

State of Nebraska
Department of Environmental Quality

Clean Water State Revolving Fund Annual Report

State Fiscal Year 2014



October 2014

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
I. FINANCIAL SECTION	4
A. MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4
B. BALANCE SHEET (UNAUDITED)	8
C. STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (UNAUDITED) 9	
D. STATEMENT OF CASH FLOWS (UNAUDITED).....	10
E. NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (UNAUDITED).....	11
II. PROGRAM INFORMATION SECTION	20
A. FUND ACTIVITIES.....	20
1. LOAN AND INVESTMENT STATUS	20
2. SOURCE OF CWSRF FUNDS BY QUARTER	20
3. BINDING COMMITMENTS	20
4. SMALL TOWN GRANT REPORT	21
5. FACILITY PLANNING GRANT REPORT.....	21
B. GOALS AND ACCOMPLISHMENTS.....	21
1. PROVISIONS OF THE OPERATING AGREEMENT/CONDITIONS OF THE GRANT	21
2. SHORT TERM GOALS AND ACCOMPLISHMENTS	22
3. LONG TERM GOALS AND ACCOMPLISHMENTS	24
C. STATUS OF PROJECTS ON FUNDABLE LIST	25
D. PROGRAM CHANGES AND CHANGES UNDER CONSIDERATION.....	26
E. CWSRF BENEFITS REPORTING.....	26

ATTACHMENTS BEGIN ON PAGE 27

ATTACHMENT 1 – LOAN INVESTMENT STATUS REPORT

ATTACHMENT 2 – BINDING COMMITMENTS

ATTACHMENT 3 – SMALL TOWN GRANTS HISTORY

ATTACHMENT 4 – 2014 INTENDED USE PLAN FUNDING LIST RECONCILIATION

ATTACHMENT 5 – JULY 1, 2012 THROUGH JUNE 30, 2013 AUDIT REPORT

ATTACHMENT 6 – CWSRF BENEFITS REPORTING SUMMARIES

EXECUTIVE SUMMARY

The Nebraska Clean Water State Revolving Loan Fund Annual Report for state fiscal year 2014 (7/1/13 - 6/30/14) 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 252 projects with a cumulative loan award amount of \$432 million.

I. FINANCIAL SCHEDULES SECTION

BACKGROUND

The Nebraska Department of Environmental Quality - Clean Water State Revolving Fund Program (Program) was established pursuant to Title VI of the Federal Clean Water Act, as amended by the Water Quality Act of 1987. Neb. Rev. Stat. § 81-15,147 created the Wastewater Treatment Facilities Construction Assistance Act. The Federal Water Quality Act and State statutes established the Clean Water State Revolving Fund Program to provide loans, at reduced interest rates, to finance the construction of publicly and privately owned water pollution control facilities, non-point source pollution control projects, and estuary management plans. Instead of making grants to communities that pay for a portion of the building of wastewater treatment facilities, the Program provides for low interest loans to finance the entire cost of qualified projects. The Program provides a flexible financing source which can be used for a variety of projects. Loans made by the Program must be repaid within 20 years, and all repayments, including interest and principal, must be used for the purposes of the Program. The Program was capitalized by the United States Environmental Protection Agency (EPA) by a series of annual grants starting in 1989. States are required to provide an additional 20 percent of the Federal capitalization grant as matching funds in order to receive a Federal grant. As of June 30, 2014, the EPA had awarded \$188.3 million in Capitalization grants to the State. Of the \$188.3 million awarded, approximately \$20 million was funded by the American Recovery and Reinvestment Act (ARRA). The \$168.3 million not funded by ARRA required the State to contribute approximately \$34 million in matching funds. The State provided appropriations to contribute \$955,000 of the funds to meet the State's matching requirement. Additional matching funds have been obtained through the issuance of revenue bonds.

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

A. MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the Nebraska Department of Environmental Quality (Agency) – Clean Water State Revolving Fund Program's (Program) financial report presents a narrative overview and analysis of the financial activities of the Program for the fiscal year ended June 30, 2014. 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.

ANALYSIS OF BALANCES AND TRANSACTIONS OF ENTERPRISE FUND

Changes in Net Position

For the fiscal year ended June 30, 2014, the net position of the Program decreased by 10.7%. Revenues decreased by 7.5%, and operating expenses decreased by 28.9%.

NET POSITION			
	2014	2013	% Change
Current Assets	\$ 112,411,190	\$ 111,725,697	-0.6%
Noncurrent Assets	139,620,398	132,103,392	5.7%
Total Assets	252,031,588	243,829,089	-3.4%
Current Liabilities	214,449	869,843	-75.3%
Noncurrent Liabilities	87,884	102,827	-14.5%
Total Liabilities	302,333	972,670	-68.9%
Net Position:			
Unrestricted	251,729,255	242,856,419	-3.6%
Total Net Position	\$ 251,729,255	\$ 242,856,419	-3.6%
CHANGES IN NET POSITION			
	2014	2013	% Change
Loan Fees Administration	\$904,673	\$ 1,062,491	-14.9%
Interest	5,304,458	5,646,586	-0.1%
Fines, Forfeits & Penalties	433	425	1.8%
Debt Service Refund	571	2,188	-73.9%
Total Operating Revenue	6,210,135	6,711,690	-7.5%
Administration	950,743	852,900	11.5%
Grant Expense	329,496	884,449	-62.7%
Loan Forgiveness	1,048,806	1,536,611	-31.7%
Total Operating Expenses	2,329,045	3,273,960	-28.9%
Operating Income	3,881,090	3,437,730	12.9%
Capital Contributions Federal Grants	5,043,101	6,514,427	-22.5%
Interest Expense on Bonds Payable	(51,355)	(12,089)	324.8%
Net Nonoperating Revenue (Expenses)	4,991,746	6,502,338	-23.2%
Change in Net Position	8,872,836	9,940,068	-10.7%
Beginning Net Position July 1	242,856,419	232,916,351	4.3%
Ending Net Position June 30	\$251,729,255	\$ 242,856,419	3.6%

Operating expenses decreased in large part due to small town grants. These grants are awarded every year, however are not paid to a community until they have allowable expenditures they have submitted for reimbursement. The difference in amounts from one year to the next has more to do with accrued payables for small town grants than awards made. Revenues decreased as loan payoffs reduced the amount of interest collected on outstanding balances.

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

ECONOMIC OUTLOOK

Nebraska's economy has been affected by the current national economic decline in recent years; however, net State General Fund revenue collections have been 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 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.

DEBT ADMINISTRATION

Short -Term Debt

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

LINKED DEPOSIT PROGRAM

The Agency is in the process of implementing a linked deposit program to provide low interest loans to individuals for nonpoint source pollution control projects through revisions of Title 131 and state statute. The Clean Water State Revolving Fund will partner with eligible lending institutions who will disburse loans to borrowers for these projects through a linked deposit loan program. Under this program, the State agrees to accept lower rates of return on investments, and the lending institution agrees to provide loans to borrowers at similarly reduced interest rates below common market rates. Title 131 revisions are planned to be presented to the Environmental Quality Council in June 2015 for approval. Once revisions are completed and approved, marketing and communication of the program will begin.

LOANS AND GRANTS TRACKING SYSTEM SOFTWARE (LGTS)

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

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

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

Historical data is extracted from spreadsheets or other data systems to load LGTS with data, test the validity of the data, and ensure that LGTS can be used effectively. This task is handled by a combination of staff efforts to assemble existing data sources and outside help to ensure that the data is used properly. This process usually

yields a dual benefit of having a system with clean data and provides a quality assurance check of the many transactions that have occurred years ago and often by a number of staff members.

Nebraska's State Revolving Fund programs have begun implementation of the LGTS system. During fiscal year 2014, planning of the implementation phases, business rules, and hardware/software installations occurred. Beginning in fiscal year 2015, the system will be used concurrently with existing systems, to create a basis for reliability and consistency. Once dependable, reconciled results have been established, the existing system will be discontinued, and LGTS will become the sole system for use within the SRF program.

Contract costs for the purchase and implementation of the LGTS system have been handled through the existing Northbridge contract with Federal EPA procurement. Therefore, expenditures are withheld as an "in-kind" deduction to the total annual grant, awarded to the SRF programs each year.

B. BALANCE SHEET - UNAUDITED

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CLEAN WATER STATE REVOLVING FUND PROGRAM
UNAUDITED BALANCE SHEET

June 30, 2014

Enterprise Fund

ASSETS

CURRENT ASSETS:

Cash in State Treasury	\$ 102,325,136
Cash with Fiscal Agent	-
Administration Fees Receivable	-
Loan Interest Receivable	-
Due from Federal Government	123,674
Interest Receivable	174,039
Loans Receivable - Current	9,788,341

TOTAL CURRENT ASSETS	112,411,190
-----------------------------	--------------------

NON-CURRENT ASSETS

Loans Receivable	139,620,398
------------------	-------------

TOTAL NON-CURRENT ASSETS	139,620,398
---------------------------------	--------------------

TOTAL ASSETS	\$ 252,031,588
---------------------	-----------------------

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable & Accrued Liabilities	\$ 36,141
Due to Grant Recipients	171,693
Compensated Absences	6,615
Bonds Payable	-

TOTAL CURRENT LIABILITIES	214,449
----------------------------------	----------------

NON-CURRENT LIABILITIES:

Compensated Absences	87,884
----------------------	--------

TOTAL NON-CURRENT LIABILITIES	87,884
--------------------------------------	---------------

TOTAL LIABILITIES	302,333
--------------------------	----------------

NET ASSETS

Unrestricted	251,729,255
--------------	-------------

TOTAL NET ASSETS	251,729,255
-------------------------	--------------------

TOTAL LIABILITIES AND NET POSITION	\$ 252,031,588
---	-----------------------

The accompanying notes found in Section E of this report are an integral part of the financial statements.

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
(UNAUDITED)

For the Year Ended June 30, 2014

Enterprise Fund

OPERATING REVENUES:

Loan Fees Administration	\$ 904,673
Interest on Loans	3,403,506
Interest on Fund Balance - State Operating Investment Pool	1,900,952
Interest on Fund Balance - Trustee	-
Fines Forfeits & Penalties	433
Debt Services Refund	571
TOTAL OPERATING REVENUES	<u>\$ 6,210,135</u>

OPERATING EXPENSES:

Administrative Costs from Fees	752,219
4% Administrative Costs From Grants	198,524
Small Town Grants	301,576
Facility Planning Grants	27,920
Principal Forgiveness ARRA	-
Principal Forgiveness Non-ARRA	1,048,806
TOTAL OPERATING EXPENSES	<u>\$ 2,329,045</u>

OPERATING INCOME

3,881,090

NONOPERATING REVENUE (EXPENSE)

Capital Contributions - Federal Grants	5,043,101
Capital Contributions - ARRA Federal Grants	-
Interest Expense on Bonds Payable	(51,355)
NET NONOPERATING REVENUE (EXPENSE)	<u>4,991,746</u>

CHANGE IN NET POSITION

8,872,836

TOTAL NET POSITION, BEGINNING OF YEAR

242,856,419

TOTAL NET POSITION, END OF YEAR

\$ 251,729,255

The accompanying notes found in Section E of this report are an integral part of the financial statements.

D. STATEMENT OF CASH FLOWS - UNAUDITED

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

UNAUDITED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts From Customers	\$ 13,776,212
Interest on Investments	1,896,402
Interest on Fund Balance - Trustee	-
Payments for Administration	(953,073)
Payments for Small Town Grants	(589,266)
Payments for Facility Planning Grants	(27,920)
Principal Forgiveness	(1,457,043)
Payments to Borrowers	(17,370,801)
Debt Service Refund	571
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (4,724,918)</u>
CASH FLOWS FROM NON-CAPITAL & RELATED FINANCING ACTIVITIES:	
Funds Received From the Environmental Protection Agency	5,043,101
Funds Received From the Environmental Protection Agency - ARRA Funds	-
Receipts from Bond Issue	1,360,000
Repayment of Bond	(1,360,000)
Interest on Bond	(51,355)
NET CASH FROM NON-CAPITAL & RELATED FINANCING ACTIVITIES:	<u>4,991,746</u>
Increase in Cash and Cash Equivalents	266,828
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>102,058,308</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 102,325,136</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 3,881,090
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
(Increase)/Decrease in Loans Receivable	(7,522,883)
(Increase)/Decrease in Interest Receivable	(4,550)
(Increase)/Decrease in Administration Fees Receivable	-
(Increase)/Decrease in Loan Interest Receivable	-
(Increase)/Decrease in Due from Federal Government	(408,237)
Increase/(Decrease) in Compensated Absences	(16,068)
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	13,737
Increase/(Decrease) in Payables to Grant Recipients	(668,007)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (4,724,918)</u>

The accompanying notes found in Section E of this report are an integral part of the financial statements.

E. NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – UNAUDITED

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY CLEAN WATER STATE REVOLVING FUND PROGRAM NOTES TO THE FINANCIAL STATEMENTS - UNAUDITED

For the Fiscal Year Ended June 30, 2014

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 the Generally Accepted Accounting Principles 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 they meet the definition of special revenue funds as defined by GASB Statement 54. In that statement special revenue funds are defined as funds used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes.

D. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. An enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net 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, 2014, 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. Loan funds are disbursed to the local agencies as they expend funds for the purposes of the loan. Interest is calculated from the date the funds are advanced. After the final disbursement has been made, the amortization schedule identified in the loan agreement is adjusted for the actual amounts

disbursed and for accrued interest during the project period. The interest rates on loans range from .50% to 5.25%, and the terms could be 5 to 20 years.

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

The current loans receivable amount was determined using the amount of principal payment due to the Program at June 30, 2014, which is collectible in fiscal year 2015. Any loans receivable that were paid in full, prior to their due date, as of August 31, 2014, were included in the current loans receivable balance.

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

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and 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.

I. Due to Grant Recipients

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

The Program may choose to provide additional subsidization for municipalities in the form of loan forgiveness, up to a maximum of \$100,000 per project. The Program's power and authority to distribute the additional subsidization is an existing authority under the State Environmental Protection Act at Neb. Rev. Stat. § 81-1504(4) (Reissue 2008) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81-15,150 (Reissue 2008). To qualify for loan forgiveness, a community must be considered disadvantaged in regards to meeting affordability criteria, and have a population equal to or fewer than 10,000 people. The loan recipient will not be required to repay the portion of the loan principal that has been designated as loan forgiveness under the terms and conditions of the loan contract. Loan forgiveness is considered a grant for purposes of the financial statements, since repayment is not required.

For Facility Planning Grants, Small Town Grants, and Loan Forgiveness awards, once the municipality submits proof of payment to their vendors, they are reimbursed for their project costs by the Program. The Program's financial statements recognized the expense and accrued liability to the Program when the municipality incurred the project expense, which may not be in the same fiscal year as when costs were reimbursed by the Program.

J. Operating Revenues and Expenses

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

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, 2014. 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 2014. Amounts are allocated on a monthly basis based on average balances of all invested funds.

3. Loans Receivable

As of June 30, 2014, the Program had 172 outstanding community loans that totaled \$149,408,739. The outstanding balances of the 10 communities with the largest loan balances, which represent 52.3% of the total loans, were as follows:

<u>Community</u>	<u>Outstanding Balance</u>
Lincoln	\$ 19,092,560
Omaha	12,562,808
North Platte	10,936,672
Gosper SID #1	7,713,764
South Sioux City	5,388,528
Broken Bow	4,856,645
Nebraska City	4,684,222
Lexington	4,600,833
Wayne	4,444,802
Sidney	3,812,555
TOTAL	\$ 78,093,389

4. Bonds Payable

The EPA requires the Program to provide 20% matching funds for each capitalization grant under § 602(b)(2) of the Federal Clean Water Act. During the fiscal year, the Program issued Series 2013 short-term revenue bonds to meet this requirement. Bond Series 2013 was retired during the fiscal year ended June 30, 2014. Bonds Payable activity for fiscal year 2014 was:

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

5. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2014, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$112,494	\$ -	\$17,995	\$94,499	\$6,615

6. Capital Contributions

Included in the net position is the total amount of capitalization grants drawn from the EPA by the Agency. The following summarizes the capitalization grants awarded and drawn, as well as the remaining balance as of June 30, 2014. 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, 2014, and may have been drawn over multiple years.

Federal Fiscal Year Available	Grant Amount	Amount Drawn	Balance
1989	\$4,773,100	\$4,773,100	\$ -
1990	4,964,560	4,964,560	-
1991	10,821,580	10,821,580	-
1992	9,938,500	9,938,500	-
1993	9,830,300	9,830,300	-
1994	6,061,600	6,061,600	-
1995	6,263,600	6,263,600	-
1996	10,319,661	10,319,661	-
1997	3,119,900	3,119,900	-
1998	7,019,996	7,019,996	-
1999	6,857,600	6,857,600	-
2000	6,834,000	6,834,000	-
2001	6,797,400	6,797,400	-
2002	6,855,000	6,855,000	-
2003	7,069,900	7,069,900	-
2004	6,747,100	6,747,100	-
2005	5,467,300	5,467,300	-
2006	4,424,300	4,424,300	-
2007	5,429,600	5,429,600	-
2008	3,415,700	3,415,700	-
2009 - ARRA	20,045,000	20,045,000	-
2009	3,415,700	3,415,700	-
2010	10,422,000	9,841,352	580,648
2011	7,529,000	7,107,585	421,415
2012	7,075,582	2,832,334	4,243,248
2013	6,663,899	880,684	5,783,215
TOTAL	\$188,161,878	\$177,133,352	\$11,028,526

The 2014 grant was awarded on July 2, 2014, after the end of State fiscal year 2014. The award was for \$8,572,800 which consists of \$7,144,000 of federal dollars, and \$1,428,800 of State match dollars.

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

Contributed Capital July 1, 2013	\$	172,925,622
Contributed During the Year – Funds from EPA		5,279,646
Contributed Capital June 30, 2014	\$	<u>178,205,268</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. Included in the Funds from EPA amount is the increase in Due from Federal Government of \$116,916.

Nebraska was awarded \$20,045,000 in American Recovery and Reinvestment Act (ARRA) funds for wastewater treatment facility improvements. The ARRA funds supplemented the Program. The \$20 million in ARRA funds was blended with Nebraska's existing Program loan funds. The communities

who received ARRA funding were offered a package which included: a 50% portion low-interest loan from existing State Program funding; a 25% portion no-interest loan of ARRA funds; and a 25% portion loan forgiveness of ARRA funds. ARRA required the State to use at least 50% of the ARRA funds supplied by this grant to provide additional subsidization, which the State elected to do in the form of loan forgiveness. ARRA spending was completed during fiscal year ended 2012.

7. Loan Fees Administration

An annual fee of up to 1% is charged against the outstanding principal on loans to meet the long term administrative costs of the Program. The fee is collected semi-annually, billed when invoices for principal and interest payments are due, and waived for the first year of the loan. This fee is not included in the loan principal. The Director of the Program may waive this fee during construction, except on projects that only receive interim financing during construction.

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. Operating Expenses

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

Administrative Costs from Fees

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

4% Administrative Costs from Grants

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

Small Town Grants

Small Town Grants are made available to communities per Neb. Rev. Stat. § 81-15,151(2) (Reissue 2008) and Neb. Rev. Stat. § 81-15,153(9) (Cum. Supp. 2012), with populations of ten thousand inhabitants or less, which demonstrate serious financial hardship. The maximum amount to be awarded in Small Town Grants is set at 65% of the revenue from administrative fees collected in the prior fiscal year. The total amount of grants that can be signed into loan contracts for State fiscal year 2014 was capped at \$690,619. In the 2014 Intended Use Plan (IUP), the Agency set the upper limit of grant to each community at \$250,000 per project, concurrent with a Program loan. Projects are prioritized based on the type of project and Median Household Income of the community. Small Town Grants are funded with loan administration fees collected while a community is repaying its loan.

Facility Planning Grants

Facility planning grants may be provided to municipalities with populations of 10,000 or fewer inhabitants which demonstrate serious financial hardship. Municipalities with wastewater treatment facility project needs that are identified on the project priority list, have not received a grant in the past five years, and also qualify for a Small Town Grant can receive up to 90% of project costs up to a maximum of \$20,000 per project. These grants are funded through the Administrative Cash Fund.

Loan Forgiveness

The State may choose to provide additional subsidization in the form of loan forgiveness up to a maximum of \$100,000 per project to qualifying disadvantaged communities that meet the affordability criteria found in the 2014 IUP. Awarding loan forgiveness is dependent on the availability of funding from Federal capitalization grants and the total amount of funds the Program decides to allocate for forgiveness from each grant. The Program will reserve at least \$319,506 (4.7% of the Capitalization Grant) for forgiveness, but up to \$475,860 (7.0%) can be used for additional subsidization. The Program's authority to distribute the additional subsidization is an existing authority under the State Environmental Protection Act at Neb. Rev. Stat. § 81-1504(4) (Reissue 2008) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81-15,150 (Reissue 2008). Together, these statutes allow the Program to accept and expend federal grants for projects described in these references. Loan forgiveness discharges the community from repaying that portion of the principal amount of its loan under the terms and conditions of the loan contract.

10. 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 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, 2014, employees contributed \$25,168, and the Agency contributed \$39,263. 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.

11. 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 coverage's 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 INFORMATION SECTION

A. FUND ACTIVITIES

1. Loan and Investment Status

The fund has a loan portfolio containing \$432,142,690 total loan allocations; \$232,612,751 was repaid, \$149,407,005 is outstanding, leaving \$50,122,934 to be disbursed. Details on the Fund loan portfolio are in Attachment 1. The SFY 2014 blended interest rate on the outstanding loan balance is 2.307%. The FY2013 blended rate was 2.370%. This year's blended interest rate is 6.3 basis points below last year.

2. Source of CWSRF Funds by Quarter

State match for the FFY 2013 capitalization grant was provided by the \$1,360,000 NIFA/SRF 2013B bond issued on July 26, 2013. The FFY 2013 capitalization grant was awarded on August 15, 2013. The \$1,430,000 NIFA/CWSRF 2014B bond, state match for the FFY 2014 capitalization grant was issued on August 13, 2014 and the capitalization grant award was awarded July 2, 2014.

SOURCE OF STATE MATCH
PROGRAM FUNDING YEAR FFY 2012, FFY 2013 AND FFY 2014
CAPITALIZATION GRANTS

NIFA Bond	Quarter	Bond Funds	Cash
2012B	SFY 2013-Q1	\$1,440,000	\$400
2013B	SFY 2014-Q1	\$1,360,000	
2014B	SFY 2014-Q1	\$1,430,000	

CAPITALIZATION GRANT PAYMENT SCHEDULE

CAP GRANT	QUARTER	PAYMENT
FFY 2012	SFY 2013-Q1	\$7,202,000
FFY 2013	SFY 2014-Q1	\$6,798,000
FFY 2014	SFY 2014-Q1	\$7,144,000

3. Binding Commitments

The CWSRF entered into six binding commitments and two loan amendments to existing funded communities which provided financial assistance to six new Section 212 Projects totaling \$45,512,151. The binding commitment total for SFY 2014 plus 4% administration totals \$45,306,856. The cumulative binding commitment exceeds the federal 120% binding commitment requirement for SFY 2014. The cumulative binding commitment amount of initial loan awards plus 4% administration totals \$506,681,535.

Attachment 2 provides information showing the binding commitments entered into during SFY 2014 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 \$506,681,535 or 232% 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 2014, \$593,167 was available for Small Town Grants and \$100,000 was made available to facility planning grants. .

The following table reports allocations to projects during SFY 2014 for Small Town Grants. Attachment 3 provides more detail on fund history, disbursements, and balances.

COMMUNITY	PROJECT #C31	GRANT AWARD DATE	GRANT AMOUNT
Mead	7854	11/22/2013	\$250,000
Winside	7827	6/20/2014	\$240,000
Sprague	7897	6/26/2014	\$30,000
SFY 2014 Allocation Total			\$520,000

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. Facility planning grants were awarded to DeWeese, Long Pine, Scribner, St. Paul, and York in SFY 2014.

Since the grant's inception through the Nebraska Environmental Partnership (NEP) in SFY 2004 the CWSRF has awarded planning grants to 62 communities for a total of \$1,023,710. 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
- FFATA
- MBE/WBE Requirements
- Other Federal Authorities
- State Environmental Review Process (SERP)
- Cash Draw Procedures

EPA has provided additional information on proportionality requirements for cash draws from the federal grant. Previous IUPs, prior to SFY 2014, indicate that the State of Nebraska withdraws from the grant at an approximate 5 to 1 federal to state match funds ratio. In February 2014, the 2014 IUP was amended so the State will now disburse 100% match funds first and then subsequently draw federal dollars.

Environmental Reviews were conducted on thirteen Section 212 projects during SFY 2014. 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 five projects: Omaha, Sutherland, Grand Island, Mead, and Hartington; and eight Categorical Exclusions (CE) were issued for projects: Spencer, Gretna, Wisner, Gothenburg, Sprague, McCook, Kearney (high school and south trunk), and Kearney (northeast trunk). In order to expedite the review process, FNSIs and CEs are now available on-line.

The following ten SRF wastewater projects initiated operation in SFY 2014: Amherst, Oxford, Bruning, Crawford, Gresham, Clarkson, Dodge, Bertrand, Lexington, and Nebraska City.

2. Short Term Goals and Accomplishments

Six short term goals were described in the SFY 2014 Intended Use Plan (IUP) to be undertaken in SFY 2014. The CWSRF has made significant progress toward successful completion of most of its short term goals. The goals are listed and discussed as follows:

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

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

- Participating either through presentation or through information booths at seventeen different conferences and financial workshops throughout the state to increase participation,
- Partnering with the Department's other programs that regularly meet with municipalities to provide SRF / Needs Survey information,
- Contacting eligible entities that did not respond to the 2013 Needs Survey to insure those that had known needs were accounted for in the SFY 2014 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 2015 IUP and state Priority Lists at the regularly scheduled Environmental Quality Council meeting on June 19, 2014 at Hastings, Nebraska to receive public input and Council approval. The draft IUP and Project Priority Lists were made available 30 days prior to the hearing.

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

Loan funds were committed to six separate communities during SFY 2014: Gothenburg, Kearney, Mead, Omaha, Spencer, and Sprague.

In addition, two loan amendments were provided to communities: Bassett and Bruning.

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

Options that may be available include:

- Longer compliance schedules
 - Modified requirements
 - Smaller projects
 - Changes in loan terms
 - Staged construction
3. *Update priority ranking system to include information from Assessing Wastewater Infrastructure Needs to support sustainability of small rural communities.*

We are currently updating the Needs Surveys and priority ranking system to include information from Assessing Wastewater Infrastructure Needs. The Needs Surveys are due December 31, 2014 and we will begin ranking communities for the 2016 IUP. We are also evaluating state statute and Title 131 for changes with the new federal clean water amendments that become effective October 1, 2014.

4. *Update Title 131 to include program requirements for implementation of a Linked Deposit Program and refinancing provisions in accordance with LB514 (if enacted). This will allow assistance with nonpoint source impacts to waters of the State including but not restricted to: onsite systems, animal feeding operations, and water protection.*

LB514 was passed in February, 2014 and became effective July 2014. We are currently in the process of updating Title 131 and plan on taking the changes to the Environmental Quality Council in June 2015.

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

A project in one community was designated as Green Project Reserve (GPR). This loan was made with Gothenburg. The SFY 2015 IUP has two communities on the Green Project Reserve List for funding: Grand Island, and Tilden. The CWSRF promotes green projects by using a lower interest rate for green projects. GPR and all green project loans are assessed 0.25% less than other SRF loans.

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

The Department used a priority ranking system to evaluate facilities in seven categories for the 2014 IUP. 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

As mentioned above the Department is implementing additional ranking for AWIN for the SFY16 IUP.

3. Long Term Goals and Accomplishments

Eight long term goals were included in the SFY 2014 Intended Use Plan:

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

NDEQ continues to capitalize the fund at the largest level possible and try to grow the fund at a rate greater than the long-term construction inflation rate of 5%. 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.*

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

3. *Meet with municipalities, consultants, staff, other stakeholders, and the public every year to identify potential CWSRF projects and obtain their input regarding modifications or enhancements to the CWSRF program.*

The DEQ completed an annual SRF needs survey during SFY 2013, providing candidates for the SFY 2014 IUP. Three hundred forty-five (345) communities responded to the needs survey, identifying one or more needs. The SFY 2014 public participation process involved providing conference presentations and information booths (thirteen different events).

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

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

The EPA provided considerable guidance for the SRF program concerning eligible projects under green infrastructure requirements for the FFY 2014 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 continues to incentivize green projects with lower than non-green interest rates. 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 2014 Capitalization Grant.

The CWSRF funds a summer intern through the University of Nebraska's Pollution Prevention Program. This year we evaluated the assets and energy savings for two municipalities: Ceresco and Creighton.

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

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

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

Unsewered communities with public health or environmental concerns are listed in the IUP as a result of this effort. Each project is required to undergo extensive facility planning, which includes the review of several alternatives and a cost-effectiveness analysis comparing the appropriateness of the alternatives. Nine unsewered communities were listed in the 2014 IUP: Danbury, Kilgore, Lake Maloney, Linwood, Lorton, Morse Bluff, Salem, and South Bend.

The Department continues to use the Priority Ranking System described in #6 of the short term goals. This insures that funds are available to the greatest need.

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

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.

Included in the SFY 2014 IUP as part of the planning list are numerous non-point source projects. The program is also developing regulations to implement a linked deposit program for non-point source pollution.

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

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. USDA has accepted the use of AWIN analysis to determine alternatives for sustainability with small communities.

C. STATUS OF PROJECTS ON FUNDABLE LIST

The Annual Report reflects the following changes from the original SFY 2014 IUP approved by the Environmental Quality Council (EQC) on June 20, 2013:

Part III Methods and Criteria for Distribution of Funds, number 5 has been changed from "Fund projects by requesting funds from the EPA Capitalization Grant and reimburse project expenses on a cash draw ration of approximately 5 to 1 federal to state match funds ratio" to "CWSRF Projects will be funded by disbursing 100% of match funds prior to withdrawing federal capitalization funds."

Attachment 4 provides more detail on the projects on the Status of the 2014 IUP Priority Project Funding List scheduled to receive CWSRF funding in the form of loan issuance.

D. PROGRAM CHANGES and CHANGES UNDER CONSIDERATION

With downward pressure on interest rates, rates were decreased on July 1, 2012, at the beginning of SFY 2013 to 1.5% and 1.25% for green projects. Administration fee remained at 1% and interest rates during construction were reduced to 0.5%. We continue to waive the 1% administrative fee for the first year of a loan.

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

The maximum available for Small Town Grant awards remains capped at \$850,000 for SFY 2014 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 2015 based on 50% of administration fee from the previous year is \$436,544 for Small Town Grants and \$100,000 for planning grants.

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

EPA has reserved in-kind funds from the 2012 and 2013 Capitalization Grant for implementation of the Loan and Grant Tracking Software (LGTS), a comprehensive software application that will be designed specifically for Nebraska's SRF program to track and manage all aspects of program loans, capital contributions, and bond issuance and repayment. LGTS will be implemented in phases. We started the first phase of entering financial information on July 1, 2014. It will likely take all of SFY 2015 to implement all of the phases.

With the new federal clean water amendments that become effective October 1, 2014 we are evaluating our state statute and regulations to determine if revisions are needed. We have started informing the engineering community of some of the amendments and are in the process of making the needed changes to adhere to the

E. CWSRF BENEFITS REPORTING

DEQ SRF program staff completed CWSRF benefits reporting (CBR) forms during SFY 2014. 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
LOAN INVESTMENT STATUS REPORT

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317238	Adams		P	598,777.00	598,777.00	0.00	3.16	0.00	
C317029	Ainsworth		P	519,800.00	519,800.00	0.00	3.50	0.00	
C317559	Ainsworth		F	345,000.00	66,131.72	278,868.28	2.00	557,736.56	
C317103	Albion	FFATA	F	3,000,000.00	127,155.16	2,872,844.84	2.25	6,463,900.89	
C317030	Alda		F	116,940.00	87,408.00	29,532.00	3.14	92,730.48	
C317478	Allen		F	84,758.00	12,521.68	72,236.32	2.00	144,472.64	
C317104	Alvo		F	212,423.00	136,564.48	75,858.52	4.00	303,434.08	
C317239	Amherst	GP12	F	245,651.00	5,540.75	240,110.25	1.33	318,146.08	
C317136	Ansley	FFATA	F	811,671.00	33,105.70	778,565.30	2.50	1,946,413.25	
C317325	Arlington		F	1,223,435.00	226,716.72	996,718.28	3.59	3,578,218.63	
C317198	Arnold		P	99,952.00	99,952.00	0.00	3.00	0.00	
C317033	Aurora		P	3,800,000.00	3,800,000.00	0.00	3.31	0.00	
C317184	Aurora		P	590,000.00	590,000.00	0.00	2.80	0.00	
C317326	Aurora			3,150,000.00	126,000.00	2,967,414.00	2.25	6,676,681.50	
C317522	Aurora		P	276,682.00	276,682.00	0.00	3.00	0.00	
C317025	Avoca		F	157,514.00	142,126.91	15,387.09	3.05	46,930.62	
C317070	Axtell		F	388,787.00	361,325.67	27,461.33	3.94	108,197.64	
C317185	Ayr		F	75,991.00	38,121.99	37,869.01	3.00	113,607.03	
C317277	Bancroft		P	1,020,198.00	1,020,198.00	0.00	3.00	0.00	

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317068	Bassett		F	107,752.00	77,799.84	29,952.16	3.00	89,856.48	
C317279	Bassett		F	98,231.00	33,338.99	64,892.01	2.57	166,772.47	
C317561	Bassett	GP11/FF ATA		735,000.00	0.00	544,004.00	1.32	718,085.28	
C317041	Beatrice		P	1,775,315.00	1,775,315.00	0.00	3.18	0.00	
C317743	Beatrice		F	98,575.00	16,700.99	81,874.01	2.00	163,748.02	
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	465,324.04	3,262,668.96	4.00	13,050,675.84	
C317242	Bellwood		F	324,468.00	179,746.96	144,721.04	3.00	434,163.12	
C317327	Bertrand		F	639,103.00	229,165.95	409,937.05	2.85	1,168,320.59	
C317665	Bertrand			250,000.00	4,000.00	215,993.00	1.50	323,989.50	
C317167	Big Springs		P	874,849.00	874,849.00	0.00	3.00	0.00	
C317638	Blair		F	875,403.00	36,570.34	838,832.66	2.10	1,761,548.59	
C317243	Bloomfield		F	202,955.00	117,963.18	84,991.82	3.00	254,975.46	
C317519	Brainard		F	694,096.00	15,596.80	678,499.20	2.00	1,356,998.40	
C317596	Broken Bow	ARRA	F	5,318,801.00	462,155.95	4,856,645.05	1.52	7,405,407.52	
C317281	Brule		F	131,004.00	59,153.58	71,850.42	3.00	215,551.26	
C317690	Brule		F	58,590.00	9,111.91	49,478.09	2.00	98,956.18	
C317761	Bruning		F	435,212.00	9,659.15	425,552.85	1.90	808,550.42	
C317284	Butler Co. SID #1		F	205,878.00	170,362.00	35,516.00	3.00	106,548.00	
C317764	Butler Co. SID #1		F	103,791.00	67,452.11	36,338.89	2.00	72,677.78	

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317093	Cairo		F	620,921.00	409,522.03	211,398.97	3.20	676,476.70	
C317107	Carroll		F	319,680.00	25,779.89	293,900.11	2.25	661,275.25	
C317328	Cass Co. SID #5		F	1,107,232.06	388,499.03	718,733.03	3.50	2,515,565.61	
C317532	Cedar Bluffs	ARRA	F	511,915.00	68,408.82	443,506.18	1.33	589,863.22	
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	510,110.36	2,759,889.64	1.33	3,670,653.22	
C317329	Chambers		F	67,511.00	33,857.19	33,653.81	3.00	100,961.43	
C317477	Chapman		F	359,101.00	93,518.81	265,582.19	3.00	796,746.57	
C317533	Clarkson	GP10		500,000.00	5,600.00	132,097.00	2.00	264,194.00	
C317233	Clay Center		P	180,000.00	180,000.00	0.00	3.00	0.00	
C317427	Coleridge		F	62,379.00	28,843.60	33,535.40	2.50	83,838.50	
C317597	Coleridge		F	56,146.00	10,767.55	45,378.45	2.00	90,756.90	
C317468	Concord		F	297,449.00	176,516.61	120,932.39	3.11	376,099.73	
C317258	Cook		F	579,956.00	519,064.94	60,891.06	3.00	182,673.18	
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	183,156.54	1,571,246.46	2.00	3,142,492.92	
C317081	Crab Orchard		F	65,978.00	32,863.90	33,114.10	3.00	99,342.30	
C317039	Crawford	GO		2,952,000.00	0.00	2,524,686.00	1.50	3,787,029.00	

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317731	Creighton		F	220,536.00	37,378.29	183,157.71	2.00	366,315.42	
C317139	Dannebrog		F	425,000.00	370,092.10	54,907.90	3.00	164,723.70	
C317109	David City		F	2,728,924.00	1,955,243.76	773,680.24	3.22	2,491,250.37	
C317908	Denton		F	244,408.00	10,616.33	233,791.67	1.50	350,687.51	
C317391	Deshler		P	892,808.00	892,808.00	0.00	2.55	0.00	
C317110	DeWitt		F	524,900.00	382,754.36	142,145.64	4.30	611,226.25	
C317196	Diller		F	301,264.00	166,892.53	134,371.47	3.00	403,114.41	
C317564	Dodge			97,500.00	3,800.00	78,556.00	1.50	117,834.00	
C317565	Dorchester	ARRA	F	503,227.00	67,240.40	435,986.60	1.33	579,862.18	
C317599	Duncan	GP10	F	320,905.00	38,647.62	282,257.38	2.00	564,514.76	
C317484	Dwight		F	307,650.00	65,625.92	242,024.08	3.30	798,679.46	
C317203	Eagle		F	218,656.00	191,051.29	27,604.71	3.50	96,616.49	
C317225	Eagle		P	1,932,107.00	1,932,107.00	0.00	3.00	0.00	
C317606	Elgin		F	92,394.00	16,275.26	76,118.74	3.00	228,356.22	
C317111	Elkhorn		P	2,940,673.00	2,940,673.00	0.00	3.30	0.00	
C317038	Elm Creek		P	457,101.00	457,101.00	0.00	3.50	0.00	
C317607	Elm Creek	GP10	F	208,473.00	26,196.57	182,276.43	2.00	364,552.86	
C317392	Ewing		F	67,000.00	26,903.53	40,096.47	2.50	100,241.18	
C317338	Exeter		F	54,945.00	23,337.18	31,607.82	3.02	95,455.62	
C317061	Fairbury		F	1,931,134.00	1,282,535.18	648,598.82	3.00	1,945,796.46	
C317043	Falls City		F	2,500,000.00	913,343.13	1,586,656.87	2.50	3,966,642.18	

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317119	Farwell		F	175,000.00	116,086.53	58,913.47	3.00	176,740.41	
C317594	Filley		F	245,000.00	36,089.24	208,910.76	2.00	417,821.52	
C317049	Firth		F	62,716.00	52,255.68	10,460.32	3.56	37,238.74	
C317272	Fremont		P	3,200,000.00	3,200,000.00	0.00	3.00	0.00	
C317159	Garland		F	331,950.00	100,759.07	231,190.93	3.17	732,875.25	
C317059	Gering		P	3,250,000.00	3,250,000.00	0.00	2.50	0.00	
C317156	Gibbon		P	1,258,946.00	1,258,946.00	0.00	3.66	0.00	
C317307	Gibbon		P	7,000,000.00	7,000,000.00	0.00	5.25	0.00	
C317390	Gosper Co. SID #1		F	15,484,961.00	7,883,428.44	7,601,532.56	2.66	20,220,076.61	
C317883	Gosper Co. SID #1		F	536,646.00	24,415.03	512,230.97	1.50	768,346.46	
C317009	Gothenburg		P	2,947,700.00	2,947,700.00	0.00	3.50	0.00	
C317183	Gothenburg		F	630,339.00	391,575.30	238,763.70	3.00	716,291.10	
C317395	Gothenburg		F	372,105.00	121,742.04	250,362.96	3.05	763,607.03	
C317568	Gothenburg	BASE	F	129,827.00	24,918.05	104,908.95	2.00	209,817.90	
C317568	Gothenburg	ARRA	F	75,000.00	15,789.44	59,210.56	0.00	0.00	
C317781	Gothenburg	GP12/13/ FFATA		2,133,400.00	0.00	71,323.00	1.25	89,153.75	
C317045	Gresham			150,000.00	2,900.00	134,679.00	1.50	202,018.50	
C317267	Gretna		P	1,875,771.00	1,875,771.00	0.00	3.00	0.00	
C317268	Gretna		P	3,238,424.00	3,238,424.00	0.00	4.00	0.00	
C317234	Guide Rock		F	321,451.00	43,377.10	278,073.90	3.00	834,221.70	
C317004	Hartington		F	544,167.00	507,097.98	37,069.02	3.50	129,741.57	

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317341	Hartington		F	82,465.00	12,170.60	70,294.40	2.00	140,588.80	
C317053	Hay Springs		F	311,792.00	252,541.19	59,250.81	3.00	177,752.43	
C317291	Hayes Center	GP10/11	F	295,809.00	17,889.27	277,919.73	2.25	625,319.39	
C317131	Hebron		P	329,098.00	329,098.00	0.00	3.00	0.00	
C317019	Herman		P	124,865.00	124,865.00	0.00	3.50	0.00	
C317398	Hickman		P	390,000.00	390,000.00	0.00	3.50	0.00	
C317887	Hickman	GO		822,602.00	0.00	747,419.00	1.50	1,121,128.50	
C317213	Holbrook		F	231,000.00	190,888.94	40,111.06	3.00	120,333.18	
C317014	Holdrege		P	200,758.00	200,758.00	0.00	4.50	0.00	
C317069	Holdrege		P	3,220,228.00	3,220,228.00	0.00	4.19	0.00	
C317491	Holdrege		F	299,616.00	38,314.99	261,301.01	2.00	522,602.02	
C317115	Howells		F	346,933.00	123,575.27	223,357.73	2.80	625,401.64	
C317343	Indianola		F	756,740.00	513,635.58	243,104.42	3.00	729,313.26	
C317292	Jackson		F	54,642.00	23,310.53	31,331.47	3.00	93,994.41	
C317786	Jansen	GP12		286,606.00	0.00	29,630.00	1.36	40,296.80	
C317021	Kearney		P	3,954,696.00	3,954,696.00	0.00	3.86	0.00	
C317275	Kearney		F	2,560,497.00	1,263,153.43	1,297,343.57	3.39	4,397,994.70	
C317789	Kearney		F	1,250,000.00	130,501.15	1,119,498.85	2.00	2,238,997.70	
C317865	Kearney			1,200,000.00	0.00	0.00	1.50	0.00	
C317057	Kenesaw		F	521,711.00	347,737.98	173,973.02	3.00	521,919.06	
C317118	Kennard		P	693,000.00	693,000.00	0.00	2.99	0.00	

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317144	Kimball		P	610,000.00	610,000.00	0.00	3.15	0.00	
C317404	Lancaster County SID #5			350,000.00	5,100.00	242,413.00	2.00	484,826.00	
C317705	Laurel		F	160,000.00	27,057.96	132,942.04	2.00	265,884.08	
C317837	Lawrence		F	75,401.00	36,082.18	39,318.82	2.25	88,467.35	
C317447	Leigh	GP10	F	475,000.00	31,411.25	443,588.75	2.00	887,177.50	
C317002	Lexington		P	4,100,000.00	4,100,000.00	0.00	3.50	0.00	
C317676	Lexington			4,750,000.00	0.00	4,600,833.00	1.50	6,901,249.50	
C317008	Lincoln		P	9,017,565.54	9,017,565.54	0.00	5.00	0.00	
C317078	Lincoln		F	5,000,000.00	519,895.33	4,480,104.67	2.00	8,960,209.34	
C317247	Lincoln	ARRA	F	3,558,792.00	559,784.85	2,999,007.15	1.30	3,891,211.78	
C317830	Lincoln			17,000,000.00	435,000.00	11,613,448.00	2.25	26,130,258.00	
C317204	Lindsay		P	405,000.00	405,000.00	0.00	3.14	0.00	
C317839	Lindsay	GP11/FF ATA	F	411,494.00	26,063.22	385,430.78	1.82	701,484.02	
C317236	Loomis		P	167,381.00	167,381.00	0.00	3.18	0.00	
C317573	Lower Platte North NRD		P	6,000,000.00	6,000,000.00	0.00	3.00	0.00	
C317573	Lower Platte North NRD-AMD#1		P	5,603,660.00	5,603,660.00	0.00	2.00	0.00	
C317539	Lynch		F	174,300.00	49,594.26	124,705.74	3.00	374,117.22	
C317852	Lynch		F	24,261.00	4,430.32	19,830.68	2.50	49,576.70	
C317449	Lyons		F	891,491.00	174,661.07	716,829.93	3.00	2,150,489.79	
C317405	Madison		P	1,892,461.00	1,892,461.00	0.00	3.06	0.00	
C317575	Malcolm	ARRA	F	250,000.00	50,000.00	200,000.00	0.00	0.00	

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317575	Malcolm	BASE	F	500,000.00	84,779.76	415,220.24	2.00	830,440.48	
C317613	Marquette		F	48,942.00	4,268.42	44,673.58	2.00	89,347.16	
C317832	Maxwell			104,516.00	0.00	91,123.00	1.50	136,684.50	
C317259	Maywood		P	184,518.00	184,518.00	0.00	3.00	0.00	
C317105	McCook		P	337,040.99	337,040.99	0.00	3.00	0.00	
C317150	McCook		F	1,903,003.00	1,585,737.02	317,265.98	3.00	951,797.94	
C317349	McCook	LAND	F	4,200,000.00	1,674,871.40	2,525,128.60	2.50	6,312,821.50	
C317451	McCool Junction		P	82,903.00	82,903.00	0.00	2.50	0.00	
C317331	McGrew		F	47,100.00	22,438.09	24,661.91	3.00	73,985.73	
C317854	Mead	FFATA		976,836.00	0.00	908,373.00	1.50	1,362,559.50	
C317217	Meadow Grove		F	138,190.00	62,356.56	75,833.44	3.00	227,500.32	
C317248	Melbeta		F	259,437.00	39,514.33	219,922.67	3.15	692,756.41	
C317169	Memphis		F	83,130.00	62,344.23	20,785.77	3.00	62,357.31	
C317250	Murray		F	1,425,000.00	404,251.74	1,020,748.26	2.95	3,011,207.37	
C317741	Nebraska City		F	4,889,865.00	205,642.74	4,684,222.26	2.25	10,539,500.09	
C317071	Neligh		F	1,653,678.00	871,798.81	781,879.19	3.00	2,345,637.57	
C317498	Newman Grove		F	333,099.00	75,726.03	257,372.97	3.00	772,118.91	
C317431	Nickerson		F	281,011.00	98,017.13	182,993.87	3.24	592,900.14	
C317036	Norfolk		P	9,299,999.80	9,299,999.80	0.00	4.18	0.00	
C317142	North Bend		F	308,000.00	107,241.41	200,758.59	3.45	692,617.14	
C317122	North Platte		F	14,300,000.00	3,363,328.07	10,936,671.93	3.27	35,762,917.21	

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317351	North Platte		P	2,221,722.00	2,221,722.00	0.00	3.72	0.00	
C317074	Oakdale		F	209,957.00	145,291.51	64,665.49	3.00	193,996.47	
C317409	Oakland	ARRA	F	1,621,500.00	179,946.20	1,441,553.80	1.33	1,917,266.55	
C317409	Oakland Amd #1	BASE	F	135,990.00	13,536.45	122,453.55	2.50	306,133.88	
C317152	Ogallala		F	2,397,400.00	1,378,070.95	1,019,329.05	3.23	3,292,432.83	
C317500	Ogallala		F	422,832.00	35,739.22	387,092.78	2.00	774,185.56	
C317005	Omaha (Monroe)		P	4,000,000.00	4,000,000.00	0.00	3.80	0.00	
C317016	Omaha (Y St)		P	2,830,825.00	2,830,825.00	0.00	4.00	0.00	
C317052	Omaha (GIS)		P	1,810,894.00	1,810,894.00	0.00	3.50	0.00	
C317079	Omaha (CSS #1)		P	10,000,000.00	10,000,000.00	0.00	3.00	0.00	
C317082	Omaha (Papio)		P	3,432,976.00	3,432,976.00	0.00	3.50	0.00	
C317182	Omaha (Boxelder Cr)		P	1,600,000.00	1,600,000.00	0.00	3.00	0.00	
C317311	Omaha (Zorinsky Lake NPS)		P	898,294.00	898,294.00	0.00	3.00	0.00	
C317319	Omaha (CSS #2)		P	20,000,000.00	20,000,000.00	0.00	3.50	0.00	
C317375	Omaha (Papillion Cr)		P	12,100,000.00	12,100,000.00	0.00	4.00	0.00	
C317432	Omaha (ARRA)	ARRA	F	5,592,000.00	669,634.10	4,922,365.90	1.34	6,595,970.31	
C317432	Omaha	BASE	F	1,000,000.00	103,258.25	896,741.75	2.25	2,017,668.94	
C317476	Omaha (7432 comp.)		F	7,354,121.00	610,420.87	6,743,700.13	2.00	13,487,400.26	
C317734	Omaha (Mo River Sch B)			40,000,000.00	0.00	0.00	1.50	0.00	
C317205	Osmond	GP11		407,062.00	20,100.00	312,011.00	2.23	695,784.53	
C317229	Oxford		F	865,353.00	292,853.35	572,499.65	2.77	1,585,824.03	

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317543	Oxford		F	306,097.00	6,736.15	299,360.85	2.11	631,651.39	
C317414	Palmer		P	182,000.00	182,000.00	0.00	2.79	0.00	
C317414	Palmer		P	472,028.00	472,028.00	0.00	3.00	0.00	
C317353	Paxton		F	1,352,254.00	559,375.49	792,878.51	2.50	1,982,196.28	
C317807	Paxton		F	32,300.00	10,604.94	21,695.06	2.00	43,390.12	
C317087	Pickrell		F	350,000.00	190,306.69	159,693.31	4.00	638,773.24	
C317060	Plainview		F	968,910.00	237,958.07	730,951.93	2.75	2,010,117.81	
C317745	Platte Center	ARRA	F	128,690.00	16,191.38	112,498.62	2.00	224,997.24	
C317526	Plattsmouth		F	1,599,810.00	130,496.28	1,469,313.72	2.19	3,217,797.05	
C317834	Plattsmouth		F	1,735,961.00	106,048.05	1,629,912.95	2.00	3,259,825.90	
C317266	Pleasanton		F	117,076.00	74,423.75	42,652.25	3.00	127,956.75	
C317744	Pleasanton	ARRA	F	232,817.00	34,353.83	198,463.17	2.00	396,926.34	
C317035	Polk		F	81,453.00	78,653.31	2,799.69	3.50	9,798.92	
C317696	Polk Co. SID #1	FFATA	F	2,024,805.00	99,612.37	1,925,192.63	2.25	4,331,683.42	
C317506	Red Cloud	ARRA	F	372,404.00	58,404.99	313,999.01	1.33	417,618.68	
C317073	Rising City		F	350,340.00	111,176.40	239,163.60	2.55	609,867.18	
C317101	Riverton		F	140,442.00	109,753.22	30,688.78	3.00	92,066.34	
C317188	Rushville		F	1,035,000.00	571,696.28	463,303.72	3.00	1,389,911.16	
C317416	Ruskin		F	271,020.00	99,016.01	172,003.99	2.50	430,009.98	
C317027	St. Helena		P	70,695.00	70,695.00	0.00	3.50	0.00	
C317263	St. Paul		F	306,513.00	131,371.84	175,141.16	2.82	493,898.07	

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317128	Sarpy Co. SID #101		F	4,785,104.84	4,271,727.32	513,377.52	3.00	1,540,132.56	
C317195	Schuyler		F	579,336.00	422,721.37	156,614.63	3.00	469,843.89	
C317215	Schuyler		F	2,481,856.00	1,002,036.47	1,479,819.53	3.01	4,454,256.79	
C317001	Scottsbluff		P	2,453,873.39	2,453,873.39	0.00	3.26	0.00	
C317086	Scottsbluff		F	4,600,000.00	3,180,096.70	1,419,903.30	3.00	4,259,709.90	
C317219	Scottsbluff	ARRA	F	2,527,500.00	846,684.99	1,680,815.01	1.33	2,235,483.96	
C317378	Scottsbluff		F	1,004,334.00	485,269.76	519,064.24	3.00	1,557,192.72	
C317813	Shelby		F	291,974.00	17,605.52	274,368.48	2.25	617,329.08	
C317062	Shelton		F	493,043.00	396,467.66	96,575.34	3.37	325,458.90	
C317301	Shelton		F	1,071,763.00	567,676.45	504,086.55	3.00	1,512,259.65	
C317189	Sidney	ARRA	F	1,375,000.00	275,000.00	1,100,000.00	0.00	0.00	
C317189	Sidney	BASE	F	2,750,000.00	467,069.29	2,282,930.71	2.00	4,565,861.42	
C317433	Sidney	LAND	F	819,924.00	390,299.56	429,624.44	2.52	1,082,653.59	
C317508	Silver Creek		F	175,165.00	46,130.56	129,034.44	2.75	354,844.71	
C317360	South Sioux City		F	3,112,135.00	580,468.76	2,531,666.24	3.65	9,240,581.78	
C317725	South Sioux City	ARRA	F	1,682,752.00	226,852.07	1,455,899.93	1.32	1,917,420.21	
C317835	South Sioux City	GP12/FF ATA	F	1,444,535.00	43,573.35	1,400,961.65	2.50	3,502,404.13	
C317363	Spencer			78,000.00	0.00	4,086.00	1.50	6,129.00	
C317080	Stamford		P	395,400.00	395,400.00	0.00	2.50	0.00	
C317164	Stanton		F	1,053,787.00	612,761.17	441,025.83	3.00	1,323,077.49	
C317011	Sterling		P	177,430.00	177,430.00	0.00	3.50	0.00	

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317048	Stromsburg		P	599,516.00	599,516.00	0.00	3.04	0.00	
C317320	Stromsburg		F	156,000.00	85,430.65	70,569.35	3.30	232,878.86	
C317510	Stuart		F	48,856.00	4,088.37	44,767.63	2.00	89,535.26	
C317096	Superior		P	341,898.00	341,898.00	0.00	3.00	0.00	
C317364	Sutherland		F	165,880.00	129,700.06	36,179.94	2.50	90,449.85	
C317190	Sutton		P	1,505,100.00	1,505,100.00	0.00	3.12	0.00	
C317231	Tecumseh		F	370,629.00	225,134.48	145,494.52	3.00	436,483.56	
C317051	Tekamah		F	1,297,286.00	972,948.60	324,337.40	3.00	973,012.20	
C317252	Tekamah	ARRA	F	879,140.00	98,838.04	780,301.96	1.33	1,037,801.61	
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	49,537.47	62,673.53	2.50	156,683.83	
C317460	Verdigre		F	200,000.00	29,205.72	170,794.28	3.00	512,382.84	
C317746	Verdigre		P	1,403,627.00	1,403,627.00	0.00	2.00	0.00	
C317220	Waco		P	100,300.00	100,300.00	0.00	3.00	0.00	
C317010	Wahoo		P	4,515,601.00	4,515,601.00	0.00	3.49	0.00	
C317222	Wakefield		F	132,535.00	4,823.31	127,711.69	2.00	255,423.38	
C317369	Wayne		F	4,949,020.00	504,217.64	4,444,802.36	2.00	8,889,604.72	
C317659	Western		F	69,863.00	11,842.28	58,020.72	2.00	116,041.44	
C317040	West Point		P	195,000.00	195,000.00	0.00	3.50	0.00	
C317055	West Point		F	5,116,139.00	1,817,145.41	3,298,993.59	2.94	9,699,041.15	

PROJ. #	COMMUNITY NAME	PROJ IDENT	STATUS	AMOUNT (LOAN ALLOCATIONS)	REDUCTIONS (PRINCIPAL REPAYMENTS)	OUTSTANDING BALANCE	INTEREST RATE	EARNING FACTOR	BLENDED LOAN RATE
C317129	Wilber		F	570,000.00	427,380.62	142,619.38	3.00	427,858.14	
C317012	Wisner		P	1,156,786.00	1,156,786.00	0.00	3.01	0.00	
C317426	Wisner	GP11	F	63,321.00	1,456.68	61,864.32	1.75	108,262.56	
C317723	Wolbach		F	20,500.00	1,458.48	19,041.52	2.25	42,843.42	
C317098	Wymore		F	248,700.00	232,457.38	16,242.62	3.00	48,727.86	
C317552	Wymore		F	402,800.00	187,438.05	215,361.95	3.00	646,085.85	
	LOAN TOTAL			432,142,690.01	232,612,750.60	149,407,005.41		344,729,730.34	2.307
	PROJECT IDENTIFIER CODES:								
	AMERICAN RECOVERY AND REINVESTMENT ACT	ARRA							
	FEDERAL FUNDING ACCOUNTABILITY & TRANSPARENCY ACT	FFATA							
	GENERAL OBLIGATIONS	GO							
	GREEN PROJECT 2010	GP10							
	GREEN PROJECT 2011	GP11							
	GREEN PROJECT 2012	GP12							
	GREEN PROJECT 2013	GP13							
	NONPOINT SOURCE – LAND ACQUISITION	LAND							
	UNPLEDGED	UNPL							
	STATUS CODES:								
	ACTIVE								
	FINAL		F						
	PAID OFF		P						
	NOTE: 16 ARRA LOANS								

**Attachment 2
Binding Commitments**

COMMUNITY NAME	PROJECT #C31	STATE FISCAL YEAR 2013				STATE FISCAL YEAR 2014			
		1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR
PROGRAM ADMINISTRATION - 4th QTR 2012*		288,080							
BASSETT	7561	850,000							
WAKEFIELD	7222	302,500							
MAXWELL	7832	145,000							
GOSPER CNTY SID #1	7883	700,000							
DENTON	7908		267,150						
GRESHAM	7045		250,000						
SOUTH SIOUX CITY	7835		14,000,000						
AMHERST	7239		285,000						
BERTRAND	7665			350,000					
OXFORD AMD #1	7543			176,000					
LEXINGTON	7676				4,750,000				
CRAWFORD	7039				3,052,000				
JANSEN	7786				286,606				
DODGE	7564				195,000				
HICKMAN	7887				822,602				
PROGRAM ADMINISTRATION - 4th QTR 2013**						314,705			
OMAHA	7734						40,000,000		
MEAD	7854						1,076,836		
BRUNING AMD #1	7761						90,915		
GOTHENBURG	7781						2,233,400		
KEARNEY	7865							1,200,000	
SPENCER	7363								156,000
BASSETT AMD #1	7561								135,000
SPRAGUE	7897								100,000
(1) BINDING COMMITMENT TOTALS		2,285,580	14,802,150	526,000	9,106,208	314,705	43,401,151	1,200,000	391,000
(2) CUMULATIVE BINDING COMMITMENTS		436,843,364	451,645,514	452,171,514	461,277,722	461,592,427	504,993,578	506,193,578	506,584,578
FY BINDING COMMITMENT TOTALS					FY13: 26,719,938			FY14: 45,306,856	
(3) REQUIRED BINDING COMMITMENT***		8,642,400				8,157,600			
(4) CUMULATIVE REQUIRED AMOUNT		209,841,436	209,841,436	209,841,436	209,841,436	217,999,036	217,999,036	217,999,036	217,999,036
(5) BC AS % OF REQ'D BC AMOUNT		208	215	215	220	212	232	232	232
*INCLUDES \$161,662 PROGRAM ADMINISTRATION AND \$126,418 LGTS SOFTWARE PURCHASE									
**INCLUDES \$161,662 PROGRAM ADMINISTRATION AND \$153,043 LGTS SOFTWARE PURCHASE & RESCISSION									
***120% OF FEDERAL CAP GRANTS LAGGED BY A YEAR									

**Attachment 3
CWSRF Small Town Grant 2014**

COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2015	PAID DURING SFY 2015	First Half SFY2015	Second Half SFY2015	First Half SFY2016	Second Half SFY2016
								ESTIMATED 12-31-14	ESTIMATED 6-30-15	ESTIMATED 12-31-15	ESTIMATED 6-30-16
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						

COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2015	PAID DURING SFY 2015	First Half SFY2015	Second Half SFY2015	First Half SFY2016	Second Half SFY2016
								ESTIMATED 12-31-14	ESTIMATED 6-30-15	ESTIMATED 12-31-15	ESTIMATED 6-30-16
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					
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						

COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2015	PAID DURING SFY 2015	First Half SFY2015	Second Half SFY2015	First Half SFY2016	Second Half SFY2016
								ESTIMATED 12-31-14	ESTIMATED 6-30-15	ESTIMATED 12-31-15	ESTIMATED 6-30-16
CONCORD	7468-01	2007	2/26/2007	15.72	58,000	58,000					
BANCROFT	7277-01	2007	3/19/2007	12.6	100,000	100,000					
CHAPMAN	7477-01	2007	4/4/2007	19.23	100,000	100,000					
INDIANOLA	7343-01	2007	4/19/2007	9.07	75,481	75,481					
SFY2007 ALLOCATION TOTAL					333,481						
MELBETA	7428-01	2008	6/11/2008	24.1	82,359	82,359					
GUIDE ROCK	7234-01	2008	6/12/2008	25	100,000	100,000					
CONCORD INCREASE	7468-01	2008	6/24/2008	8.61	42,000	42,000					
SFY2008 ALLOCATION TOTAL					224,359						
VERDIGRE	7460-01	2009	8/4/2008	50	200,000	200,000					
DWIGHT INCREASE	7484-01	2009	12/1/2008	9.13	6,970	6,970					
AINSWORTH	7559-01	2009	5/13/2009	57.97	200,000	200,000					
COLERIDGE	7597-01	2009	6/11/2009	50	56,146	56,146					
SFY2009 ALLOCATION TOTAL					463,116						
WESTERN	7659-01	2010	8/14/2009	50	69,863	69,863					
FILLEY	7594-01	2010	4/26/2010	43.02	185,000	185,000					
LEIGH	7447-01	2010	6/29/2010	28.41	250,000	250,000					
SFY2010 ALLOCATION TOTAL					504,863						
CEDAR BLUFFS ARRA AMD #1	7532-01	2011	1/20/2011	7.26	48,488	48,488					
PLATTE CENTER ARRA AMD #1	7745-01	2011	3/22/2011	3.28	6,213	6,213					
HAYES CENTER	7291-01	2011	3/22/2011	44.96	234,396	234,396					
CARROLL	7107-01	2011	4/1/2011	33.33	213,100	213,100					
DORCHESTER ARRA AMD #1	7565-01	2011	4/4/2011	0.27	1,718	1,718					
TEKAMAH ARRA AMD #1	7252-01	2011	5/11/2011	0.83	1,143	1,143					
POLK COUNTY SID #1	7696-01	2011	6/30/2011	9.11	202,947	202,947					
SFY2011 ALLOCATION TOTAL					708,005						
ALBION	7103-01	2012	10/14/2011	7.14	250,000	250,000					
ANSLEY	7136-01	2012	1/18/2012	17.02	250,000	250,000					
SFY2012 ALLOCATION TOTAL					500,000						
CRAWFORD	7039-01	2013	6/18/2013	7.57	250,000	250,000					
JANSEN	7786-01	2013	6/21/2013	38.89	182,394	18,856	48,019	45,000	45,000	25,519	
GILEAD - CANCELLED	7927-01	2013	6/29/2013	50	-						
SFY2013 ALLOCATION TOTAL					432,394						
MEAD	7854-01	2014	11/22/2013	37.2	250,000	234,077	15,923				
WINSIDE	7827-01	2014	6/20/2014	18.48	240,000	-			80,000	80,000	80,000
SPRAGUE	7897-01	2014	6/26/2014	37.2	30,000	-		10,000	10,000	10,000	
SFY2014 ALLOCATION TOTAL					520,000						

COMMUNITY NAME	PROJECT #C31	SFY PROG YEAR	GRANT AWARD DATE	STATE GRANT %	STATE GRANT AMOUNT	PAID PRIOR TO SFY 2014	PAID DURING SFY 2014	First Half SFY2014	Second Half SFY2014	First Half SFY2015	Second Half SFY2015
								ESTIMATED 12-31-13	ESTIMATED 6-30-14	ESTIMATED 12-31-14	ESTIMATED 6-30-15
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					708,005						
FY12 Fee					500,000						
FY13 Fee					432,394						
FY14 Fee					520,000						
CURRENT APPROPRIATIONS PLUS TRANSFERS					7,899,890						
PRIOR DISBURSEMENTS						7,450,429					
CURRENT DISBURSEMENTS							63,942				
PROJECTED DISBURSEMENTS								55,000	135,000	115,519	80,000
JULY 1, 2013 FUND BALANCE PLUS TRANSFERS						449,461					
JUNE 30, 2014 FUND BALANCE							385,519				
PROJECTED FUND BALANCE								330,519	195,519	80,000	-

Attachment 4									
2014 IUP Funding List Reconciliation									
COMMUNITY	F or P	PROJ #C31	ESTIMATED PROJECT COST	2013 IUP ESTIMATED SRF LOAN	TOTAL ASSISTANCE	ACTUAL FORGIVENESS &/OR SMALL TOWN GRANT	NET LOAN AMOUNT	AGREEMENT DATE / QUARTER	COMMENTS
Crawford	F	7039	\$ 3,100,000	\$ 3,100,000	3,302,000	350,000	2,952,000	SFY2013-Q4	Signed June 18, 2013
Lexington	F	7676	\$ 7,500,000	\$ 4,750,000	4,750,000	N/A	4,750,000	SFY2013-Q4	Signed April 29, 2013
Brownville	F	7843	\$ 1,500,000	\$ 1,500,000	0	0	0		Chose other funding.
Omaha	F	7734	\$ 90,915,000	\$40,000,000	40,000,000	N/A	40,000,000	SFY2014-Q2	Signed November 18, 2013
Grand Island	F	7867	\$ 3,500,000	\$ 3,500,000	0	0	0		Project delayed.
St. Paul	F	7655	\$ 550,000	\$ 550,000	0	0	0		Received a planning grant to further study.
Mitchell	F	7249	\$ 3,880,000	\$ 3,880,000	0	0	0		Project delayed.
Alexandria	F	7912	\$ 1,500,000	\$ 1,500,000	0	0	0		Chose other funding.
Lincoln	F	7866	\$ 14,620,000	\$14,620,000	0	0	0		Project delayed.
Tilden	F	7376	\$ 2,550,000	\$ 2,550,000	0	0	0		Chose other funding.
Allen	F	7838	\$ 1,900,000	\$ 1,900,000	0	0	0		Project delayed.
Hartington	F	7471	\$ 500,000	\$ 500,000	0	0	0		Project delayed.
Humphrey	F	7443	\$ 3,118,000	\$ 3,118,000	0	0	0		Project delayed.
Mead	F	7854	\$ 2,292,000	\$ 2,292,000	1,326,836	350,000	976,836	SFY2014-Q2	Signed November 22, 2013
Gilead	F	7927	\$ 388,000	\$ 388,000	0	0	0		Project delayed.
Dodge	F	7564	\$ 420,000	\$ 420,000	195,000	97,500	97,500	SFY2013-Q4	Signed June 26, 2013
Dunbar	F	7935	\$ 224,000	\$ 224,000	0	0	0		Project delayed.
Chappell	F	7874	\$ 2,700,000	\$ 2,700,000	0	0	0		Project delayed.
Jansen	F	7786	\$ 650,000	\$ 650,000	469,000	182,394	286,606	SFY2013-Q4	Signed June 21, 2013
Emmet	F	7556	\$ 120,000	\$ 120,000	0	0	0		Project delayed.
Falls City	F	7669	\$ 3,000,000	\$ 3,000,000	0	0	0		Project delayed.
Shelby	F	7943	\$ 353,000	\$ 353,000	0	0	0		Project delayed.
Fairmont	F	7849	\$ 200,000	\$ 200,000	0	0	0		Project delayed.
Hickman	F	7887	\$ 825,000	\$ 825,000	822,602	N/A	822,602	SFY2013-Q4	Signed June 27, 2013
SFY 2014 Planning List - Bypass Systems					SFY2014 Funded Program				
Bruning Amd #1	P	7761	600,000	600,000	90,512	0	90,512	SFY2014-Q2	Funded per IUP bypass procedures
Bassett Amd #1	P	7561	1,500,000	1,500,000	135,000	0	135,000	SFY2014-Q4	Funded per IUP bypass procedures
Gothenburg	P	7781	2,845,000	2,845,000	2,233,400	100,000	2,133,400	SFY2014-Q2	Funded per IUP bypass procedures
Kearney	P	7865	3,000,000	3,000,000	1,200,000	0	1,200,000	SFY2014-Q3	Funded per IUP bypass procedures
Spencer	P	7363	220,000	200,000	156,000	78,000	78,000	SFY2014-Q4	Funded per IUP bypass procedures
Sprague	P	7897	50,000	50,000	130,000	130,000	0	SFY2014-Q4	Funded per IUP bypass procedures - secured LF and STG while in process of loan agreement

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, 2012 THROUGH JUNE 30, 2013

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

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

Issued on April 22, 2014

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
Comments Section	
Exit Conference	2
Summary of Comments	3
Comment and Recommendation	4 - 6
Financial Section	
Independent Auditor's Report	7 - 9
Management's Discussion and Analysis	10 - 12
Basic Financial Statements:	
Balance Sheet	13
Statement of Revenues, Expenses, and Changes in Net Position	14
Statement of Cash Flows	15
Notes to the Financial Statements	16 - 28
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29 - 30
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 <i>U.S. Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs</i>	31 - 33

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. Created by LB 766 (1988), the Wastewater Treatment Facilities Construction Assistance Act is set out at Neb. Rev. Stat. § 81-15,147 (Cum. Supp. 2012) et seq. The Federal Water Quality Act and State statutes established the Program to provide loans, at reduced interest rates, to finance the construction of publicly and privately owned water pollution control facilities, non-point source pollution control projects, and estuary management plans. Instead of making grants to communities that pay for a portion of the building of wastewater treatment facilities, the Program provides for low interest loans to finance the entire cost of qualified projects. The Program provides a flexible financing source, which can be used for a variety of projects. Loans made by the Program must be repaid within 20 years, and all repayments, including interest and principal, must be used for the purposes of the Program. The Program was capitalized by the United States Environmental Protection Agency (EPA) by a series of annual grants starting in 1989. States are required to provide an additional 20% of the Federal capitalization grant as matching funds in order to receive a Federal grant. As of June 30, 2013, the EPA had awarded \$181.5 million in capitalization grants to the State. Of the \$181.5 million awarded, approximately \$20 million was funded by the American Recovery and Reinvestment Act (ARRA). The \$161.5 million not funded by ARRA required the State to contribute approximately \$32 million in matching funds. The State provided appropriations to contribute \$955,000 of the funds to meet the State’s matching requirement. Additional matching funds have been obtained through the issuance of revenue bonds.

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

EXIT CONFERENCE

An exit conference was held April 4, 2014, 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:

NAME	TITLE
Kevin Nelson, CPA	DHHS Internal Audit Administrator
Steve McNulty	DHHS Engineer II
Tom Lamberson	DEQ Deputy Director
Pat Rice	DEQ Interim Director
Jack Daniel	DHHS Administrator I
Jim Novotny	DEQ Accountant III
Stephanie Vap-Morrow	DEQ Environmental Assistance Coordinator
Curtis Youngman	DAS State Finance Systems and Reports Coordinator
Steve Rowell	DEQ Environmental Engineer III
Kevin Stoner	DEQ Environmental Quality Section Supervisor
John R. Danforth	DEQ Environmental Assistance Coordinator
Kris Young	DEQ Accountant III
Mary Brady	DEQ Federal Aid Administrator II
Marty Link	DEQ Environmental Quality Associate Program Director
Martie Guthrie	DEQ Budget Officer III
Mark Herman	DEQ Federal Aid Administrator II

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 a certain matter involving the internal control over financial reporting and other operational matters, which is presented here.

1. ***Transparency Act Reporting:*** During testing of five subawards required to be reported under the Federal Funding Accountability and Transparency Act, it was noted that the required data elements were not being correctly entered, and the subawards were not being reported timely. Additionally, the Agency did not have procedures in place to review those subawards reported to ensure the data entered was accurate and in compliance with Federal regulations.

More detailed information on the above item is provided hereafter. It should be noted this report is critical in nature, containing only our comment and recommendation on the area noted for improvement.

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENT AND RECOMMENDATION

1. Transparency Act Reporting

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

Grant Number & Year: #CS-31000112-0, FFY 2012; #CS-31000111-0, FFY 2011

Federal Grantor Agency: U.S. Environmental Protection Agency

Criteria: Per Appendix C of the *Open Government Directive – Federal Spending Transparency and Subaward and Compensation Data Reporting*, dated August 27, 2010, the subaward obligation/action date is the date the subaward agreement was signed. The subaward number is the identifying number assigned by the prime awardee organization to facilitate the tracking of its subawards. The subaward date represents the time period (by month and year) for subawards made against that Federal Award Identifier Number (FAIN).

2 CFR § 170 (January 1, 2013) provides guidance to agencies on establishing requirements for recipients' reporting of information on subawards, as required by the Federal Funding Accountability and Transparency Act (FFATA). Appendix A, § I(a)(2), of that Federal regulation states:

i. You must report each obligating action described in paragraph a.1. of this award term to <http://www.fsrs.gov>.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)

Per OMB Circular A-133, §___ .300(b) the Agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires policies and procedures to ensure all obligations meeting the requirements of 2 CFR § 170 guidance on FFATA are reported accurately and timely in the FFATA Subaward Reporting System (FSRS) and reflected on the USAspending website. Additionally, a good internal control plan requires procedures to ensure the sources of required data elements are consistent.

Condition: The Agency did not comply with all Federal regulations relating to the guidance on FFATA reporting.

Questioned Costs: None

Context: The APA tested five subawards that were required to be reported under the Transparency Act and noted the following:

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENT AND RECOMMENDATION
(Continued)

1. Transparency Act Reporting (Continued)

- One of five subawards tested did not have the correct subaward obligation date. The date stamp of when the award document was received by the Agency was entered rather than the date the contract was signed.
- For one of five subawards tested, the Federal grant number was entered as the subaward number rather than the subaward number the Agency assigned.
- For all subawards tested, the subaward date was reported as the month and year the report was filed, but it should have been the date the subrecipient could start spending the funds.
- Four of the five subawards tested were not reported timely. The number of days late ranged from 25 to 87 days.
- Two of the five subawards were shown on the USAspending website more than once.
- The Agency did not review the FSRS or the USAspending website to ensure subawards were appropriately entered as required.
- The Agency used the subaward signature date as the subaward obligation date for Clean Water grants, while for Drinking Water grants the Agency used the subaward contract date as the subaward obligation date.

Cause: The Agency failed to establish adequate internal controls over its FFATA reporting process.

Effect: Noncompliance with Federal regulations, which could result in sanctions.

Recommendation: We recommend the Agency implement procedures to ensure required data for the FFATA is entered correctly and on time in the FSRS and on the USAspending website in compliance with Federal requirements. Additionally, we recommend the Agency implement a monthly review of FFATA data entered to ensure data elements are accurately reported and that subawards are only reported once. Finally, we recommend that the Agency determine a consistent method for reporting the subaward obligation date that is in compliance with Federal requirements.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

COMMENT AND RECOMMENDATION
(Continued)

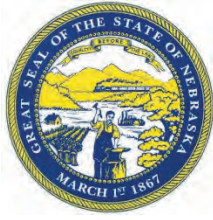
1. **Transparency Act Reporting** (Concluded)

Management Response: The electronic system provided to enter FFATA reporting information into had several problems when it was deployed. Screens locked up, there were no search capabilities, and changes or updates created additional reports and entries that were not desired. Many of those elements have been improved, but initially our entry into the system was by trial and error. Due to the unique characteristics of the SRF Program and corresponding loan contracts, some of the decisions on dates and amounts to use for reporting were not clear. EPA helped to explain what was expected, and the Agency made those changes in an effort to comply with the FFATA Federal regulation.

Corrective Action: The Agency will evaluate the procedures it uses for FFATA compilation and data entry, to make sure there is consistency in application, that all data is collected, and ensuring information is submitted in a timely manner. Communication of these procedures will be made to SRF program staff once determined.

Contact: Stephanie Vap-Morrow

Anticipated Completion Date: May 31, 2014



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY CLEAN WATER STATE REVOLVING FUND PROGRAM

INDEPENDENT AUDITOR'S REPORT

Nebraska Department of Environmental Quality
Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective balance sheet of the business-type activities of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program are intended to present the balance sheet, the changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program. They do not purport to, and do not, present fairly the balance sheet of the Nebraska Department of Environmental Quality as of June 30, 2013, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2014, on our consideration of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program's internal control over financial reporting and compliance.

Regulatory Requirements

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 11, 2014, on our consideration of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program’s internal control over compliance and our tests of its compliance with certain provisions of laws, regulations, and grants.

Lincoln, Nebraska
April 11, 2014



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, 2013. 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 Position; 3) Statement of Cash Flows; and 4) Notes to the Financial Statements.

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

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

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

ANALYSIS OF BALANCES AND TRANSACTIONS OF ENTERPRISE FUND

Changes in Net Position

For the fiscal year ended June 30, 2013, the net position of the Program increased by 4%. Revenues decreased by 5%, and operating expenses decreased by 3%.

NET POSITION			
	2013	2012 (As Restated)	% Change
Current Assets	\$ 111,725,697	\$ 104,092,998	7%
Noncurrent Assets	132,103,392	129,453,302	2%
Total Assets	243,829,089	233,546,300	4%
Current Liabilities	869,843	525,329	66%
Noncurrent Liabilities	102,827	104,620	-2%
Total Liabilities	972,670	629,949	54%
Net Position:			
Unrestricted	242,856,419	232,916,351	4%
Total Net Position	\$ 242,856,419	\$ 232,916,351	4%

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

(Continued)

CHANGES IN NET POSITION

	2013	2012	%
	2013	(As Restated)	Change
Loan Fees Administration	\$ 1,062,491	\$ 1,133,028	-6%
Interest	5,646,586	5,961,621	-5%
Fines, Forfeits & Penalties	425	593	-28%
Debt Service Refund	2,188	833	163%
Total Operating Revenue	6,711,690	7,096,075	-5%
Administration	852,900	867,913	-2%
Grant Expense	884,449	719,806	23%
ARRA Loan Forgiveness	-	26,547	-100%
Non-ARRA Loan Forgiveness	1,536,611	1,743,982	-12%
Total Operating Expenses	3,273,960	3,358,248	-3%
Operating Income	3,437,730	3,737,827	-8%
Capital Contributions Federal Grants	6,514,427	2,817,777	131%
Capital Contributions ARRA Grants	-	53,197	-100%
Interest Expense on Bonds Payable	(12,089)	(15,125)	-20%
Net Nonoperating Revenue (Expenses)	6,502,338	2,855,849	128%
Change in Net Position	9,940,068	6,593,676	51%
Beginning Net Position July 1	232,916,351	226,322,675	3%
Ending Net Position June 30	\$242,856,419	\$ 232,916,351	4%

The increase in current assets was primarily due to several loan payoffs. Operating expenses decreased slightly due to fewer loan forgiveness dollars being given out than in previous years. Revenues decreased as loan payoffs reduced the amount of interest and administrative fees collected.

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

(Continued)

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 2013 finished the year 7.6% 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 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.

DEBT ADMINISTRATION

Short-Term Debt

The Program had debt activity during the fiscal year that was short-term in nature resulting from a bond issue. The issue was for \$1,440,000, which was repaid within the same fiscal year.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CLEAN WATER STATE REVOLVING FUND PROGRAM
BALANCE SHEET
 JUNE 30, 2013

	<u>Enterprise Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash and Cash Equivalents:	
Cash in State Treasury (Note 2)	\$ 102,058,309
Due from Federal Government	531,911
Interest Receivable	169,489
Loans Receivable (Note 3)	8,965,988
TOTAL CURRENT ASSETS	111,725,697
NON-CURRENT ASSETS:	
Loans Receivable (Note 3)	132,103,392
TOTAL NON-CURRENT ASSETS	132,103,392
TOTAL ASSETS	\$ 243,829,089
 LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable & Accrued Liabilities	\$ 22,403
Due to Grant Recipients (Note 1)	839,700
Compensated Absences (Note 5)	7,740
TOTAL CURRENT LIABILITIES	869,843
NON-CURRENT LIABILITIES:	
Compensated Absences (Note 5)	102,827
TOTAL NON-CURRENT LIABILITIES	102,827
TOTAL LIABILITIES	972,670
 NET POSITION	
Unrestricted	242,856,419
TOTAL NET POSITION	242,856,419
TOTAL LIABILITIES AND NET POSITION	\$ 243,829,089

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

	Enterprise Fund
OPERATING REVENUES:	
Loan Fees Administration (Note 7)	\$ 1,062,491
Interest on Loans	3,530,804
Interest on Fund Balance - State Operating Investment Pool (Note 8)	2,115,782
Fines, Forfeits, and Penalties	425
Debt Service Refund	2,188
TOTAL OPERATING REVENUES	6,711,690
OPERATING EXPENSES:	
Administrative Costs from Fees (Note 9)	704,530
4% Administrative Costs from Grants (Note 9)	148,370
Small Town Grants (Note 9)	859,699
Facility Planning Grants (Note 9)	24,750
Loan Forgiveness (Note 9)	1,536,611
TOTAL OPERATING EXPENSES	3,273,960
OPERATING INCOME	3,437,730
NONOPERATING REVENUE (EXPENSE)	
Capital Contributions - Federal Grants (Note 6)	6,514,427
Interest Expense on Bonds Payable	(12,089)
NET NONOPERATING REVENUE (EXPENSE)	6,502,338
CHANGE IN NET POSITION	9,940,068
TOTAL NET POSITION, BEGINNING OF YEAR - As restated (Note 12)	232,916,351
TOTAL NET POSITION, END OF YEAR	\$ 242,856,419

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, 2013

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts From Customers	\$ 28,695,648
Interest on Investments	2,112,044
Payments for Administration	(857,860)
Payments for Small Town Grants	(628,933)
Payments for Facility Planning Grants	(24,750)
Payments for Loan Forgiveness	(1,419,696)
Payments to Borrowers	(16,264,166)
Debt Service Refund	2,188
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,614,475
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Funds Received From the Environmental Protection Agency	6,397,512
Receipts From Bond Issue	1,440,000
Repayment of Bond	(1,440,000)
Interest on Bond	(12,089)
NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES	6,385,423
Increase in Cash and Cash Equivalents	17,999,898
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	84,058,411
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 102,058,309
RECONCILIATION OF OPERATING INCOME	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 3,437,730
ADJUSTMENTS TO RECONCILE OPERATING INCOME	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
(Increase)/Decrease in Loans Receivable	7,835,906
(Increase)/Decrease in Interest Receivable	(3,738)
(Increase)/Decrease in Administration Fees Receivable	464
(Increase)/Decrease in Loan Interest Receivable	1,393
Increase/(Decrease) in Compensated Absences	(1,927)
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	(3,034)
Increase/(Decrease) in Due to Grant Recipients	347,681
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 11,614,475

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, 2013

1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Reporting Entity

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

These financial statements present the 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.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

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

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

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

D. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. An enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

and all liabilities associated with the operation of the fund are included on the balance sheet. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

E. Cash and Cash Equivalents

In addition to bank accounts and petty cash, this classification includes all short-term investments, such as certificates of deposit, repurchase agreements, and U.S. treasury bills. These short-term investments may have original maturities (remaining time to maturity at acquisition) greater than three months; however, cash is available and is considered cash and cash equivalents for reporting purposes. These investments are stated at cost, which at June 30, 2013, approximates market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

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

F. Loans Receivable

The State operates the Program as a direct loan program, whereby loans are made to communities. Loan funds are disbursed to the local agencies as they expend funds for the purposes of the loan. Interest is calculated from the date the funds are advanced. After the final disbursement has been made, the amortization schedule identified in the loan agreement is adjusted for the actual amounts disbursed and for accrued interest during the project period. The interest rates on loans range from .50% to 5.25%, and the terms could be 5 to 20 years.

The Program loans are funded from Federal capitalization grants, State match funding, and the Clean Water State Revolving Fund. The grants are funded, on average, 83.33% from Federal funds and 16.67% from State match funds. The Clean Water State Revolving Fund is financed through principal repayments plus interest earnings available to finance new projects, allowing the funds to "revolve" over time.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

The current loans receivable amount was determined using the amount of principal payment due to the Program at June 30, 2013, which is collectible in fiscal year 2014. Any loans receivable that were paid in full, prior to their due date, as of December 31, 2013, were included in the current loans receivable balance.

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

H. Compensated Absences

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

Program employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 180 days. There is no maximum limit on the accumulation of sick leave days for employees under certain labor contracts. Sick leave is not vested except upon death or upon reaching the retirement eligibility age of 55 – or a younger age, if the employee meets all criteria necessary to retire under the primary retirement plan covering his/her State employment, at which time the State is liable for 25% of the employee's accumulated sick leave. Employees under certain labor contracts can only be paid a maximum of 60 days.

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

I. Due to Grant Recipients

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

The Program may choose to provide additional subsidization for municipalities in the form of loan forgiveness, up to a maximum of \$100,000 per project. The Program's power and authority to distribute the additional subsidization is an existing authority under the State Environmental Protection Act at Neb. Rev. Stat. § 81-1504(4) (Reissue 2008) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81-15,150 (Reissue 2008). To qualify for loan forgiveness, a community must be considered disadvantaged in regards to meeting affordability criteria, and have a population equal to or fewer than 10,000 people. The loan recipient will not be required to repay the portion of the loan principal that has been designated as loan forgiveness under the terms and conditions of the loan contract. Loan forgiveness is considered a grant for purposes of the financial statements, since repayment is not required.

For Facility Planning Grants, Small Town Grants and Loan Forgiveness awards, once the municipality submits proof of payment to their vendors, they are reimbursed for their project costs by the Program. The Program's financial statements recognized the expense and accrued liability to the Program when the municipality incurred the project expense, which may not be in the same fiscal year as when costs were reimbursed by the Program.

J. Operating Revenues and Expenses

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

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,

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. Cash in State Treasury (Concluded)

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, 2013. All interest revenue is allocated to the General Fund except allocations required by law to be made to other funds. All funds of the Program were designated for investment during fiscal year 2013. Amounts are allocated on a monthly basis based on average balances of all invested funds.

3. Loans Receivable

As of June 30, 2013, the Program had 172 outstanding community loans that totaled \$141,069,380. The outstanding balances of the 10 communities with the largest loan balances, which represent 52.8% of the total loans, were as follows:

<u>Community</u>	<u>Outstanding Balance</u>
Lincoln	\$ 15,393,826
Omaha	13,160,700
North Platte	11,543,970
Gosper SID #1	8,691,504
Broken Bow	5,089,478
Wayne	4,655,054
South Sioux City	4,188,460
Scottsbluff	4,175,641
Sidney	4,049,179
West Point	3,536,919
TOTAL	<u>\$ 74,484,731</u>

4. Bonds Payable

The EPA requires the Program to provide 20% matching funds for each capitalization grant under § 602(b)(2) of the Federal Clean Water Act. During the fiscal year, the Program issued Series 2012 short-term revenue bonds to meet this requirement. Bond Series 2012 was retired during the fiscal year ended June 30, 2013. Bonds Payable activity for fiscal year 2013 was:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Bonds Payable	\$ -	\$ 1,440,000	\$ 1,440,000	\$ -

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2013, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$112,494	\$ -	\$1,927	\$110,567	\$7,740

6. Capital Contributions

Included in the net position is the total amount of capitalization grants drawn from the EPA by the Agency. The following summarizes the capitalization grants awarded and drawn, as well as the remaining balance as of June 30, 2013. 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, 2013, and may have been drawn over multiple years.

<u>Federal Fiscal Year Available</u>	<u>Grant Amount</u>	<u>Amount Drawn</u>	<u>Balance</u>
1989	\$ 4,773,100	\$ 4,773,100	\$ -
1990	4,964,560	4,964,560	-
1991	10,821,580	10,821,580	-
1992	9,938,500	9,938,500	-
1993	9,830,300	9,830,300	-
1994	6,061,600	6,061,600	-
1995	6,263,600	6,263,600	-
1996	10,319,661	10,319,661	-
1997	3,119,900	3,119,900	-
1998	7,019,996	7,019,996	-
1999	6,857,600	6,857,600	-
2000	6,834,000	6,834,000	-
2001	6,797,400	6,797,400	-
2002	6,855,000	6,855,000	-
2003	7,069,900	7,069,900	-
2004	6,747,100	6,747,100	-
2005	5,467,300	5,467,300	-
2006	4,424,300	4,424,300	-
2007	5,429,600	5,429,600	-
2008	3,415,700	3,415,700	-

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. Capital Contributions (Concluded)

Federal Fiscal Year Available	Grant Amount	Amount Drawn	Balance
2009 - ARRA	\$ 20,045,000	\$ 20,045,000	\$ -
2009	3,415,700	3,415,700	-
2010	10,422,000	9,701,660	720,340
2011	7,529,000	5,001,782	2,527,218
2012	7,075,582	678,867	6,396,715
TOTAL	\$ 181,497,979	\$ 171,853,706	\$ 9,644,273

The 2012 grant was delayed and was not awarded until August 14, 2012, after the end of State fiscal year 2012.

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

Contributed Capital July 1, 2012	\$ 166,411,195
Contributed During the Year – Funds from EPA	6,514,427
Contributed Capital June 30, 2013	<u>\$ 172,925,622</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. Included in the Funds from EPA amount is the increase in Due from Federal Government of \$116,916.

Nebraska was awarded \$20,045,000 in American Recovery and Reinvestment Act (ARRA) funds for wastewater treatment facility improvements. The ARRA funds supplemented the Program. The \$20 million in ARRA funds was blended with Nebraska's existing Program loan funds. The communities who received ARRA funding were offered a package which included: a 50% portion low-interest loan from existing State Program funding; a 25% portion no-interest loan of ARRA funds; and a 25% portion loan forgiveness of ARRA funds. ARRA required the State to use at least 50% of the ARRA funds supplied by this grant to provide additional subsidization, which the State elected to do in the form of loan forgiveness. ARRA spending was completed during fiscal year ended 2012.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. Loan Fees Administration

An annual fee of up to 1% is charged against the outstanding principal on loans to meet the long term administrative costs of the Program. The fee is collected semi-annually, billed when invoices for principal and interest payments are due, and waived for the first year of the loan. This fee is not included in the loan principal. The Director of the Program may waive this fee during construction, except on projects that only receive interim financing during construction.

8. Interest on Fund Balance – State Operating Investment Pool

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

9. Operating Expenses

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

Administrative Costs from Fees

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

4% Administrative Costs from Grants

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

Small Town Grants

Small Town Grants are made available to communities per Neb. Rev. Stat. § 81-15,151(2) (Reissue 2008) and Neb. Rev. Stat. § 81-15,153(9) (Cum. Supp. 2012), with populations of ten thousand inhabitants or less, which demonstrate serious financial hardship. The maximum amount to be awarded in Small Town Grants is set at 65% of the revenue from administrative fees collected in the prior fiscal year. The total amount of grants that can be signed into loan contracts for State fiscal year 2013 was capped at \$635,893. In the 2013 Intended Use Plan (IUP), the Agency set the upper limit of grant to each community at \$250,000 per project, concurrent with a Program loan. Projects are prioritized based on the type of project and Median Household Income of the

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9. Operating Expenses (Concluded)

community. Small Town Grants are funded with loan administration fees collected while a community is repaying its loan.

Facility Planning Grants

Facility planning grants may be provided to municipalities with populations of 10,000 or fewer inhabitants which demonstrate serious financial hardship. Municipalities with wastewater treatment facility project needs that are identified on the project priority list, have not received a grant in the past five years, and also qualify for a Small Town Grant can receive up to 90% of project costs up to a maximum of \$20,000 per project. These grants are funded through the Administrative Cash Fund.

Loan Forgiveness

The State may choose to provide additional subsidization in the form of loan forgiveness up to a maximum of \$100,000 per project to qualifying disadvantaged communities that meet the affordability criteria found in the 2013 IUP. Awarding loan forgiveness is dependent on the availability of funding from Federal capitalization grants and the total amount of funds the Program decides to allocate for forgiveness from each grant. The Program will reserve at least \$400,261 (5.5% of the capitalization grant) for forgiveness, but up to \$600,392 (8.3%) can be used for additional subsidization. The Program's authority to distribute the additional subsidization is an existing authority under the State Environmental Protection Act at Neb. Rev. Stat. § 81-1504(4) (Reissue 2008) and the Wastewater Treatment Facilities Construction Assistance Act at Neb. Rev. Stat. § 81-15,150 (Reissue 2008). Together, these statutes allow the Program to accept and expend federal grants for projects described in these references. Loan forgiveness discharges the community from repaying that portion of the principal amount of its loan under the terms and conditions of the loan contract.

10. State Employees Retirement Plan (Plan)

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

All permanent full-time employees are required to begin participation in the retirement system upon employment. All permanent part-time employees, who have attained the age of eighteen 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, 2013, employees contributed \$21,442, and the Agency contributed \$33,449. A separate plan report is issued and can be obtained from the Nebraska Public Employees Retirement System. This report contains full pension-related disclosures.

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

11. Contingencies and Commitments

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

- A. Motor vehicle liability, which is insured for the first \$5,000,000 of exposure per accident with a self-insured retention of \$300,000 per accident, except for accidents involving vehicular pursuit, which have a \$1,000,000 self-insured retention per accident. Insurance is also purchased, with various limits and deductibles, for physical damage and uninsured and underinsured motorists. State agencies have the option to purchase coverage for physical damage to vehicles.
- B. Life insurance for eligible employees.
- C. Crime coverage, with a limit of \$31,000,000 for each loss, and a \$25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.
- D. Real and personal property on a blanket basis for losses up to \$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)

11. 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.

12. Restatement of Beginning Net Position

Beginning Net Position on the Statement of Revenues, Expenses, and Changes in Net Position decreased by \$77,023 to reflect fiscal year ended 2012 unrecorded expenses of \$492,019 and a related receivable, Due from Federal Government, of \$414,996 that had not been reflected in the prior year.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov

PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

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

INDEPENDENT AUDITOR'S REPORT

Nebraska Department of Environmental Quality
Lincoln, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program's basic financial statements, and have issued our report thereon dated April 11, 2014.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

The Nebraska Department of Environmental Quality's Response to the Finding

We noted a certain matter 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 (Transparency Act Reporting).

The Nebraska Department of Environmental Quality's response to the finding identified in our audit is described in the accompanying Comments Section of this report. The Nebraska Department of Environmental Quality's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

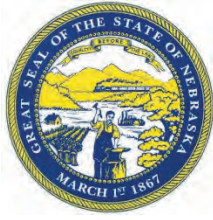
Purpose of this Report

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

Lincoln, Nebraska
April 11, 2014



Don Dunlap, CPA
Assistant Deputy Auditor



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

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**

INDEPENDENT AUDITOR'S REPORT

Nebraska Department of Environmental Quality
Lincoln, Nebraska

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

We have audited the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program's compliance with the types of compliance requirements described in the *U.S. Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs* that could have a direct and material effect on the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program for the year ended June 30, 2013. 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; Davis Bacon; State Matching; Period of Availability of Funds; Suspension and Debarment; Program Income; Reporting; Subrecipient Monitoring; and Special Tests and Provisions.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *U.S. Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs*. Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program occurred. An audit includes examining, on a test basis, evidence about the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is 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 is described in the Comments Section of this report as Comment Number 1 (Transparency Act Reporting). Our opinion on the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program is not modified with respect to this matter.

The Nebraska Department of Environmental Quality's response to the noncompliance finding identified in our audit is described in the accompanying Comments Section. The Nebraska Department of Environmental Quality's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program's internal control over compliance with the types of requirements that could have a direct and material effect on the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program and to test and report on internal control over compliance in accordance with the *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 Nebraska Department of Environmental Quality – Clean Water State Revolving Fund Program's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *U.S. Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs*. Accordingly, this report is not suitable for any other purpose.

Lincoln, Nebraska
April 11, 2014



Don Dunlap, CPA
Assistant Deputy Auditor

ATTACHMENT 6

**Summary Loan List
Summary Report**

CW Benefits Summary Loan List for Nebraska

System Number	Recipient	Tracking Number	Assistance Amount	Initial Agreement
NE 131	Gothenburg, City of	C317781	2,233,400	12/16/2013
NE 147	Kearney, City of	C317865	1,200,000	3/25/2014
NE 133	Mead, Village of	C317854	1,076,836	11/22/2013
NE 135	Omaha, City of	C317734	40,000,000	11/18/2013
NE 148	Spencer, Village of	C317363	156,000	4/11/2014
NE 150	Sprague, Village of	C317897	100,000	6/26/2014
NE 151	Winside, Village of	C317827	0	6/20/2014
Total for all 7 Loans			44,766,236	

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	44.8	7	44.8		7	0.1	63	7
Records with Benefits Data	44.7	5	44.7	19.2	5	0.1	63	5
Impacting Human Health	43.4	3	43.4	18.8	3	0.1	62	3
	97%	60%	97%		60%	3,226	People Served per \$million	60%
With Impaired Waterbody			43.4	18.8	3	0.1	62	3
			97%		60%	3,223	People Served per \$million	60%
With Waterbody Meeting Standards			0.2	0.1	1			
To Improve Water Quality			41.2	18.0	3			
To Maintain Water Quality			2.2	0.8	1			
To Achieve Compliance			40.0	17.6	1			
To Maintain Compliance			3.3	1.1	2			