Receivable	3,794
Increase in Compensated Absences	121,573
Increase in Accounts Payable	27,265
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 11,066,962

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, 2011

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 Clean Water State Revolving Fund Program is a program within the Agency and 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 of the Program for which it is financially accountable, and other organizations which are fiscally dependent on the Program's management, or the significance of their relationship with the Program's management are such that exclusion would be misleading or incomplete. 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.

As required by generally accepted accounting principles, these financial statements present the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund 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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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. It includes the following funds as identified in the Wastewater Treatment Facilities Construction Assistance Act:

- Clean Water Facilities Funds – General Fund 10000, Federal Funds 48412 and 48413, and Bond Funds 68470, 68471, 68472, and 68473.
- Administration Funds – Cash Funds 28460, 28461, and 28462.

In addition to the funds above, the Agency created Fund 48410 to track ARRA activity.

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 have 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 they 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 because the major source of revenue is Federal assistance.

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 assets.

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.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

In reporting the financial activity of its enterprise fund, the Program's management applied all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989; unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

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, 2011, 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 that 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. The entire Clean Water Program is funded, on average, 83.33% from Federal capitalization grants and 16.67% from State matching funds, other than American Recovery and Reinvestment Act (ARRA) funds. ARRA funds do not require State matching funds. 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 and after the final disbursement has been made, the payment schedule identified in the loan agreement is adjusted for the actual amounts disbursed and accrued interest during the project period. The interest rates on loans range from 2.0% to 5.25% and the terms are between 5 to 20 years. The current loans receivable amount was determined using the amount of principal payment due to the Program at June 30, 2011, which is collectible in fiscal year 2012.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

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

G. Use of Estimates

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

H. Compensated Absences

All permanent employees working for the Program earn sick and annual leave and are allowed to accumulate compensatory leave rather than being 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 who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

Program employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 180 days. There is no maximum limit on the accumulation of sick leave days for employees under certain labor contracts. Sick leave is not vested except upon death or upon reaching the retirement eligibility age of 55, or at 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 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.

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, 2011. All interest revenue is allocated to the general fund except allocations required by law to be made to other funds. All funds of the Clean Water State Revolving Fund Program were designated for investment during fiscal year 2011. Amounts are allocated on a monthly basis based on average balances of all invested funds.

3. Loans Receivable

As of June 30, 2011, the Program had 168 outstanding loans with communities that totaled \$149,399,982. The outstanding balances of the ten communities with the largest loan balances, which represents 50% of the total loans, were as follows:

<u>Community</u>	<u>Outstanding Balance</u>
North Platte	\$ 14,198,355
Omaha	10,807,706
SID #1 Gosper County	10,487,873
Lake Wanahoo	9,253,660
Lincoln	5,585,205
Gibbon	5,439,081
Scottsbluff	5,250,650
Broken Bow	4,558,489
Sidney	4,511,857
South Sioux City	4,322,533
TOTAL	<u>\$ 74,415,409</u>

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Bonds Payable

The EPA requires the Program to provide 20% matching funds for each capitalization grant under Sec. 602(b)(2) of the Federal Clean Water Act. During the fiscal year, the Program issued Series 2010B short-term revenue bonds to meet this requirement. Bond Series 2010B was retired during the year ended June 30, 2011. Bonds Payable activity for fiscal year 2011 was:

	Beginning Balance	Additions	Retirement	Ending Balance
Bonds Payable	\$ -	\$ 2,085,000	\$ 2,085,000	\$ -

5. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2011, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$ 124,546	\$ 5,745	\$ 8,718	\$ 121,573	\$ 8,510

6. Net Assets

Included in the Net Assets is the total amount of capitalization grants drawn from the EPA by the Agency. The following summarizes the capitalization grants awarded, drawn, and the remaining balance as of June 30, 2011. 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, 2011, 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	-

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. Net Assets (Concluded)

Federal Fiscal Year Available	Grant Amount	Amount Drawn	Balance
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	19,991,803	53,197
2009	3,415,700	3,415,700	-
2010	10,422,000	6,582,017	3,839,983
TOTAL	\$ 166,893,397	\$ 163,000,217	\$ 3,893,180

The 2010 grant was delayed and was not awarded until September 17, 2010, after the end of State fiscal year 2010. Although the 2010 grant was delayed, the grant award allowed the Agency to charge expenditures for projects to the grant effective September 1, 2009.

The following is a summary of changes in the total contributed capital.

Contributed Capital July 1, 2010	\$ 147,927,691
Contributed During the Year – Funds From EPA	6,605,026
Funds from ARRA	9,422,500
Contributed Capital June 30, 2011	<u>\$ 163,955,217</u>

Also included in the Contributed Capital is a total of all general funds received by the Program from the Nebraska State Legislature. These assets were to be used as match for the Program for the initial capitalization grant received by the State. The State contributed \$300,000 and \$655,000 in the fiscal years ended June 30, 1989, and 1990, respectively.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. Loan Fees Administration

The reported amount comes from a 1 percent fee charged to loan recipients each year based on the amount of the loan outstanding. The fee is collected semi-annually and waived for the first year of the loan.

8. Interest on Fund Balance – State Operating 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.

9. Small Town Grants and ARRA Principal Forgiveness

Small Town Grants are made available to communities that have a population of 10,000 people or less. The total maximum of Small Town Grants for State fiscal year 2011 was \$850,000. In the 2011 Intended Use Plan, the Agency limited the maximum amount of small town grants to \$250,000 per project, concurrent with a Program loan. Projects are prioritized based on type of project and financial hardship. Small Town Grants are funded with loan fees administration funds.

ARRA provided funding in the form of principal forgiveness for Clean Water loans. ARRA requires states to use at least 50% of the funds supplied by this grant to provide additional subsidization in the form of principal forgiveness.

10. 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 primary operating revenues of the Program are the Loan Fees Administration and interest from loans, since making loans is the primary purpose of the Program. The principal operating expenses of the Program are administration expenses and principal forgiveness. Interest expenses are also operating expenses since making loans is the primary purpose of the Program.

11. State Employees Retirement Plan (Plan)

The single-employer plan became effective by statute on January 1, 1964. 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 to either continue participation in the defined contribution option or begin participation in the cash balance benefit. The

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

defined contribution option is closed to new entrants. All new members of the Plan on or after January 1, 2003, become members of the cash balance benefit. The benefits and funding policy of the Plan is 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 twenty years, may exercise the option to begin participation in the retirement system.

Contribution. Per statute, each member contributes 4.8% of his or her monthly 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, 2011, employees contributed \$27,603 and the Agency contributed \$43,061. 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 Report (CAFR) also includes pension-related disclosures. The CAFR 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.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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:

- A. Motor vehicle liability, which is insured for the first \$5 million of exposure per accident with a self-insured retention of \$300,000 per accident, except for accidents involving vehicular pursuit which have a \$1,000,000 self-insured retention per accident. Insurance is also purchased for physical damage and uninsured and underinsured motorists with various limits and deductibles. State agencies have the option to purchase coverage for physical damage to vehicles.
- B. Life insurance for eligible employees.
- C. Crime coverage, with a limit of \$31 million 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 \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly acquired properties are covered up to \$5,000,000 for 120 days or until the value of the property is reported to the insurance company. 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.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

12. Contingencies and Commitments (Concluded)

Litigation. The potential amount of liability involved in litigation pending against the Agency, if any, could not be determined at this time. However, it is the Agency's opinion that final settlement of those matters should not have an adverse effect on the Agency's ability to administer current programs. Any judgment against the Agency would have to be processed through the State Claims Board and be approved by the Legislature.



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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***

Nebraska Department of Environmental Quality
Lincoln, Nebraska

We have audited the financial statements of the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program as of and for the year ended June 30, 2011, and have issued our report thereon dated April 2, 2012. The report was modified to emphasize the financial statements present only the funds of the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program. 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.

Internal Control Over Financial Reporting

Management of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 over financial reporting. 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 financial reporting.

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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

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*.

We noted 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 (Cash Management), Comment Number 2 (Federal Reporting), and Comment Number 3 (Loan Testing).

The Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program's written responses to the findings identified in our audit are described in the Comments Section of the report. We did not examine the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program's response and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

April 2, 2012

Don Dunlap, CPA
Assistant Deputy Auditor



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NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO THE NEBRASKA DEPARTMENT OF
ENVIRONMENTAL QUALITY – CLEAN WATER STATE REVOLVING FUND
PROGRAM IN ACCORDANCE WITH THE U.S. ENVIRONMENTAL
PROTECTION AGENCY AUDIT GUIDE FOR CLEAN WATER AND
DRINKING WATER STATE REVOLVING FUND PROGRAMS**

Nebraska Department of Environmental Quality
Lincoln, Nebraska

Compliance

We have audited the compliance of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program with the types of compliance requirements described in the *U.S. Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs* that were applicable for the year ended June 30, 2011. We audited the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program's compliance with requirements governing: Allowability for Specific Activities, Allowable Costs/Cost Principles, Cash Management, State Matching, Period of Availability of Funds and Binding Commitments, Program Income, Reporting, Subrecipient Monitoring, and Special Tests and Provisions. Compliance with these requirements is the responsibility of the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program's management. Our responsibility is to express an opinion on the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program's compliance based on our audit.

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 *U.S. Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program's compliance with those requirements.

In our opinion, the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Program for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *U.S. Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs* and which are described in the Comments Section of this report as Comment Number 1 (Cash Management), Comment Number 2 (Federal Reporting), and Comment Number 3 (Loan Testing).

Internal Control Over Compliance

The 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 requirements of laws, regulations, contracts, and grants. In planning and performing our audit, we considered the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program's internal control over compliance with requirements that could have a direct and material effect on the Program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the *U.S. Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs*, 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 Agency'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the Comments Section of this report as Comment Number 1 (Cash Management) and Comment Number 2 (Federal Reporting). 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.

The Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program's written response to the findings identified in our audit are described in the Comments Section of the report. We did not examine the Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the Nebraska Department of Environmental Quality, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

April 2, 2012

Don Dunlap CPA
Assistant Deputy Auditor

ATTACHMENT 6

**CWSRF BENEFIT REPORTS from 2012 AVAILABLE ON-LINE AT
<http://deq.ne.gov/>**

**Go to
Publications & Forms
Water Quality
Annual Reports
2012 CWSRF Annual Report**

**INCLUDED HERE:
Summary Loan List
Summary Report**

CW Benefits Summary Loan List for Nebraska

System Number	Recipient	Tracking Number	Assistance Amount	Initial Agreement
NE 57	Ainsworth, City of	C317559	345,000	5/13/2009
NE 110	Albion, City of	C317103	3,250,000	10/14/2011
NE 78	Allen, Village of	C317478	145,432	8/13/2010
NE 111	Ansley, Village of	C317136	1,219,100	1/18/2012
NE 31	Arlington, Village of	C317325	1,223,435	1/7/2005
NE 108	Aurora City of	C317326	3,400,000	6/29/2011
NE 3	Aurora, City of	C317122	14,300,000	3/10/2006
NE 49	Aurora, City of	C317522	400,000	9/25/2008
NE 35	Bancroft, Village of	C317277	693,700	3/19/2007
NE 8	Bassett, City of	C317279	98,231	5/19/2005
NE 119	Bassett, City of	C317561	850,000	7/2/2012
NE 73	Beatrice, City of	C317743	98,575	10/8/2009
NE 41	Bellevue, City of	C317531	3,727,993	7/17/2008
NE 36	Big Springs, Village of	C317167	874,849	5/25/2007
NE 98	Blair, City of	C317638	970,000	4/1/2011
NE 120	Brainard, Village of	C317519	1,320,000	6/21/2012
NE 38	Brock, Village of	C317257	75,000	6/27/2008
NE 52	Broken Bow, City of	C317596	6,582,551	5/14/2009
NE 92	Brule, Village of	C317690	117,179	2/10/2011
NE 123	Bruning, Village of	C317761	594,300	5/15/2012
NE 88	Butler Co., SID No. 1 of	C317764	122,323	10/7/2010
NE 95	Carroll, Village of	C317107	500,000	4/1/2011
NE 61	Cedar Bluffs, Village of	C317532	634,066	8/17/2009
NE 51	Chadron, City of	C317151	4,360,000	7/15/2009
NE 34	Chapman, Village of	C317477	359,101	4/4/2007
NE 97	Clarkson, City of	C317533	750,000	5/25/2011
NE 53	Coleridge, Village of	C317597	56,146	6/11/2009
NE 30	Concord, Village of	C317468	311,000	2/26/2007
NE 91	Cozad, City of	C317634	1,994,773	1/17/2011
NE 77	Creighton, City of	C317731	220,536	12/14/2009
NE 13	Deshler, City of	C317391	935,000	4/5/2005
NE 60	Dorchester, Village of	C317565	670,970	7/22/2009
NE 89	Duncan, Village of	C317599	493,000	10/4/2010
NE 5	Dwight, Village of	C317484	307,650	3/31/2006
NE 58	Elgin, Village of	C317606	92,394	11/3/2008
NE 93	Elm Creek, Village of	C317607	394,835	11/30/2010
NE 15	Ewing, Village of	C317392	67,000	3/21/2005
NE 74	Filley, Village of	C317594	245,000	4/26/2010
NE 11	Garland, Village of	C317159	331,950	11/30/2004
NE 17	Gering, City of	C317059	3,250,000	9/13/2004
NE 9	Gosper County, SID No. 1 of	C317390	15,484,961	6/28/2006
NE 24	Gothenburg, City of	C317395	372,105	5/23/2005
NE 55	Gothenburg, City of	C317568	279,827	5/14/2009
NE 40	Guide Rock, Village of	C317234	321,451	4/13/2010
NE 79	Hartington, City of	C317341	146,578	8/2/2010
NE 105	Hayes Center, Village of	C317291	381,000	3/22/2011
NE 28	Hickman, City of	C317398	390,000	5/26/2005
NE 102	Holdrege, City of	C317491	458,338	1/19/2011
NE 32	Indianola, City of	C317343	756,740	4/23/2007
NE 87	Kearney, City of	C317789	1,250,000	9/30/2010
NE 6	Kennard, Village of	C317118	147,000	4/4/2006

System Number	Recipient	Tracking Number	Assistance Amount	Initial Agreement
NE 115	Lancaster Co., SID No. 5 of	C317404	350,000	4/16/2012
NE 80	Laurel, Village of	C317705	160,000	10/8/2009
NE 106	Lawrence, Village of	C317837	150,803	3/21/2011
NE 82	Leigh, Village of	C317447	630,000	7/9/2010
NE 63	Lincoln, City of	C317078	5,000,000	8/27/2009
NE 64	Lincoln, City of	C317247	4,808,792	8/27/2009
NE 94	Lincoln, City of	C317830	17,000,000	3/17/2011
NE 122	Lindsay, Village of	C317839	787,500	4/16/2012
NE 45	Loomis, Village of	C317236	167,381	3/11/2008
NE 37	Lower Platte North, NRD of	C317573	12,000,000	11/14/2007
NE 44	Lynch, Village of	C317539	174,300	1/9/2008
NE 113	Lynch, Village of	C317852	48,522	1/11/2012
NE 29	Lyons, City of	C317449	832,000	10/18/2006
NE 56	Malcolm, Village of	C317575	1,000,000	7/14/2009
NE 118	Marquette, Village of	C317613	85,800	5/16/2012
NE 27	McCook, City of	C317349	3,800,000	4/5/2005
NE 26	McCool Junction, Village of	C317451	82,903	8/8/2004
NE 59	Melbeta, Village of	C317248	259,437	10/8/2008
NE 4	Murray, Village of	C317250	1,425,000	6/9/2003
NE 101	Nebraska City, City of	C317741	5,000,000	4/1/2011
NE 43	Newman Grove, City of	C317498	333,099	10/2/2007
NE 22	Nickerson, Village of	C317431	281,011	9/6/2005
NE 18	North Bend, City of	C317142	308,000	4/22/2005
NE 50	Oakland, City of	C317409	2,297,990	6/9/2009
NE 90	Ogallala, City of	C317500	673,000	12/28/2010
NE 66	Omaha, City of	C317432	8,500,000	12/22/2009
NE 67	Omaha, City of	C317476	7,500,000	12/22/2009
NE 86	Osmond, City of	C317205	657,062	8/18/2010
NE 16	Oxford, Village of	C317229	1,300,000	1/28/2005
NE 121	Oxford, Village of	C317543	401,500	2/22/2012
NE 12	Palmer, Village of	C317414	182,000	1/12/2005
NE 100	Paxton, Village of	C317807	64,600	11/10/2010
NE 21	Plainview, City of	C317060	968,910	4/4/2006
NE 70	Platte Center, Village of	C311528	199,086	2/8/2010
NE 85	Plattsmouth, City of	C317526	1,849,810	7/28/2010
NE 117	Plattsmouth, City of	C317834	1,780,000	6/27/2012
NE 68	Pleasanton, Village of	C317744	329,536	1/7/2010
NE 103	Polk County SID#1	C317696	2,212,847	6/30/2011
NE 69	Red Cloud, City of	C317506	497,729	1/22/2010
NE 14	Rising City, City of	C317073	350,340	12/16/2004
NE 25	Ruskin, Village of	C317416	271,020	11/16/2004
NE 47	Scottsbluff, City of	C317219	3,370,000	5/21/2009
NE 99	Shelby, Village of	C317813	365,625	3/23/2011
NE 48	Sidney, City of	C317189	5,500,000	7/14/2009
NE 7	Silver Creek, Village of	C317508	175,165	3/31/2006
NE 39	South Sioux City, City of	C317360	5,000,000	5/23/2008
NE 65	South Sioux City, City of	C317725	2,257,752	9/30/2009
NE 10	St. Paul, City of	C317263	306,513	5/15/2006
NE 20	Stamford, Village of	C317080	373,331	4/11/2005
NE 104	Stuart, Village of	C317510	97,712	2/17/2011
NE 19	Sutherland, Village of	C317364	165,880	8/13/2004
NE 54	Tekamah, City of	C317252	1,197,820	7/20/2009
NE 23	Valley, City of	C317367	4,850,000	7/15/2004
NE 46	Verdigre, Village of	C317460	400,000	5/12/2008
NE 72	Verdigre, Village of	C317746	1,403,627	3/31/2010

	System Number	Recipient	Tracking Number	Assistance Amount	Initial Agreement
NE	124	Wakefield, City of	C317222	302,500	8/8/2012
NE	84	Wayne, City of	C317369	7,000,000	10/25/2010
NE	62	Western, Village of	C317659	69,863	8/14/2009
NE	114	Wisner, City of	C317426	210,000	4/30/2012
NE	96	Wolbach, Village of	C317723	50,000	3/25/2011
NE	42	Wymore, Village of	C317522	402,800	2/28/2008
Total for all 112 Loans				194,587,655	

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	194.6	112	194.6		114	1.1	201	101
Records with Benefits Data	194.1	104	191.3	38.8	104	1.1	201	93
Impacting Human Health	140.5	60	139.7	28.9	60	1.0	191	54
	72%	58%	73%		58%	7,260	People Served per \$million	58%
With Impaired Waterbody			119.9	25.9	35	1.0	183	31
			63%		34%	8,043	People Served per \$million	33%
With Waterbody Meeting Standards			59.6	10.8	44			
To Improve Water Quality			122.2	23.3	54			
To Maintain Water Quality			61.1	13.3	40			
To Achieve Compliance			106.0	21.1	51			
To Maintain Compliance			66.3	15.3	46			