

# Financial Statements

## Clean Water State Revolving Fund & Drinking Water State Revolving Fund

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(Unaudited)

**FINAL**

**For the Period:  
July 1, 2018 to June 30, 2019**



NEVADA DIVISION OF  
**ENVIRONMENTAL  
PROTECTION**



Nevada Department of  
**CONSERVATION &  
NATURAL RESOURCES**

This financial report is designed to provide a general overview of the finances of the Nevada Clean Water State Revolving Fund and the Nevada Drinking Water State Revolving Fund. It was created to comply with disclosure and accountability requirements of the U.S. Environmental Protection Agency.

**Note:** These Financial Statements are assembled from the audited State of Nevada Comprehensive Annual Financial Report ending June 30, 2019. These statements are not independently audited.

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## List of Acronyms

|        |   |
|--------|---|
| CAFR   | Nevada Comprehensive Annual Financial Report            |
| CFDA   | Catalog of Federal Domestic Assistance (grant number)   |
| CWA    | The Federal Clean Water Act of 1987, as amended         |
| CWSRF  | Clean Water State Revolving Fund                        |
| NVDCNR | Nevada Department of Conservation and Natural Resources |
| DWSRF  | Drinking Water State Revolving Fund                     |
| EPA    | Environmental Protection Agency                         |
| GASB   | Government Accounting Standards Board                   |
| NDEP   | Nevada Division of Environmental Protection             |
| NRS    | Nevada Revised Statutes                                 |
| OFA    | The Office of Financial Assistance                      |
| PEBP   | Public Employee's Benefits Program                      |
| PERS   | Public Employee's Retirement System                     |
| SDWA   | The Federal Safe Drinking Water Act of 1997, as amended |
| SFY    | State of Nevada Fiscal Year (July 1 to June 30)         |
| SRF    | State Revolving Fund                                    |

# Management's Discussion and Analysis

## Formation of the Nevada Clean Water Program

The Clean Water Program — short for the Nevada Clean Water State Revolving Fund Program (CWSRF) — was established pursuant to Title VI of the Federal Water Quality Act of 1987, the Clean Water Act (CWA), and Nevada Revised Statute 445A.060. The purpose of the Clean Water Program is to provide low interest loans to local governments for constructing wastewater treatment facilities and projects to reduce non-point source pollution.

## Formation of the Nevada Drinking Water Program

The Drinking Water Program — short for Nevada Drinking Water State Revolving Fund Program (DWSRF) — was established in 1997 pursuant to the federal Safe Drinking Water Act (SDWA) and Nevada Revised Statutes 445A.200 - 445A.295. The Drinking Water Program was established to provide assistance to Nevada's public water systems for projects that meet the eligibility requirements of the SDWA.

## Administration

The programs are administered by the State of Nevada's Department of Conservation and Natural Resources, Division of Environmental Protection (NDEP), which has developed policies and procedures to administer the programs' objectives and to comply with the CWA, the SDWA, and state statutes. NDEP determines funding levels of the programs' activities, approves loan applicants based upon financial capacity, and prepares lists that prioritize projects that are necessary to meet compliance-related requirements or otherwise significantly further the health protection objectives of the CWA or SDWA. NDEP staff also reviews project engineering reports and management functions to ensure the project can meet its technical, financial, and managerial requirements.

NDEP has a small professional staff — the Office of Financial Assistance — dedicated primarily to administering the Clean Water and Drinking Water programs. The allocated portion of salaries and benefits of employees for time spent working on each program, as well as indirect costs based on payroll costs, are charged to the respective program. Employees charging time to the programs are covered by the State of Nevada Public Employees' Benefit Program and the Public Employees' Retirement System (PERS).

## Annual Financial Report

These financial statements for the programs reflect information from the Nevada Comprehensive Annual Financial Report (CAFR). All financial data is presented on one fiscal year — from July 1, 2018 to June 30, 2019. The programs are an integral component of the state governmental structure. Together with the Brownfields Revolving Fund programs, the Clean Water and Drinking Water programs are presented on the CAFR as a major enterprise fund called Water Projects Loans. The financial statements are intended to give the U.S. Environmental Protection Agency a financial picture of the programs' current positions and activities over the last fiscal year. This document includes the following three statements:

**Statement of Net Assets:** gives an overview of the programs' positions as of June 30, 2019. The statement includes assets held or expected to be received, liabilities due or

payable, and the net position of the programs.

**Statement of Revenues, Expenses and Changes in Net Assets:** shows the programs' activities for SFY 2019. It includes operating income and expenses, as well as non-operating changes to net position.

**Statement of Cash Flows:** expresses the programs' cash flows from operations, non-capital financing, capital related financing, and investing activities for SFY 2019.

## Clean Water Program Highlights

- ◆ Nevada provided assistance to the following entities within SFY 2019:

| Community Name/Project           | Population | Project Description           | Total            | Funding    |
|----------------------------------|------------|-------------------------------|------------------|------------|
| Churchill County                 | 75         | Septic to Sewer Consolidation | 330,075          | 11/28/2018 |
| Churchill County                 | 75         | Septic to Sewer Consolidation | 1,075,000        | 2/19/2019  |
| <b>Total SFY2019 Commitments</b> |            |                               | <b>1,405,075</b> |            |

- ◆ To date, Nevada has obligated:

|                          |   |               |
|--------------------------|---|---------------|
| Repayment Loans          | 68  | \$500,487,523 |
| Principal Forgiven Loans | 25  | \$20,927,429  |
| Total Loans              | 93  | \$521,414,952 |
| Communities Supported    | 43  |               |
| Contract amount range    | \$43,005 to \$49.99 million                 |               |
| Interest rate range      | 0.00% to 4.00% (based on market conditions) |               |

## Drinking Water Program Highlights

- ◆ Nevada provided assistance to the following entities in SFY 2019:

|   |       |   |                  |           |
|---|-------|---|------------------|-----------|
| Humboldt County (McDermitt)                             | 200   | Arsenic Compliance                              | 568,800          | 4/17/2019 |
| Mount Rose Bowl POWC                                    | 40    | LOC Compliance                                  | 500,000          | 4/17/2019 |
| Humboldt County (Star City)                             | 360   | Consolidation and System Improvements           | 575,000          | 4/17/2019 |
| Washoe County School District (Verdi Elementary School) | 250   | Removal of arsenic treatment at a public school | 500,000          | 6/25/2019 |
| Beatty Water and Sanitation District                    | 1,010 | PER for arsenic & Flouride                      | 85,000           | 6/25/2019 |
| Silver Springs Mutual Water Company                     | 3,070 | Rehabilitation of storage tank                  | 279,270          | 6/25/2019 |
| Beatty Water and Sanitation District                    | 1,010 | Pipeline replacement                            | 475,000          | 6/25/2019 |
| West Wendover, City of                                  | 4,406 | Refinancing USDA debt                           | 2,200,000        | 4/17/2019 |
| <b>Total SFY2019 Commitments</b>                        |       |   | <b>5,183,070</b> |           |

- ◆ To date, Nevada has obligated:

|                          |   |               |
|--------------------------|---|---------------|
| Repayment Loans          | 68  | \$264,038,727 |
| Principal Forgiven Loans | 56  | \$57,979,873  |
| Total Loans              | 124   | \$322,018,600 |
| Communities Supported    | 71  |               |
| Contract amount range    | \$20,000 to \$23.7 million                  |               |
| Interest rate range      | 0.00% to 4.03% (based on market conditions) |               |

## Summary of Net Assets

The Clean Water Program remained relatively neutral in state fiscal year 2019. Borrowers repaid their loans timely, the program did not issue any additional debt, and operations were relatively smooth. The program did not have any large draw requests from borrowers that significantly impacted cash reserves. Changes in payables are due to the timing of payments between fiscal years only and not due to any extenuating circumstances.

| Clean Water Statement of Net Assets                 |                       |                       |             |
|---|-----------------------|-----------------------|-------------|
|   | SFY 2019              | SFY 2018              | Change      |
| Cash and pooled investments                         | \$ 47,104,450         | \$ 29,501,927         | 59.7%       |
| Loan interest                                       | \$ 2,650,743          | \$ 2,851,949          | -7.1%       |
| Loan Principal                                      | \$ 236,885,090        | \$ 253,723,492        | -6.6%       |
| Federal Government                                  | \$ -                  | \$ -                  |             |
| Other assets  | \$ 392,008            | \$ 210,156            |             |
| Deferred amounts                                    | \$ 157,828            | \$ 345,563            | -54.3%      |
| <b>Total Assets and Deferred Amounts</b>            | <b>\$ 287,190,118</b> | <b>\$ 286,633,087</b> | <b>0.2%</b> |
| Payroll, Pension and Benefits                       | \$ 296,709            | \$ 293,489            | 1.1%        |
| Administration                                      | \$ 3,548              | \$ 4,897              | -27.6%      |
| Bond Interest                                       | \$ 438,805            | \$ 585,011            | -25.0%      |
| Bonds Payable                                       | \$ 24,511,292         | \$ 32,813,442         | -25.3%      |
| Other Payables                                      | \$ -                  | \$ -                  |             |
| Deferred Amounts                                    | \$ 19,029             | \$ 21,864             | -13.0%      |
| Net Assets  | \$ 261,920,736        | \$ 252,914,383        | 3.6%        |
| <b>Liabilities, net assets and deferred amounts</b> | <b>\$ 287,190,118</b> | <b>\$ 286,633,087</b> | <b>0.2%</b> |

The Drinking Water Program increased cash and loans receivable in state fiscal year 2019. The program started the fiscal year off with a refinancing that quickly moved \$10 million out of the program. Borrowers repaid their loans timely, the program did not issue any additional debt, and operations were relatively smooth. Changes in payables are due to the timing of payments between fiscal years only and not due to any extenuating circumstances.

| Drinking Water Statement of Net Assets              |                       |                       |             |
|---|-----------------------|-----------------------|-------------|
|   | SFY 2019              | SFY 2018              | Change      |
| Cash and pooled investments                         | \$ 49,975,101         | \$ 44,125,017         | 13.3%       |
| Loan interest                                       | \$ 1,887,381          | \$ 1,854,489          | 1.8%        |
| Loan Principal                                      | \$ 162,069,383        | \$ 154,742,277        | 4.7%        |
| Federal Government                                  | \$ 230,088            | \$ 342,101            | -32.7%      |
| Other assets  | \$ 478,151            | \$ 312,895            | 52.8%       |
| Deferred amounts                                    | \$ 143,852            | \$ 193,746            | -25.8%      |
| <b>Total Assets and Deferred Amounts</b>            | <b>\$ 214,783,955</b> | <b>\$ 201,570,526</b> | <b>6.6%</b> |
| Payroll, Pension and Benefits                       | \$ 573,772            | \$ 601,365            | -4.6%       |
| Administration                                      | \$ 158,922            | \$ 322,210            | -50.7%      |
| Bond Interest                                       | \$ 235,337            | \$ 273,539            | -14.0%      |
| Bonds Payable                                       | \$ 17,980,757         | \$ 21,526,570         | -16.5%      |
| Other Payables                                      | \$ -                  | \$ -                  |             |
| Deferred Amounts                                    | \$ 38,444             | \$ 38,970             | -1.3%       |
| Net Assets  | \$ 195,796,723        | \$ 178,807,872        | 9.5%        |
| <b>Liabilities, net assets and deferred amounts</b> | <b>\$ 214,783,955</b> | <b>\$ 201,570,526</b> | <b>6.6%</b> |

## Summary of Revenues, Expenses, and Changes in Net Assets

Income from loan interest for the Clean Water Program increased from SFY 2018. No service fee revenue was received as the only borrowers were principal forgiveness loan recipients. Non-operating revenues (expenses) decreased primarily because the program received fewer federal grants for capitalization despite the significant increase in investment earnings received from the State Treasurer's Office.

| Clean Water Statement of Revenues Expenses and Change in Net Assets |                     |                  |              |
|---|---------------------|------------------|--------------|
|   | SFY 2019            | SFY 2018         | Change       |
| Operating Revenues  | \$ 5,437,470        | 5,705,674        | -4.7%        |
| Operating Expenses  | \$ 834,798          | 2,745,936        | -69.6%       |
| <b>Operating Income</b>   | <b>\$ 4,602,671</b> | <b>2,959,738</b> | <b>55.5%</b> |
| Non-operating revenues (expenses)                                   | \$ 4,403,680        | 6,233,745        | -29.4%       |
| <b>Change in Net Assets</b>   | <b>\$ 9,006,352</b> | <b>9,193,483</b> | <b>-2.0%</b> |

Income from loan interest and federal grants for the Drinking Water Program increased from SFY 2018. Non-operating revenues (expenses) significantly increased primarily because the program received more federal grants for capitalization and investment earnings from the State Treasurer's Office.

| Drinking Water Statement of Revenues Expenses and Change in Net Assets |                      |                  |               |
|--|----------------------|------------------|---------------|
|  | SFY 2019             | SFY 2018         | Change        |
| Operating Revenues   | \$ 6,604,143         | 6,678,742        | -1.1%         |
| Operating Expenses   | \$ 2,258,664         | 2,831,441        | -20.2%        |
| <b>Operating Income</b>  | <b>\$ 4,345,478</b>  | <b>3,847,301</b> | <b>12.9%</b>  |
| Non-operating revenues (expenses)                                      | \$ 12,643,372        | 4,236,095        | 198.5%        |
| <b>Change in Net Assets</b>  | <b>\$ 16,988,851</b> | <b>8,083,396</b> | <b>110.2%</b> |

## Summary of Cash Flows

Cash from operations in the Clean Water Program significantly increased primarily due a lack of new loans being issued in the fiscal year. This also affected the amount of federal grants requested for capitalization of the program. The change in investing activities for the Clean Water Program is a direct result of interest received from the State Treasurer's Office and the fair value of market security changes within the year.

| Clean Water Statement of Cash Flows             |                       |                        |                |
|---|-----------------------|------------------------|----------------|
|   | SFY 2019              | SFY 2018               | Change         |
| Operating Revenues                              | \$ 26,713,040         | \$ 23,567,498          | 13.3%          |
| Operating Expenses                              | \$ (5,076,457)        | \$ (56,755,313)        | -91.1%         |
| <b>Change in Cash from operations</b>           | <b>\$ 21,636,582</b>  | <b>\$ (33,187,816)</b> | <b>-165.2%</b> |
| Non-capital related Financing Revenues          | \$ 4,137,781          | \$ 10,598,634          | -61.0%         |
| Non-capital related Financing Expenses          | \$ (9,001,825)        | \$ (7,630,230)         | 18.0%          |
| Capital related Financing Revenues              |                       |                        |                |
| Capital related Financing Expenses              |                       |                        |                |
| <b>Change in cash from financing activities</b> | <b>\$ (4,864,044)</b> | <b>\$ 2,968,403</b>    | <b>-263.9%</b> |
| Investing Activities                            | \$ 829,985            | 696,378                | 19.2%          |
| <b>Change in Cash</b>                           | <b>\$ 17,602,523</b>  | <b>\$ (29,523,034)</b> | <b>-159.6%</b> |



Cash from operations in the Drinking Water Program decreased from SFY 2018 primarily because the program disbursed more cash to loan recipients. The change in investing activities for the Drinking Water Program is a direct result of interest received from the State Treasurer's Office and the fair value of market security changes within the year.

| <b>Drinking Water Statement of Cash Flows</b>   |           |                    |           |                   |                |
|---|-----------|--------------------|-----------|-------------------|----------------|
|   | SFY 2019  |                    | SFY 2018  |                   | Change         |
| Operating Revenues                              | \$        | 18,603,063         | \$        | 16,791,135        | 10.8%          |
| Operating Expenses                              | \$        | (21,583,181)       | \$        | (13,900,685)      | 55.3%          |
| <b>Change in Cash from operations</b>           | <b>\$</b> | <b>(2,980,119)</b> | <b>\$</b> | <b>2,890,450</b>  | <b>-203.1%</b> |
| Non-capital related Financing Revenues          | \$        | 13,734,648         | \$        | 12,814,393        | 7.2%           |
| Non-capital related Financing Expenses          | \$        | (5,936,515)        | \$        | (5,668,373)       | 4.7%           |
| Capital related Financing Revenues              |           |                    |           |                   |                |
| Capital related Financing Expenses              |           |                    |           |                   |                |
| <b>Change in cash from financing activities</b> | <b>\$</b> | <b>7,798,133</b>   | <b>\$</b> | <b>7,146,021</b>  | <b>9.1%</b>    |
| Investing Activities                            | \$        | 1,032,069          |           | 526,875           | 95.9%          |
| <b>Change in Cash</b>                           | <b>\$</b> | <b>5,850,083</b>   | <b>\$</b> | <b>10,563,346</b> | <b>-44.6%</b>  |

## Capital Assets Information

At the end of the fiscal year, the Drinking Water Program's sole asset, a Chevrolet Tahoe, remained in the program. Since this vehicle is fully depreciated, the Clean Water Program has no capital assets to depreciate.

## Debt Information

The Clean Water Program remains current on all bond repayments and maintains a debt service coverage ratio of 5.81 for leverage bonds and 19.58 for match bonds. As of June 30, 2019, the total outstanding par balance on all debt issued by the Clean Water Program was \$23,845,000. The CWSRF subsequently issued the 2019D Bond to match federal funds as required by the grants and the 2019E Bond to leverage the program for upcoming projects. (See note 11, "Subsequent Events").

The Drinking Water Program also remains current on all bond repayments and maintains a debt service coverage ratio of 4.26 for match bonds. No leverage bonds have been issued in the program. As of June 30, 2019, the total outstanding par balance on all debt issued by the program was \$17,575,000,000. The Drinking Water Program issued the 2019D Bond to match federal funds as required by the grants. (See note 11, "Subsequent Events").

## Clean Water Budget Information

The Clean Water Program is authorized to use up to 4% of the cumulative amount of capitalization grants for administrative purposes. EPA reviews and approves proposed budgets in the grant application for the respective grants. The Clean Water Program began using service fees to pay administration expenses in SFY 2018.

| Administration                      | Grant Authorized | Nevada Requested    | SFY 2019 Spending | SFY 2018 Spending |
|-------------------------------------|------------------|---------------------|-------------------|-------------------|
| Amount of Cumulative Grant Funds    | up to 4%         | 2.2%                |                   |                   |
| Amount of Cumulative Grant Funds    | \$ 8,575,616     | \$ 4,675,870        | -                 | -                 |
| <b>Available for Administration</b> | <b>up to 4%</b>  | <b>\$ 3,899,746</b> | <b>\$ -</b>       | <b>\$ -</b>       |

| Grant Number and CFDA    | Award Amount            | For Loans in FY2019    | For Administration in FY2019 | Available for Future Draws |
|--------------------------|-------------------------|------------------------|------------------------------|----------------------------|
| CS-32000117 66.458       | \$ 6,474,000.00         | \$ -                   | \$ -                         | \$ -                       |
| CS-32000118 66.458       | 7,859,000.00            | 4,137,780.72           | -                            | 3,721,219.28               |
|                          |                         |                        | -                            | -                          |
| <b>Total Grant Funds</b> | <b>\$ 14,333,000.00</b> | <b>\$ 4,137,780.72</b> | <b>\$ -</b>                  | <b>\$ 3,721,219.28</b>     |

## Drinking Water Budget Information

The Drinking Water Program is authorized to use a portion of capitalization grants for administrative and set-aside purposes. The program can use up to 31% of each federal award for administering the grants and managing SDWA-required activities that continue ongoing education, training, and assistance to small systems, operators, and local communities. Nevada has historically requested fewer funds in these programs to ensure more dollars go directly to projects authorized under the SDWA.

| Set-Aside Program                                   | Grant Authorized | Nevada Requested | SFY 2019 Spending   | SFY 2018 Spending   |
|---|------------------|------------------|---------------------|---------------------|
| <b>2% Small Systems Assistance</b>                  |                  |                  |                     |                     |
| Amount of Cumulative Grant Funds                    | up to 2%         | 1.65%            |                     |                     |
| Amount of Cumulative Grant Funds                    | 4,592,010        | 3,778,165        | 198,643             | 226,122             |
| Banked Authority                                    |                  | 813,845          |                     |                     |
| <b>4% Administration</b>                            |                  |                  |                     |                     |
| Amount of Cumulative Grant Funds                    | up to 4%         | 3.00%            |                     |                     |
| Amount of Cumulative Grant Funds                    | \$ 9,184,020     | \$ 6,883,434     | 361,283             | 355,237             |
| Banked Authority                                    |                  | \$ 2,300,586     |                     |                     |
| <b>10% Public Water System Supervision</b>          |                  |                  |                     |                     |
| Amount of Cumulative Grant Funds                    | up to 10%        | 7.2%             |                     |                     |
| Amount of Cumulative Grant Funds                    | 22,960,050       | 16,622,512       | 1,156,525           | 1,266,932           |
| Banked Authority                                    |                  | 6,337,538        |                     |                     |
| <b>15% Local Assistance and Wellhead Protection</b> |                  |                  |                     |                     |
| Amount of Cumulative Grant Funds                    | up to 15%        | 7.3%             |                     |                     |
| Amount of Cumulative Grant Funds                    | 34,440,075       | 16,789,385       | 798,111             | 955,085             |
| Not used for Local Assistance (Used for loans)      |                  | 17,650,690       |                     |                     |
| <b>Total administration and set-aside funding</b>   | <b>up to 31%</b> | <b>19.2%</b>     | <b>\$ 2,514,563</b> | <b>\$ 2,803,377</b> |

| Grant Number and CFDA    | Award Amount            | For Loans in SFY 2019   | For Set-Aside Activities in SFY2019 | Available for Future Draws |
|--------------------------|-------------------------|-------------------------|-------------------------------------|----------------------------|
| FS 99996016 66.468       | \$ 11,854,000.00        | \$ 267,700.00           | \$ 115,205.81                       | \$ -                       |
| FS 99996017 66.468       | 11,753,000              | 4,135,194.10            | 2,343,141.76                        | 101,140.67                 |
| FS 99996018 66.468       | 12,876,000              | 9,326,629.00            | 56,215.02                           | 3,430,705.98               |
| <b>Total Grant Funds</b> | <b>\$ 36,483,000.00</b> | <b>\$ 13,729,523.10</b> | <b>\$ 2,514,562.59</b>              | <b>\$ 3,531,846.65</b>     |

## Nevada Information

A November 2019 report by the Nevada Department of Employment, Training, and Rehabilitation (prior to the release of this financial statement) indicated that total employment rose by 2.2% over the calendar year with unemployment in September 2019 at 4.1%. Nevada ranks third in the nation for employer growth through the second quarter of 2019. The full report is available for review at the following link: [https://detr.nv.gov/Page/Press\\_Releases](https://detr.nv.gov/Page/Press_Releases)

The 80<sup>th</sup> session of the Nevada Legislature convened on February 4, 2019, resulting in no notable legislation that impacted the Clean Water or Drinking Water programs. Sessions of the Legislature are biennial, occurring during odd number years. The 81<sup>st</sup> session of the Nevada Legislature will convene in SFY 2021.

# Statement of Net Assets

| Statement of Net Assets                                 | Clean Water Program   |                       | Drinking Water Program |                       |
|---|-----------------------|-----------------------|------------------------|-----------------------|
|   | as of June 30         |                       | as of June 30          |                       |
|   | 2019                  | 2018                  | 2019                   | 2018                  |
| <b>Current Assets</b>                                   |                       |                       |                        |                       |
| Cash and pooled investments                             | \$ 47,104,450         | \$ 29,501,927         | \$ 49,975,101          | \$ 44,125,017         |
| Federal grants receivable                               |                       | -                     | 230,088                | 342,101               |
| Loan interest receivable                                | 2,650,743             | 2,851,949             | 1,887,381              | 1,854,489             |
| Investment interest receivable                          | 391,832               | 210,156               | 477,865                | 312,895               |
| Loans receivable  | 21,428,603            | 21,027,239            | 11,679,835             | 11,522,051            |
| Net allowance for doubtful accounts                     |                       | -                     | (196,913)              | (196,913)             |
| Due from other state funds                              |                       | -                     |                        | -                     |
| Prepaid Insurance                                       | 175                   | -                     | 286                    | -                     |
| Total current assets                                    | 71,575,803            | 53,591,271            | 64,053,643             | 57,959,641            |
| <b>Non-current assets</b>                               |                       |                       |                        |                       |
| Loan principal <sup>A</sup>                             | 215,456,487           | 232,696,253           | 150,586,461            | 143,417,139           |
| Total non-current assets                                | 215,456,487           | 232,696,253           | 150,586,461            | 143,417,139           |
| <b>Total Assets</b>                                     | <b>287,032,290</b>    | <b>286,287,524</b>    | <b>214,640,104</b>     | <b>201,376,780</b>    |
| <b>Deferred amounts</b>                                 |                       |                       |                        |                       |
| Deferred amount on bond refunding                       | 122,364               | 312,391               | 69,539                 | 119,595               |
| Deferred OPEB Outflow s                                 | 2,619                 | 2,536                 | 4,274                  | 4,137                 |
| Deferred pension related outflow s                      | 32,845                | 30,636                | 70,039                 | 70,013                |
| <b>Total deferred amounts</b>                           | <b>157,828</b>        | <b>345,563</b>        | <b>143,852</b>         | <b>193,746</b>        |
| <b>Total Assets and deferred amounts</b>                | <b>\$ 287,190,118</b> | <b>\$ 286,633,087</b> | <b>\$ 214,783,955</b>  | <b>\$ 201,570,526</b> |
| <b>Current Liabilities</b>                              |                       |                       |                        |                       |
| Payroll and benefits                                    | 18,403                | 16,131                | 29,204                 | 26,509                |
| Administration  | 634                   | 44                    | 29,245                 | 76,827                |
| Set-aside activities                                    |                       |                       | 125,363                | -                     |
| Bond interest   | 438,805               | 585,011               | 235,337                | 273,539               |
| Due to other state funds                                | 2,914                 | 4,854                 | 4,314                  | 245,383               |
| Intergovernmental Payables                              |                       |                       |                        |                       |
| Loans to sub-recipients <sup>A</sup>                    |                       |                       |                        |                       |
| Bond principal <sup>A</sup>                             | 8,440,675             | 8,302,151             | 2,748,637              | 3,545,813             |
| Total current liabilities                               | 8,901,431             | 8,908,191             | 3,172,100              | 4,168,070             |
| <b>Non-current Liabilities</b>                          |                       |                       |                        |                       |
| Bond principal <sup>A</sup>                             | 16,070,616            | 24,511,292            | 15,232,120             | 17,980,757            |
| Payroll and benefits                                    | 5,234                 | 4,332                 | 8,540                  | 7,069                 |
| Pension Obligations                                     | 189,192               | 187,664               | 399,173                | 428,511               |
| OPEB Obligations  | 83,879                | 85,362                | 136,856                | 139,276               |
| Total non-current liabilities                           | 16,348,922            | 24,788,650            | 15,776,689             | 18,555,613            |
| <b>Total Liabilities</b>                                | <b>25,250,353</b>     | <b>33,696,840</b>     | <b>18,948,789</b>      | <b>22,723,684</b>     |
| <b>Deferred amounts</b>                                 |                       |                       |                        |                       |
| Deferred OPEB Inflow s                                  | 5,624                 | 5,313                 | 9,177                  | 8,668                 |
| Deferred pension related inflow s                       | 13,404                | 16,551                | 29,267                 | 30,301                |
| <b>Total deferred amounts</b>                           | <b>19,029</b>         | <b>21,864</b>         | <b>38,444</b>          | <b>38,970</b>         |
| Net Assets, restricted for revolving loans <sup>A</sup> | 261,920,736           | 252,914,383           | 195,796,723            | 178,807,872           |
| <b>Total Liabilities and Net Assets</b>                 | <b>\$ 287,190,118</b> | <b>\$ 286,633,087</b> | <b>\$ 214,783,955</b>  | <b>\$ 201,570,526</b> |

The notes to the financial statements are an integral part of this statement.

Data compiled from the Nevada CAFR. This report is not independently audited.

# Statement of Revenues, Expenses and Changes in Net Assets

| Statement of Revenues,<br>Expenses and Changes<br>in Net Assets | Clean Water Program                  |                | Drinking Water Program               |                |
|---|--------------------------------------|----------------|--------------------------------------|----------------|
|   | For State Fiscal year ending June 30 |                | For State Fiscal year ending June 30 |                |
|   | 2019                                 | 2018           | 2019                                 | 2018           |
| <b>Operating Activities</b>                                     |                                      |                |                                      |                |
| Revenues  |                                      |                |                                      |                |
| Service fees  |                                      | \$ 304,990     |                                      | \$ -           |
| Federal grants for set-aside activities                         |                                      | -              | 2,514,565                            | 2,803,377      |
| Loan interest   | 5,437,470                            | 5,400,684      | 4,089,578                            | 3,875,365      |
| Other   |                                      |                |                                      |                |
| <b>Total operating revenue</b>                                  | 5,437,470                            | 5,705,674      | 6,604,143                            | 6,678,742      |
| Expenses  |                                      |                |                                      |                |
| Salaries and benefits   | 138,696                              | 81,255         | 252,694                              | 122,898        |
| Administration  | 73,197                               | 66,757         | 452,763                              | 561,372        |
| Principal forgiveness disbursements                             | 622,905                              | 2,527,550      | 1,553,208                            | 2,015,653      |
| Bond issuance costs   | -                                    | 70,374         | -                                    | 131,519        |
| <b>Total operating Expenses</b>                                 | 834,798                              | 2,745,936      | 2,258,664                            | 2,831,441      |
| <b>Net Income (loss) from Operating Activities</b>              | 4,602,671                            | 2,959,738      | 4,345,478                            | 3,847,301      |
| <b>Non-operating revenues (expenses)</b>                        |                                      |                |                                      |                |
| Federal Grants for Capitalization                               | 4,137,781                            | 6,517,558      | 13,729,523                           | 6,074,977      |
| Investment Income   | 1,009,395                            | 628,280        | 1,199,681                            | 673,234        |
| Proceeds from the Sale of Assets                                | -                                    | -              | -                                    | -              |
| Interest payable on bonds                                       | (743,495)                            | (912,093)      | (505,792)                            | (527,218)      |
| Transfers For Set-Aside Activities                              | -                                    | -              | (1,780,040)                          | (1,984,897)    |
| Escrow Refunds  | -                                    | -              | -                                    | -              |
| <b>Total non-operating revenues (expenses)</b>                  | 4,403,680                            | 6,233,745      | 12,643,372                           | 4,236,095      |
| <b>Change in net assets</b>                                     | 9,006,352                            | 9,193,484      | 16,988,851                           | 8,083,396      |
| <b>Net assets, July 1<sup>A</sup></b>                           | 252,914,384                          | 243,720,900    | 178,807,872                          | 170,724,476    |
| <b>Net assets, June 30</b>                                      | \$ 261,920,736                       | \$ 252,914,384 | \$ 195,796,723                       | \$ 178,807,872 |

The notes to the financial statements are an integral part of this statement.

Data compiled from the Nevada CAFR. This report is not independently audited.

## Statement of Cash Flows

| Statement of Cash Flows   | Clean Water Program                  |                      | Drinking Water Program |                      |
|---|--------------------------------------|----------------------|------------------------|----------------------|
|   | For State Fiscal year ending June 30 |                      |                        |                      |
|   | 2019                                 | 2018                 | 2019                   | 2018                 |
| <b><u>Cash flows from operating activities</u></b>                              |                                      |                      |                        |                      |
| Receipt of service fees   |                                      | \$ 304,990           |                        | \$ -                 |
| Receipts of principal on loans  | 21,074,364                           | 18,261,035           | 11,919,799             | 9,932,316            |
| Receipts of interest on loans   | 5,638,676                            | 4,950,847            | 4,056,686              | 3,801,529            |
| Receipts from federal government  | -                                    | 50,626               | 2,626,578              | 3,057,290            |
| Disbursements of forgiven principal   | (622,905)                            | (2,527,550)          | (1,553,208)            | (2,015,653)          |
| Disbursements for employees   | (153,521)                            | (156,260)            | (272,257)              | (258,901)            |
| Disbursements for operations  | (64,069)                             | (86,225)             | (510,812)              | (519,002)            |
| Disbursements for bond administration   |                                      | (70,374)             |                        | (131,519)            |
| Disbursements to loans <sup>A</sup>   | (4,235,962)                          | (53,914,905)         | (19,246,905)           | (10,975,610)         |
| <b>Net cash provided by (used for) operating activities</b>                     | <b>21,636,582</b>                    | <b>(33,187,816)</b>  | <b>(2,980,119)</b>     | <b>2,890,450</b>     |
| <b><u>Cash flows from noncapital financing activities</u></b>                   |                                      |                      |                        |                      |
| Federal grants for capitalization   | 4,137,781                            | 6,517,558            | 13,729,523             | 6,074,977            |
| Receipts for financing assistance   | -                                    |                      | 5,125                  |                      |
| Proceeds from the sale of bonds   |                                      | 4,081,076            |                        | 6,739,417            |
| Refunds from escrow for refunding bonds   |                                      | -                    |                        | -                    |
| Disbursements on refunding bonds  |                                      | -                    |                        | -                    |
| Disbursements for bond principal  | (7,765,000)                          | (6,210,000)          | (3,425,000)            | (3,170,000)          |
| Disbursements for bond interest   | (1,236,825)                          | (1,420,230)          | (614,750)              | (518,647)            |
| Disbursements for financing assistance  |                                      | -                    | (1,896,765)            | (1,979,726)          |
| <b>Net cash provided by (used for) noncapital financing activities</b>          | <b>(4,864,044)</b>                   | <b>2,968,403</b>     | <b>7,798,133</b>       | <b>7,146,021</b>     |
| <b><u>Cash flows from capital and related financing activities</u></b>          |                                      |                      |                        |                      |
| Proceeds from the sale of assets  | -                                    | -                    | -                      | -                    |
| Disbursements for capital assets  | -                                    | -                    | -                      | -                    |
| <b>Net cash provided by (used for) capital and related financing activities</b> | <b>-</b>                             | <b>-</b>             | <b>-</b>               | <b>-</b>             |
| <b><u>Cash flows from investing activities</u></b>                              |                                      |                      |                        |                      |
| Interest, dividends and gains (losses)  | 829,985                              | 696,378              | 1,032,069              | 526,875              |
| <b>Net cash provided by (used for) investing activities</b>                     | <b>829,985</b>                       | <b>696,378</b>       | <b>1,032,069</b>       | <b>526,875</b>       |
| Net Increase (decrease in cash)   | 17,602,523                           | (29,523,034)         | 5,850,083              | 10,563,346           |
| Cash and cash equivalents, July 1   | 29,501,927                           | 59,024,961           | 44,125,017             | 33,561,671           |
| <b>Cash and cash equivalents, June 30</b>                                       | <b>\$ 47,104,450</b>                 | <b>\$ 29,501,927</b> | <b>\$ 49,975,100</b>   | <b>\$ 44,125,017</b> |

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| Reconciliation of Operating Income<br>(loss) to net change in cash from<br>operations | Clean Water Program                  |                     | Drinking Water Program               |                  |
|---|--------------------------------------|---------------------|--------------------------------------|------------------|
|   | For State Fiscal year ending June 30 |                     | For State Fiscal year ending June 30 |                  |
|   | 2019                                 | 2018                | 2019                                 | 2018             |
| Net income (loss) from operations   | 4,602,671                            | 2,959,738           | 4,345,478                            | 3,847,301        |
| Change in loan principal <sup>A</sup>   | 16,838,402                           | (35,653,870)        | (7,327,106)                          | (1,043,295)      |
| Change in loan interest   | 201,206                              | (449,837)           | (32,892)                             | (73,836)         |
| Change in receivables from federal government   | -                                    | 50,626              | 112,013                              | 253,913          |
| Change in other assets <sup>A</sup>   | (175)                                | 6                   | (286)                                | 21               |
| Change in deferred outflow s  | 2,835                                | 6,557               | (162)                                | 10,698           |
| Change in payroll and related benefits  | 3,174                                | 1,334               | 4,166                                | (272)            |
| Change in pension payable   | 1,528                                | (82,366)            | (29,339)                             | (134,387)        |
| Change in OPEB  | (1,483)                              | (2,738)             | (2,420)                              | (4,466)          |
| Change in payables for administration   | (1,350)                              | (14,967)            | (47,582)                             | 38,521           |
| Change in other liabilities   | (7,392)                              |                     | (1,464)                              |                  |
| Change in deferred inflow s   | (2,835)                              | (2,298)             | (526)                                | (3,748)          |
| Cash provided by operating activities   | <u>21,636,582</u>                    | <u>(33,187,815)</u> | <u>(2,980,119)</u>                   | <u>2,890,450</u> |

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# Note 1: Summary of Significant Accounting Policies

## Basis of Accounting

The programs compile their financial statements from the audited Nevada Comprehensive Annual Financial Report (CAFR). The CAFR presents the programs as a major enterprise fund, which follows the accrual method of accounting and economic resources measurement focus. Under this method, the program must record revenues (when earned) and expenses (when the liability is incurred).

In compiling the programs' financial statements, Nevada follows the accounting pronouncements generally accepted in the United States. The Governmental Accounting Standards Board (GASB) is recognized as the body authorized to provide such pronouncements for state and local governments. The programs have adopted GASB pronouncements, as well as statements issued by the Financial Accounting Standards Board that GASB has codified to apply to accounting for enterprise funds.

## Capital Assets

Capital assets are assets with a unit cost greater than \$5,000 and an estimated useful life of greater than one year. Capital assets are depreciated over their useful life using the straight-line method. The Clean Water Program does not have any capital assets. The Drinking Water Program's sole capital asset, a Chevrolet Tahoe SUV, was fully depreciated prior to the start of the period.

## Cash and Cash Equivalents

The Nevada state treasurer is an elected constitutional officer and part of the executive branch of the state government. The treasurer is responsible for handling all state cash as a fiscal agent for the fund. The treasurer manages a pool for investing all temporary surplus cash. The investment pool has the same general characteristics as demand deposit accounts, and invested funds are considered to be cash equivalents. In managing both programs, NDEP does not control the investment of excess cash. The statement of cash flows considers all funds deposited with the treasurer to be cash and cash equivalents regardless of actual maturities of the underlying investments. Deposits with the Nevada state treasurer are accounted for on the balance sheet as "cash with treasurer." Investment interest earnings on these deposits are received by the programs on a quarterly basis (See note 2 for more information on cash and cash equivalents).

## Loans Receivable

Loans made to systems are funded by the federal capitalization grant, state bond funds, revolving funds that have been repaid to the programs, and program earnings. The programs' loans are evidenced by a formal loan contract between NDEP and the borrower. Public borrowers must issue a bond as security for the loan. Private borrowers require additional security in the loan funds are disbursed to borrowers after they incur costs for the purposes of the loan. Federal grant funds are distributed to the State when the disbursement is made to the borrower (See note 4 and 5 for more information on loans receivable).



## Bonds Payable

The State issues state match bonds to meet its state match obligation for both the Clean Water and Drinking Water programs. The Clean Water Program has also issued leveraged bonds to accelerate the financing of certain projects beyond amounts made available by other sources. Bond premiums are amortized using the effective interest method over the life of the bonds. Refunding losses are amortized using the straight-line method over the life of the bonds. The programs follow GASB 65 requirements to expense cost of issuances at the time of sale. All bonds are backed by the full faith and credit of the State of Nevada, with the programs primarily responsible for repayment (See note 6 and 7 for more information on bonds payable).

## Compensated Absences

NDEP employees who manage the programs accrue vested annual leave at a variable rate based on years of service. Employees forfeit accumulated annual leave in excess of 240 hours at the end of a calendar year. Any employee who leaves state service is paid for all unused and un-forfeited annual leave at the employee's rate of pay at the time of separation.

Sick leave includes any approved period of paid absence granted an employee due to illness, injury, or disability. Employees accrue sick leave at the same rate of annual leave. If employees have vested more than 10 years of service with the State, they are entitled to payment for unused sick leave in excess of 30 days, which is capped based on years of service.

## Operating activities defined

The programs distinguish *program* revenues and expenses from *non-program* items. Program revenues and expenses generally result from providing services in connection with financing and administering monies for the programs. The principal program revenues are program loan interest, EPA grants set-aside for administration, and service fees. Program expenses are administrative, amortization, program loan costs, and forgivable principal expenses. All revenues and expenses not meeting this definition are reported as non-program revenues and expenses.

The Nevada CAFR defines certain activities differently than the program. The below chart summarizes these differences:

| Activity                                 | Nevada CAFR          | Program Statements       |
|--|----------------------|--------------------------|
| EPA Capitalization Grants                | Operating Activities | Non-Operating Activities |
| EPA Set-Aside Grants Funds               | Operating Activities | Operating Activities     |
| Bond Interest Paid                       | Operating Activities | Non-Operating Activities |
| Other Income Received                    | Operating Activities | Non-Operating Activities |
| Loan Repayments (Principal and Interest) | Investing Activities | Operating Activities     |

## Note 2: Cash and Cash Equivalents

All monies of the programs are deposited with the Nevada state treasurer and are considered cash and cash equivalents. The treasurer is responsible for maintaining and investing the pooled cash balances in accordance with Nevada Revised Statute (NRS) 355.140. The treasurer is required to maintain a mix of investments in order to allow funds to be withdrawn at any time to meet normal operating needs. Un-invested cash balances for operating needs remain in the State's main checking account and are either insured or collateralized to 102% in conformity with NRS 356.360. The programs' share of the investment income is based on the average daily balance for the period and is credited quarterly to the programs. The programs' historical earnings are listed below. Details about risk and investment allocations can be found in the Nevada CAFR:

<http://controller.nv.gov/uploadedFiles/controller.nv.gov/Content/FinRpts/CAFR/FY18All.pdf>

| Clean Water Earnings History    | Earnings        | Yield (Annualized) |
|---------------------------------|-----------------|--------------------|
| SFY 2019                        | \$ 899,961.85   | 2.215%             |
| SFY 2018                        | \$ 544,702.21   | 1.354%             |
| SFY 2017                        | \$ 505,564.36   | 0.809%             |
| SFY 2016                        | \$ 181,630.93   | 0.488%             |
| SFY 2015                        | 197,479.99      | 0.377%             |
| 5 Year Total Investments        | \$ 2,329,339.34 | 0.906%             |
|                                 |                 |                    |
|                                 |                 |                    |
| Drinking Water Earnings History | Earnings        | Yield (Annualized) |
| SFY 2019                        | \$ 1,036,323.32 | 2.207%             |
| SFY 2018                        | \$ 575,790.45   | 1.431%             |
| SFY 2017                        | \$ 349,092.80   | 0.801%             |
| SFY 2016                        | \$ 235,137.97   | 0.498%             |
| SFY 2015                        | \$ 163,905.61   | 0.377%             |
| 5 Year Total Investments        | \$ 2,360,250.15 | 1.066%             |

All cash and investments are stated at fair market value. The State Controller's Office allocates fair value change across all holdings within the general portfolio. The clean water share for SFY 2019 was \$15,547. The drinking water share for SFY 2019 was \$23,208.

## Note 3: Contributed Capital

### Clean Water Program

The Clean Water Program is capitalized by EPA grants authorized by the Clean Water Act and state-issued general obligation bonds. Grant funds drawn and authorized for administration functions are recorded as operating revenue (See note 8). All EPA funds drawn for loans are recorded as non-operating revenues. As of June 30, 2019, the EPA has awarded the following in grants for capitalization since the program's inception:

| Open Grants Available                              | Grant Amount          | Draws within State FY18 | Cumulative Draws thru State FY18 | Draws within State FY19 | Cumulative Draws thru State FY19 | Available funds at the end of State FY19 |
|--|-----------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|--|
| Previous   | \$ 189,030,966        |                         | \$ 189,030,966                   | -                       | \$ 189,030,965                   |  |
| 2016 Grant   | 6,350,565             | \$ 43,558               | 6,350,565                        | \$ -                    | 6,350,565                        |  |
| 2017 Grant   | 6,474,000             | 6,474,000               | 6,474,000                        | -                       | 6,474,000                        |  |
| 2018 Grant   | 7,859,000             | -                       | -                                | 4,137,781               | 4,137,781                        | \$ 3,721,219.28                          |
| <b>Total</b>                                       | <b>\$ 209,714,531</b> | <b>\$ 6,517,558</b>     | <b>\$ 201,855,531</b>            | <b>\$ 4,137,781</b>     | <b>\$ 205,993,311</b>            | <b>\$ 3,721,219.28</b>                   |
| <b>Remaining Federal Funds Available for Loans</b> |                       |                         |                                  |                         |                                  | <b>1.77%</b>                             |

State general obligation bonds are issued to provide a required 20% grant match. As of June 30, 2019, \$202,930,300 of grant funds were subject to this 20% match requirement, necessitating issuance of at least \$40,586,060 in bonds. As of June 30, 2019, Nevada has issued and spent \$41,766,632 of bond proceeds to meet this requirement. This match requirement is detailed in the SFY 2019 State Revolving Fund Annual Report.

An application for the 2019 Clean Water Grant totaling \$7,779,000 was pending at June 30, 2019 and therefore excluded from the above values. The grant was awarded on August 21, 2019 (SFY 2020).

## Drinking Water Program

The Drinking Water Program is capitalized by EPA grants authorized by the SDWA and state-issued general obligation bonds. Grant funds drawn and authorized for administration and other set-aside functions are recorded as operating revenue (See note 9). All EPA funds drawn for loans are recorded as non-operating revenues. As of June 30, 2019, the EPA has awarded the following in grants for loans since the program's inception:

| Open Grants Available                              | Grant Amount         | Draws within State FY18 | Cumulative Draws thru State FY18 | Draws within State FY19 | Cumulative Draws thru State FY19 | Available Funds at the end of State FY19 |
|--|----------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|--|
| Previous   | \$137,131,584        |                         | \$137,131,584                    |                         | \$137,131,584                    |  |
| 2014 Grant   | \$11,249,805         |                         | \$11,249,805                     |                         | \$11,249,805                     | \$0                                      |
| 2015 Grant   | \$9,856,000          |                         | \$9,856,000                      |                         | \$9,856,000                      | \$0                                      |
| 2016 Grant   | \$7,141,700          | \$923,899               | \$6,874,000                      | \$267,700               | \$7,141,700                      | \$0                                      |
| 2017 Grant   | \$9,286,272          | \$5,151,078             | \$5,151,078                      | \$4,135,194             | \$9,286,272                      | \$0                                      |
| 2018 Grant   | \$10,309,246         | \$0                     | \$0                              | \$9,326,629             | \$9,326,629                      | \$982,617                                |
| <b>Total</b>                                       | <b>\$184,974,607</b> | <b>\$6,074,977</b>      | <b>\$170,262,467</b>             | <b>\$13,729,523</b>     | <b>\$183,991,990</b>             | <b>\$982,617</b>                         |
| <b>Remaining Federal Funds Available for Loans</b> |                      |                         |                                  |                         |                                  | <b>0.53%</b>                             |

State general obligation bonds are issued to provide a required 20% total grant match. As of June 30, 2019, \$222,856,500 of grant funds were subject to this 20% match requirement, necessitating issuance of at least \$44,571,300 in bonds. As of June 30, 2019, Nevada has issued and spent \$46,512,009 of bond proceeds to meet this requirement. This match requirement is detailed in the SFY 2018 Nevada State Revolving Fund Annual Report.

An application for the 2019 Drinking Water Grant totaling \$12,756,000 was pending at June 30, 2019 and therefore excluded from the above values. The grant was awarded on August 29, 2019 (SFY 2020).

# Note 4: Clean Water Loans Receivable

| Loans Receivable   | Principal Due        | Interest Due        |
|--------------------|----------------------|---------------------|
| FY 2020            | \$21,428,603         | \$5,248,249         |
| FY 2021            | 21,704,671           | 4,827,183           |
| FY 2022            | 21,096,214           | 4,370,278           |
| FY 2023            | 20,410,393           | 3,934,971           |
| FY 2024            | 20,430,606           | 3,504,496           |
| FY 2025 to FY 2029 | 71,090,844           | 11,986,338          |
| FY 2030 to FY 2034 | 48,278,104           | 4,271,240           |
| FY 2035 to FY 2039 | 12,445,655           | 416,348             |
| <b>Total</b>       | <b>\$236,885,090</b> | <b>\$38,559,103</b> |

The Clean Water Program makes loans to qualified public entities for projects that meet the eligibility requirements of the Clean Water Act. Loans are financed by capitalization grants, state match, interest earnings on re-loan funds, re-loan funds, and leveraged bond funds. Recipients repay these loans using revenues from clean water services provided to residents, special tax assessments, and local bonds. In accordance with NRS 445A.290 and pursuant to the Office of the State Treasurer's policy, loan

contracts require communities to issue local bonds to secure the loan amount which the State has pledged as collateral for bonds payable. In lieu of general obligation bonds, the applicant may, with the permission of the state treasurer, exchange a revenue security instrument. This provides for a reserve fund which may be funded from bond or loan proceeds or other available monies in the minimum amount equal to 1.2 times annual debt service of the loan and must be deposited with the state treasurer in the Local Government Investment Pool, a fiduciary fund reported in the Nevada Comprehensive Annual Financial Report.

Loans to public systems through the Clean Water Program range from \$43,005 to \$49,997,958 with maturities over a 20-year period. Semi-annual principal and interest payments are due January 1 and July 1, beginning at the earlier of six months after the project is completed or three years after the first loan draw. Effective interest rates on loans vary from 0% to 4.00% based on one of two indices:

- The 20-year Bond Buyer Municipal Index for water systems that use a general obligation bond to secure the loan
- The 25-year Revenue Bond Buyer Municipal Index for all others

In determining the interest rate that is offered to a clean water loan recipient, NDEP staff multiplies the rate of interest (as published by the Bond Buyer Municipal Index) by a set percentage, which is currently 62.5%. If subsidization is available, qualified borrowers may be eligible to receive subsidization in the form of principal forgiveness, zero interest, or negative interest loans. Current subsidization amounts and qualifications are outlined in the program's current Intended Use Plan.

The Clean Water Program authorizes existing loans to be internally refinanced or restructured if certain conditions are met. To do this, entities must demonstrate the need for the refinancing by showing it would add fiscal sustainability, allow further financing for capital projects, or allow for asset replacement reserves. Loan recipients can only refinance one time. The program evaluates refinancing requests on a first come, first served basis to carefully measure the impact that each refinancing would have on the overall sustainability of the Clean Water Program. Approval of a restructuring is purely at the discretion of the program. Should a loan be approved for restructuring, a special interest rate is available if the average useful life of the outstanding loan is less than 10 years. This special interest rate is the Municipal Market Data municipal yield curve for AAA bonds plus 25 basis points.

All clean water loan recipients are current and in good standing, and the program recorded no allowance for loan loss.

| Count                    | Type                           | Principal Repaid     | Principal Outstanding | Principal Forgiven  | Remaining Obligations |
|--------------------------|--------------------------------|----------------------|-----------------------|---------------------|-----------------------|
| <b>Traditional Loans</b> |                                |                      |                       |                     |                       |
| 19                       | In repayment and good standing | \$68,659,733         | \$228,722,324         |                     |                       |
| 43                       | Fully repaid                   | \$191,142,446        |                       |                     |                       |
| 0                        | Open and in repayment          |                      |                       | \$0                 | \$0                   |
| 3                        | Open, not in repayment         |                      | \$3,131,262           |                     | \$13,418,738          |
| 15                       | Principal forgiven             |                      |                       | \$9,209,368         | \$1,327,265           |
| <b>80</b>                | <b>Traditional Loans</b>       | <b>\$259,802,179</b> | <b>\$231,853,586</b>  | <b>\$9,209,368</b>  | <b>\$14,746,003</b>   |
| <b>ARRA Loans</b>        |                                |                      |                       |                     |                       |
| 3                        | In repayment and good standing | \$3,800,255          | \$5,031,503           |                     |                       |
| 0                        | Fully repaid                   |                      |                       |                     |                       |
| 10                       | Principal forgiven             |                      |                       | 10,390,796          |                       |
| <b>13</b>                | <b>ARRA Loans</b>              | <b>\$3,800,255</b>   | <b>\$5,031,503</b>    | <b>\$10,390,796</b> | <b>\$0</b>            |
| <b>93</b>                | <b>Total Loans</b>             | <b>\$263,602,434</b> | <b>\$236,885,089</b>  | <b>\$19,600,164</b> | <b>\$14,746,003</b>   |

## Note 5: Drinking Water Loans Receivable

| Loans Receivable   | Principal Due        | Interest Due        |
|--------------------|----------------------|---------------------|
| FY 2020            | \$11,679,835         | \$3,878,212         |
| FY 2021            | \$12,889,927         | \$3,691,430         |
| FY 2022            | \$12,863,229         | \$3,348,455         |
| FY 2023            | \$12,837,498         | \$3,014,620         |
| FY 2024            | \$12,299,605         | \$2,683,970         |
| FY 2025 to FY 2029 | \$52,638,978         | \$9,177,762         |
| FY 2030 to FY 2034 | \$34,819,762         | \$3,604,131         |
| FY 2035 to FY 2039 | \$11,032,919         | \$714,022           |
| FY 2040 to FY 2044 | \$1,204,544          | \$42,416            |
| <b>Total</b>       | <b>\$162,266,297</b> | <b>\$30,155,018</b> |

The Drinking Water Program makes loans to qualified public and private water systems for projects that meet the eligibility requirements of the SDWA. Loans for the program are financed by federal capitalization grants, state match, interest earnings on re-loan funds, and re-loan funds. Recipients repay loans using revenues from drinking water services provided to residents, special tax assessments, and local bonds. In accordance with NRS 445A.290 and

pursuant to the Office of the State treasurer's policy, loan contracts for public systems require communities to issue local bonds to secure the loan amount which the State has pledged as collateral for bonds payable. In lieu of general obligation bonds, the applicant may, with the permission of the state treasurer, exchange a revenue security instrument, providing for a reserve fund which may be funded from bond or loan proceeds or other available monies in the minimum amount equal to 1.2 times annual debt service of the loan and must be deposited with the state treasurer in the Local Government Investment Pool, a fiduciary fund reported in the Nevada Comprehensive Annual Financial Report (CAFR). Loan contracts for privately-held systems may require additional security. For example, a certificate of deposit at least equal to the annual debt service can be placed in an insured financial institution with the program named as beneficiary.

Drinking water loans to both public and privately-held recipients range from \$20,000 to \$21,900,000, with maturities over a 20 year period. Semi-annual interest payments are due January 1 and July 1, beginning after the first loan draw. Semi-annual principal payments are due January 1 and July 1, beginning after the completion of the project, the final request for funds, or three years after the date of the contract, whichever is earlier. Effective interest rates on loans vary from 0% to 4.03% based on one of two indices:

1. The 20-year Bond Buyer Municipal Index for water systems that use a general obligation

bond to secure the loan

2. The 25-year Revenue Bond Buyer Municipal index for revenue bonds

In determining the interest rate that is offered to a drinking water loan recipient, the rate of interest as published by the Bond Buyer Municipal Index is multiplied by a set percentage, which is currently 62.5%. Also, the program may offer principal forgiveness loans with required grant subsidy money received to those water systems that qualify. Qualification for principal forgiveness is outlined in the program's current Intended Use Plan.

The Drinking Water Program authorizes existing loans to be internally refinanced or restructured if certain conditions are met. For example, the entity must demonstrate the need for the refinancing by showing it would add fiscal sustainability, allow further financing for capital projects, or allow for asset replacement reserves. Loan recipients can only refinance one time. NDEP staff evaluates the requests on a first come, first served basis to measure the impact the refinancing would have on the overall sustainability of the Drinking Water Program. Approving a request for restructuring is purely at the discretion of the program. Should the program approve a loan for restructuring, the recipient may receive a special interest rate if the average useful life of the outstanding loan is less than 10 years. This special interest rate is the Municipal Market Data municipal yield curve for AAA bonds plus 25 basis points.

As of June 30 2019, one drinking water loan recipient remained in default for outstanding principal, totaling \$196,913. Efforts to collect the balance are currently underway, but it is uncertain at this time whether any of the principal balance will be recovered. The program has established an allowance for this loan. The State Controller's Office will not deduct this balance from the program's loans receivable account until it is certain the loan will not be recovered and the collection process has been exhausted. This will create a difference between the program's Financial Statement in SFY 2019 and the audited CAFR for SFY 2019.

| Count                                   | Type                                 | Principal Repaid    | Principal            | Principal           | Remaining           |
|---|--------------------------------------|---------------------|----------------------|---------------------|---------------------|
| <b>Loans to publicly owned systems</b>  |                                      |                     |                      |                     |                     |
| 43                                      | In repayment and good standing       | \$73,707,231        | \$150,147,398        |                     |                     |
| 4                                       | Fully repaid                         | 11,520,885          |                      |                     |                     |
| 0                                       | Open and in repayment                |                     |                      |                     | 198,630             |
| 3                                       | Open, not in repayment               |                     | 15,991,207           |                     | 25,568,793          |
| 34                                      | Principal Forgiven                   |                     |                      | 14,976,985          | 3,563,354           |
| <b>84</b>                               | <b>Public Loans</b>                  | <b>\$85,228,116</b> | <b>\$166,138,605</b> | <b>\$14,976,985</b> | <b>\$29,330,777</b> |
| <b>Loans to privately owned systems</b> |                                      |                     |                      |                     |                     |
| 7                                       | In repayment and good standing       | 991,538             | 1,347,921            |                     |                     |
| 5                                       | Fully repaid                         | 1,261,147           |                      |                     |                     |
| 1                                       | In default (allowance established)   | 3,087               | 196,913              |                     |                     |
| 0                                       | Open and in repayment                |                     |                      |                     |                     |
| 0                                       | Open, not in repayment               |                     |                      |                     |                     |
| 11                                      | Principal Forgiven                   |                     |                      | 2,682,051           | 822,408             |
| <b>24</b>                               | <b>Private Loans</b>                 | <b>\$2,255,772</b>  | <b>\$1,544,834</b>   | <b>\$2,682,051</b>  | <b>\$822,408</b>    |
| <b>ARRA Loans</b>                       |                                      |                     |                      |                     |                     |
| 3                                       | Public loans in repayment            | 3,458,652           | 4,556,925            |                     |                     |
| 0                                       | Public loans fully repaid            |                     |                      |                     |                     |
| 8                                       | Public principal forgiven            |                     |                      | 6,136,489           |                     |
| 2                                       | Private loans in repayment           | 368,051             | 487,772              |                     |                     |
| 0                                       | Private loans fully repaid           |                     |                      |                     |                     |
| 3                                       | Private principal forgiven           |                     |                      | 4,031,163           |                     |
| <b>16</b>                               | <b>ARRA Loans</b>                    | <b>\$3,826,703</b>  | <b>\$5,044,697</b>   | <b>\$10,167,652</b> | <b>\$0</b>          |
| <b>124</b>                              | <b>Loans</b>                         | <b>\$91,310,591</b> | <b>\$172,728,136</b> | <b>\$27,826,688</b> | <b>\$30,153,185</b> |
| 1                                       | Less Allowance for Doubtful Accounts |                     | (\$196,913)          |                     |                     |
| <b>123</b>                              | <b>Total Loans</b>                   | <b>\$91,310,591</b> | <b>\$172,531,223</b> | <b>\$27,826,688</b> | <b>\$30,153,185</b> |



## Note 6: Clean Water Bonds Payable

The State of Nevada issues bonds for the Clean Water Program to provide resources for the required match on federal grants. Clean water leverage bonds issued by the State of Nevada provide resources for clean water loan recipients that are beyond available cash in the program. All bonds are general obligation (GO) bonds backed by the full faith and credit of the State.

| Bond Type           | Issue | Maturity August 1, | Interest       | Outstanding Par: June 30, 2018 | Changes            | Outstanding Principal: June 30, 2019 | Currently Due    |
|---------------------|-------|--------------------|----------------|--------------------------------|--------------------|--------------------------------------|------------------|
| GO Grant Match      | 2010G | 2020               | 3.00%          | 1,560,000                      | (500,000)          | 1,060,000                            | 520,000          |
| GO Grant Match      | 2017F | 2022               | 5.00%          | 3,760,000                      | (940,000)          | 2,820,000                            | 940,000          |
| GO Program Leverage | 2011C | 2020               | 2.00% to 5.00% | 15,145,000                     | (5,325,000)        | 9,820,000                            | 5,605,000        |
| GO Program Leverage | 2013B | 2023               | 2.00% to 4.00% | 11,145,000                     | (1,000,000)        | 10,145,000                           | 1,000,000        |
| <b>Total</b>        |       |                    |                | <b>31,610,000</b>              | <b>(7,765,000)</b> | <b>23,845,000</b>                    | <b>8,065,000</b> |

Debt service for GO grant match bonds is paid for with returned loan interest and investment interest earnings. Debt service for GO program leverage bonds is paid from returned loan principal, returned loan interest, and investment interest earnings. Principal is due annually on August 1. Interest is due semi-annually on August 1 and February 1. The State has the right to redeem any principal outstanding early, with no call premiums.

| GO Grant Match Bonds         | Principal         | Interest         | Total Payments    | Amortized Premium | Deferred Amounts on Bond Refunding | Revolving Debt Service Coverage Ratio |
|------------------------------|-------------------|------------------|-------------------|-------------------|------------------------------------|---------------------------------------|
| SFY 2020                     | 1,460,000         | 149,500          | 1,609,500         | 75,683            | -                                  | 19.58                                 |
| SFY 2021                     | 1,480,000         | 81,300           | 1,561,300         | 38,060            | -                                  | 20.77                                 |
| SFY 2022                     | 940,000           | 23,500           | 963,500           | 2,993             | -                                  | 25.51                                 |
| SFY 2023                     |                   |                  | -                 |                   | -                                  | 32.60                                 |
| SFY 2024                     |                   |                  |                   |                   | -                                  | 22.90                                 |
| <b>Total</b>                 | <b>3,880,000</b>  | <b>254,300</b>   | <b>4,134,300</b>  | <b>116,736</b>    | <b>-</b>                           |                                       |
| GO Program Leverage Bonds    | Principal         | Interest         | Total Payments    | Amortized Premium | Deferred Amounts on Bond Refunding | Revolving Debt Service Coverage Ratio |
| SFY 2020                     | 6,605,000         | 726,675          | 7,331,675         | 299,992           | 122,364                            | 5.81                                  |
| SFY 2021                     | 6,715,000         | 421,175          | 7,136,175         | 162,452           | -                                  | 5.77                                  |
| SFY 2022                     | 3,240,000         | 201,000          | 3,441,000         | 80,883            | -                                  | 8.24                                  |
| SFY 2023                     | 3,405,000         | 68,100           | 3,473,100         | 6,229             | -                                  | 7.53                                  |
| SFY 2024                     |                   |                  |                   |                   |                                    | 13.08                                 |
| <b>Total</b>                 | <b>19,965,000</b> | <b>1,416,950</b> | <b>21,381,950</b> | <b>549,556</b>    | <b>122,364</b>                     |                                       |
| <b>All Clean Water Bonds</b> | <b>23,845,000</b> | <b>1,671,250</b> | <b>25,516,250</b> | <b>666,292</b>    | <b>122,364</b>                     |                                       |

There were no change to credit ratings in SFY 2019.

| Standard and Poors        | Moody's Investors         | Fitch Ratings             |
|---------------------------|---------------------------|---------------------------|
| AAA                       | Aa2                       | AA+                       |
| Outlook Stable            | Outlook Stable            | Outlook Stable            |
| Report on October 3, 2017 | Report on October 3, 2017 | Report on October 4, 2017 |

## Note 7: Drinking Water Bonds Payable

The State of Nevada issues drinking water bonds to provide resources for the required match on federal grants. All bonds are general obligation (GO) bonds backed by the full faith and credit of the State.

| Bond Type      | Issue | Maturity August 1, | Interest       | Outstanding Par: June 30, 2018 | Changes            | Outstanding Principal: June 30, 2019 | Currently Due    |
|----------------|-------|--------------------|----------------|--------------------------------|--------------------|--------------------------------------|------------------|
| GO Grant Match | 2008F | 2018               | 3.50% to 4.00% | 390,000                        | (390,000)          | -                                    | -                |
| GO Grant Match | 2010I | 2025               | 3.00% to 5.00% | 3,465,000                      | (480,000)          | 2,985,000                            | 375,000          |
| GO Grant Match | 2014D | 2020               | 1.75% to 3.00% | 2,320,000                      | (1,160,000)        | 1,160,000                            | 885,000          |
| GO Grant Match | 2015H | 2031               | 2.00% to 3.00% | 8,610,000                      | (1,085,000)        | 7,525,000                            | 1,085,000        |
| GO Grant Match | 2017E | 2038               | 3.00% to 5.00% | 6,215,000                      | (310,000)          | 5,905,000                            | 310,000          |
| <b>Total</b>   |       |                    |                | <b>21,000,000</b>              | <b>(3,425,000)</b> | <b>17,575,000</b>                    | <b>2,655,000</b> |

Debt service for GO grant match bonds is paid for with returned loan interest and investment interest earnings. The Drinking Water Program has not issued GO leverage bonds as of June 30, 2019, but it retains the authority to do so should the program need more funds to respond to increased demand. Principal is due annually on August 1. Interest is due semi-annually on August 1 and February 1. The State has the right to redeem any principal outstanding early, with no call premiums.

| GO Grant Match Bonds | Principal         | Interest         | Total Payments    | Amortized Premium | Deferred Amounts on Bond Refunding | Revolving Debt Service Coverage Ratio |
|----------------------|-------------------|------------------|-------------------|-------------------|------------------------------------|---------------------------------------|
| SFY 2020             | 2,655,000         | 533,650          | 3,188,650         | 93,637            | 17,141                             | 4.26                                  |
| SFY 2021             | 1,620,000         | 474,438          | 2,094,438         | 74,575            | 28,296                             | 5.07                                  |
| SFY 2022             | 1,355,000         | 426,913          | 1,781,913         | 63,606            | 6,025                              | 6.70                                  |
| SFY 2023             | 1,375,000         | 379,938          | 1,754,938         | 54,582            | 6,025                              | 8.02                                  |
| SFY 2024             | 1,385,000         | 332,225          | 1,717,225         | 43,941            | 6,025                              | 8.97                                  |
| SFY 2025-2029        | 5,210,000         | 889,563          | 6,099,563         | 85,154            | 6,027                              | 9.04 TO 33.29                         |
| SFY 2030-2034        | 2,720,000         | 356,850          | 3,076,850         | (6,512)           |                                    | 34.45 TO 81.75                        |
| SFY 2035-2039        | 1,255,000         | 75,525           | 1,330,525         | (3,226)           |                                    | 84.73 TO 93.08                        |
|                      | <b>17,575,000</b> | <b>3,469,102</b> | <b>21,044,102</b> | <b>405,757</b>    | <b>69,539</b>                      |                                       |

There were no change to credit ratings in SFY 2019.

| Standard and Poors               | Moody's Investors                | Fitch Ratings                    |
|----------------------------------|----------------------------------|----------------------------------|
| <b>AAA</b>                       | <b>Aa2</b>                       | <b>AA+</b>                       |
| <b>Outlook Stable</b>            | <b>Outlook Stable</b>            | <b>Outlook Stable</b>            |
| <b>Report on October 3, 2017</b> | <b>Report on October 3, 2017</b> | <b>Report on October 4, 2017</b> |

## Note 8: Clean Water Administrative Expenses

The program is authorized to utilize up to \$8,575,616 of capitalization grants — or 4% of the cumulative grant amount — for administrative purposes. As of June 30, 2019, Nevada has only requested \$4,675,870 (or 2.2%) to provide more money to grant applicants. As of SFY 2018, Nevada began using the service fees to cover administrative expenses. By the end of SFY 2019, Nevada has received \$1,208,200 in service and used \$439,681 for administrative expenses. The amount of grant funds for administration, as well as the current outstanding balance, is as follows:



| Open Grants Available                                       | Grant Amount     | Draws within State FY19 | Cumulative Draws thru State FY19 | Available funds at the end of State SFY19 |
|---|------------------|-------------------------|----------------------------------|---|
| Previous  | 4,501,435        | -                       | 4,501,435                        | -   |
| 2016 Grant  | 174,435          | -                       | 174,435                          | -   |
| 2017 Grant  | -                | -                       | -                                | -   |
| 2018 Grant  | -                | -                       | -                                | -   |
| <b>Total</b>  | <b>4,675,870</b> | <b>-</b>                | <b>4,675,870</b>                 | <b>-</b>                                  |
| <b>Remaining Federal Funds Available for Administration</b> |                  |                         |                                  | <b>0.00%</b>                              |

An application for the 2019 Clean Water Grant for administration was pending at June 30, 2019. See Note 11: Subsequent Events.

## Note 9: Drinking Water Administrative and Set-aside Expenses

### Administration (not to exceed 4% of the net capitalization grant)

The Drinking Water Program is authorized to utilize up to \$9,184,000 — or 4% of the net capitalization grant — for administrative purposes. As of June 30, 2019, Nevada has only requested \$6,883,434 (or 3.00%) so more grant money can be provided to loan recipients. The amount of grant funds for administration, as well as the current outstanding balance, is as follows:

| Open Grants Available                                       | Grant Amount     | Draws within State FY18 | Cumulative Draws thru State FY18 | Draws within State FY19 | Cumulative Draws thru State FY19 | Available Funds at the end of State FY19 |
|---|------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|--|
| Previous  | \$ 5,201,538     | \$ -                    | \$ 5,201,538                     | \$ -                    | \$ 5,201,538                     | \$ -                                     |
| 2014 Grant  | 100,000          | -                       | -                                | -                       | 100,000                          | -  |
| 2015 Grant  | 375,000          | -                       | -                                | -                       | 375,000                          | -  |
| 2016 Grant  | 641,500          | 355,237                 | 595,778                          | 45,722                  | 641,500                          | -  |
| 2017 Grant  | 316,120          | -                       | -                                | 315,562                 | 315,562                          | 558                                      |
| 2018 Grant  | 249,276          | -                       | -                                | -                       | -                                | 249,276                                  |
| <b>Total</b>  | <b>6,883,434</b> | <b>355,237</b>          | <b>5,797,316</b>                 | <b>361,284</b>          | <b>6,633,600</b>                 | <b>249,834</b>                           |
| <b>Remaining Federal Funds Available for Administration</b> |                  |                         |                                  |                         |                                  | <b>3.63%</b>                             |

An application for the 2019 Drinking Water Grant administration was pending at June 30, 2019 and therefore excluded from the above values. See Note 11: Subsequent Events.

### Small Systems Technical Assistance (not to exceed 2% of the net capitalization grant)

SDWA allows cash expenditures for additional programs to help small water systems that serve a population of 10,000 or less. The Drinking Water Program is authorized to utilize up to \$4,592,010 — or 2% of the net capitalization grant — for this purpose. As of June 30, 2019, Nevada has only requested and received \$3,778,165 (or 1.65%) so more grant money can be provided to loan recipients. The amount of grant funds for small systems technical assistance, as well as the current outstanding balance, is as follows:

| Open Grants Available   | Grant Amount     | Draws within State FY18 | Cumulative Draws thru State FY18 | Draws within State FY19 | Cumulative Draws thru State FY19 | Available Funds at the end of State FY19 |
|---|------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|--|
| Previous  | 2,665,412        |                         | 2,665,412                        |                         | 2,665,412                        |  |
| 2014 Grant  | 227,930          | -                       | -                                | -                       | 227,930                          | -  |
| 2015 Grant  | 150,000          | -                       | -                                | -                       | 150,000                          | -  |
| 2016 Grant  | 374,000          | 226,122                 | 355,210                          | 18,790                  | 374,000                          | -  |
| 2017 Grant  | 172,610          | -                       | -                                | 172,610                 | 172,610                          | -  |
| 2018 Grant  | 188,213          | -                       | -                                | 7,244                   | 7,244                            | 180,969                                  |
| <b>Total</b>  | <b>3,778,165</b> | <b>226,122</b>          | <b>3,020,622</b>                 | <b>198,644</b>          | <b>3,597,196</b>                 | <b>180,969</b>                           |
| <b>Remaining Federal Funds Available for Small Systems Technical Assistance</b> |                  |                         |                                  |                         |                                  | <b>4.79%</b>                             |

An application for the 2019 Drinking Water Grant administration was pending at June 30, 2019 and therefore excluded from the above values. See Note 11: Subsequent Events

### State Program Management (not to exceed 10% of net capitalization grant)

SDWA also allows cash expenditures for the costs to manage state programs. They are incurred for two functions:

1. Enhancement of Public Water System Supervision
2. Implementation of Nevada’s capacity development strategy

Nevada is authorized to utilize up to \$22,960,050 — or 10% of the net capitalization grant — for this purpose. As of June 30, 2019, Nevada has only requested and received \$16,622,512 (or 7.2%) so more grant money can be provided to loan recipients. The amount of grant funds for state program management, as well as the current outstanding balance, is as follows:

| Open Grants Available   | Grant Amount      | Draws within State FY13 | Cumulative Draws thru State FY13 | Draws within State FY18 | Cumulative Draws thru State FY18 | Available Funds at the end of State FY18 |
|---|-------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|--|
| Previous  | 10,856,320        |                         | 10,856,320                       |                         | 10,856,320                       |  |
| 2014 Grant  | 562,625           | -                       | -                                | -                       | 562,625                          |  |
| 2015 Grant  | 950,000           | -                       | -                                | -                       | 950,000                          |  |
| 2016 Grant  | 2,095,400         | 1,244,487               | 2,095,400                        | -                       | 2,095,400                        |  |
| 2017 Grant  | 1,129,999         | 22,446                  | 22,446                           | 1,107,553               | 1,129,999                        |  |
| 2018 Grant  | 1,028,168         | -                       | -                                | 48,971                  | 48,971                           | 979,197                                  |
| <b>Total</b>  | <b>16,622,512</b> | <b>1,266,933</b>        | <b>12,974,166</b>                | <b>1,156,524</b>        | <b>15,643,315</b>                | <b>979,197</b>                           |
| <b>Remaining Federal Funds Available for State Program Management</b> |                   |                         |                                  |                         |                                  | <b>5.89%</b>                             |

An application for the 2019 Drinking Water Grant administration was pending at June 30, 2019 and therefore excluded from the above values. See Note 11: Subsequent Events

### Local Assistance (not to exceed 15% of the net capitalization grant)

In addition to the other set-asides for small systems and state program management, SDWA allows cash expenditures for local assistance. This is to provide technical or financial assistance to public water systems for capacity development strategy and enhancement of the Wellhead Protection and Source Water Protection programs. The program is authorized to request up to 15% of each capitalization grant, or \$34,440,075 for this purpose. Nevada has only requested

\$16,789,385 – or 7.3% so more grant money can be provided to loan recipients.

| Open Grants Available   | Grant Amount      | Draws within State FY13 | Cumulative Draws thru State FY13 | Draws within State FY18 | Cumulative Draws thru State FY18 | Available Funds at the end of State FY18 |
|---|-------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|--|
| Previous  | 12,117,646        | -                       | 12,117,646                       | -                       | 12,117,646                       | -  |
| 2014 Grant  | 473,640           | -                       | -                                | -                       | 473,640                          | -  |
| 2015 Grant  | 1,200,000         | -                       | 1,200,000                        | -                       | 1,200,000                        | -  |
| 2016 Grant  | 1,601,400         | 955,085                 | 1,550,706                        | 50,694                  | 1,601,400                        | -  |
| 2017 Grant  | 847,999           | -                       | -                                | 747,417                 | 747,417                          | 100,582                                  |
| 2018 Grant  | 1,038,647         | -                       | -                                | -                       | -                                | 1,038,647                                |
| <b>Total</b>  | <b>17,279,332</b> | <b>955,085</b>          | <b>14,868,352</b>                | <b>798,111</b>          | <b>16,140,103</b>                | <b>1,139,229</b>                         |
| <b>Remaining Federal Funds Available for Local Assistance</b> |                   |                         |                                  |                         |                                  | <b>6.59%</b>                             |

An application for the 2019 Drinking Water Grant administration was pending at June 30, 2019 and therefore excluded from the above values. See Note 11: Subsequent Events

## Note 10: Pensions and Other Post-Employment Benefits

The Nevada Legislature created various plans to provide benefits to qualified employees of the programs. The Public Employees' Retirement Board administers these plans under the Public Employees' Retirement System of Nevada (PERS). PERS is responsible for preparing an audited allocation report and disclosing relevant information pertaining to Government Accounting Standards Board (GASB) 68 and GASB 75 requirements, including actuarial valuations and calculations. The Nevada Clean Water Financial Statements and Drinking Water Financial Statements presented here discloses the allocated share of pension expense and net pension liability related to the time and effort of NDEP staff who administer each program. PERS's audited allocation report is available online: <http://nvpers.org>. Additional disclosure information on pension liability for the state can be obtained from the CAFR at: <http://controller.nv.gov/>

## Note 11: Subsequent Events

### Clean Water Program

NDEP staff submitted an application to the EPA for federal fiscal year 2019 clean water grant funding, but the request was still pending as of June 30. The award was approved and delivered to the State on August 21, 2019. Funding consisted of \$7,779,000 for capitalization and \$0 for administration.

On October 8, 2019, the State Board of Finance approved a Resolution designated the "2019D Revolving Fund Matching Approval Resolution" allowing the Clean Water program to issue a State general obligation bond for the purposes of matching federal grants in the amount of \$6,000,000. The bond sale occurred on November 21, 2019, with proceeds distributed to the State on December 10, 2019. The new bond will carry a coupon of 2-5% with a maturity of August 1, 2027. The weighted average maturity is 4.901 years with a net interest cost of 1.35%.

On October 8, 2019, the State Board of Finance approved a Resolution designated the "2019E

Revolving Fund Leveraged Bond Order” allowing the Clean Water program to issue a State general obligation bond for the purposes of leveraging program funds in the amount of \$30,000,000. The bond sale occurred on November 21, 2019, with proceeds distributed to the State on December 10, 2019. The new bond will carry a coupon of 3-5% with a maturity of August 1, 2034. The weighted average maturity is 8.795 years with a net interest cost of 2.00 %.

Standard and Poors re-affirmed a rating of “AAA” on November 7, 2019 to the Clean Water Program’s outstanding general obligation revenue supported bonds. A copy of their report can be obtained by visiting their website: <http://www.standardandpoors.com>.

Fitch Ratings re-affirmed a rating of “AA+” on November 7, 2019 to the State of Nevada outstanding general obligation bonds, collectively. A copy of their report can be obtained by visiting their website: <https://www.fitchratings.com>.

Moody’s Investors Services upgraded Nevada’s rating to a “Aa1” on November 5, 2019 for all State of Nevada outstanding general obligation bonds. A copy of their report can be obtained by visiting their website: <https://www.moodys.com>.

The program has not executed formal agreements since July 1, 2019.

|          |                            |                     |
|----------|----------------------------|---------------------|
| 1        | Project Loans              | \$9,000,000         |
| 3        | Principal Forgiveness Loan | \$1,175,500         |
| <b>4</b> | <b>Total Loans</b>         | <b>\$10,175,500</b> |

The program has four loans pending:

|          |                            |                      |
|----------|----------------------------|----------------------|
| 4        | Project Loans              | \$103,186,040        |
| 0        | Principal Forgiveness Loan | \$0.00               |
| <b>4</b> | <b>Total Loans</b>         | <b>\$103,186,040</b> |

## Drinking Water Program

NDEP submitted an application to the EPA for federal fiscal year 2019 drinking water grant funding, but the request was still pending as of June 30, 2019. The award was approved and delivered to the State on August 29, 2019. Funding consisted of \$9,846,880 for capitalization, \$255,120 for 2% set-aside activities, \$412,000 for 4% set-aside activities, \$1,100,000 for 10% set-aside activities, and \$1,142,000 for 15% set-aside activities.

On October 8, 2019, the State Board of Finance approved a Resolution designated the “2019C Revolving Fund Matching Approval Resolution” allowing the Drinking Water program to issue a State general obligation bond for the purposes of matching federal grants in the amount of \$5,800,000. The bond sale occurred on November 21, 2019, with proceeds distributed to the

State on December 10, 2019. The new bond will carry a coupon of 5% with a maturity of August 1, 2024. The weighted average maturity is 2.707 years with a net interest cost of 1.24%.

Standard and Poors re-affirmed a rating of “AAA” on November 7, 2019 to the Clean Water Program’s outstanding general obligation revenue supported bonds. A copy of their report can be obtained by visiting their website: <http://www.standardandpoors.com>.

Fitch Ratings re-affirmed a rating of “AA+” on November 7, 2019 to the State of Nevada outstanding general obligation bonds, collectively. A copy of their report can be obtained by visiting their website: <https://www.fitchratings.com>.

Moody’s Investors Services upgraded Nevada’s rating to a “Aa1” on November 5, 2019 for all State of Nevada outstanding general obligation bonds. A copy of their report can be obtained by visiting their website: <https://www.moodys.com>.

The program has executed formal agreements since July 1, 2019:

|          |                            |                    |
|----------|----------------------------|--------------------|
| 0        | Project Loans              | \$0                |
| 6        | Principal Forgiveness Loan | \$2,408,070        |
| <b>6</b> | <b>Total Loans</b>         | <b>\$2,408,070</b> |

The program has one loan pending:

|          |                            |                    |
|----------|----------------------------|--------------------|
| 1        | Project Loans              | \$94,175           |
| 4        | Principal Forgiveness Loan | \$1,388,000        |
| <b>1</b> | <b>Total Loans</b>         | <b>\$1,482,175</b> |

## Note 12: Changes and Restatements

### Governmental Accounting Standards Board (GASB) Statements

**Statement 88** (April 2018): *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The purpose of this statement is to address disclosures on certain debt issuances, including lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default. NDEP will work closely with the Nevada Controller’s Office to address any required changes in presentation. There are no known impacts to the financial reports presented by the program at this time.

**Statement 89** (June 2018): *Accounting for Interest Cost Incurred Before the End of a Construction Period*

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. There are no known impacts to the financial reports presented by the program at this time.

**Statement 90** (August 2018): *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. There are no known impacts to the financial reports presented by the program at this time.

**Statement 91** (May 2019): *Conduit Debt Obligations*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. NDEP will work closely with the Nevada Controller's Office to address any required changes in presentation. There are no known impacts to the financial reports presented by the program at this time.

## Note 13: Other Matters

### Contingencies

The programs are exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to state employees while performing administrative business, or acts of God. The State maintains insurance for all risks of loss that is included in the indirect costs allocated to each program. There have not been any claims against the programs since their inception.

### Related Parties

There are no related party transactions with or related to amounts receivable from management of the Nevada Clean Water Program and/or the Nevada Drinking Water Program.

# Audit Compliance Section

## SFY 2019 Financial Statement Audit for the State of Nevada

The 2018 Nevada Comprehensive Annual Financial Report (CAFR) was independently audited by Eide Bailly, LLP. The financial statements of the State, including the business-type activities of the Clean Water Program and Drinking Water Program, were issued an unqualified or “clean” opinion.

## SFY 2019 Audit over Internal Controls for the State of Nevada

Eide Bailly, LLP also conducted an independent audit of Nevada’s Internal Controls over Financial Reporting. Seven material weaknesses were identified in the internal controls:

**Material Weakness 2019-1** — relates to accounts payable adjustments in the highway fund totaling \$3,510,112.

**Material Weakness 2019-2** — relates to receivable adjustments in the Permanent School Fund totaling \$3,913,983.

**Material Weakness 2019-3** — relates to the State Agency Fund for Bonds. This fund holds cash bonds pledged for state agencies such as taxation, labor and insurance. A prior period adjustment of \$265,698,777 was needed.

**Material Weakness 2019-4** — relates to disclosures of interest rate risk, credit risk, and fair value. Inconsistencies were discovered in the note disclosure that were not discovered by the State Controller’s Office.

**Material Weakness 2019-5** — relates to the monthly bank statement reconciliation. An unexplained variance of \$13,542,147 between the book balance and the bank balance exists.

**Material Weakness 2019-6** — relates to the accounts payable in the highway fund. An understatement of \$2,609,338 in payables and \$748,361 in inventory was discovered by the auditors.

**Material Weakness 2019-7** — relates to infrastructure amounts being understated \$3,119,518,000.

## SFY 2019 Single Audit for the State of Nevada

The State of Nevada was subject to the single audit requirements for SFY 2019. The audit is currently being conducted by an independent accounting firm. In approximately March 2020, the audit will be published for public review online: <http://leg.state.nv.us/Division/Audit/>

## Single Audit for Loan Recipients

The following charts outline the loan recipients that received more than \$750,000 from both programs combined and therefore would be subject to the Single Audit Act requirements:

### State Fiscal Year 2018 Single Audit Findings

|                       |  |                        |                  |
|-----------------------|--|------------------------|------------------|
| <i>Entity</i>         | <b>Carson City, City and County of</b>         | <i>Findings</i>        | <i>Follow-up</i> |
| <i>Auditor</i>        | Eide Bailly, Reno, Nevada                      | Unqualified opinion.   | Non needed       |
| <i>CW 66.458</i>      | \$ 1,355,259.31                                | No EPA Grant findings. |                  |
| <i>DW 66.468</i>      | \$ -   |                        |                  |
| <i>Total Received</i> | <b>\$ 1,355,259.31</b>                         |                        |                  |
| <i>Entity</i>         | <b>Las Vegas Valley Water District</b>         | <i>Findings</i>        | <i>Follow-up</i> |
| <i>Auditor</i>        | Piercy Bowler Taylor & Kern, Las Vegas, Nevada | Unqualified opinion.   | Non needed       |
| <i>CW 66.458</i>      | \$ -   | No EPA Grant findings. |                  |
| <i>DW 66.468</i>      | \$ 4,389,066.53                                |                        |                  |
| <i>Total Received</i> | <b>\$ 4,389,066.53</b>                         |                        |                  |
| <i>Entity</i>         | <b>North Las Vegas</b>                         | <i>Findings</i>        | <i>Follow-up</i> |
| <i>Auditor</i>        | Piercy Bowler Taylor & Kern, Las Vegas, Nevada | Unqualified opinion.   | Non needed       |
| <i>CW 66.458</i>      | \$ 4,445,958.37                                | No EPA Grant findings. |                  |
| <i>DW 66.468</i>      | \$ 43,155.20                                   |                        |                  |
| <i>Total Received</i> | <b>\$ 4,489,113.57</b>                         |                        |                  |



**State Fiscal Year 2019 Single Audit Findings**

|                       |  |   |  |
|-----------------------|--|---|--|
| <i>Entity</i>         | <b>Carson City, City and County of</b> | <i>Findings</i>   | <i>Follow-up</i>   |
| <i>Auditor</i>        | PiercyBowlerTaylor&Kern                | Unqualified opinion.<br>No EPA Grant findings.  | Non needed   |
| <i>CW 66.458</i>      | \$ -                                   |   |  |
| <i>DW 66.468</i>      | \$ 10,198,742.16                       |   |  |
| <i>Total Received</i> | <b>\$ 10,198,742.16</b>                |   |  |
| <i>Entity</i>         | <b>Douglas County</b>                  | <i>Findings</i>   | <i>Follow-up</i>   |
| <i>Auditor</i>        |  |   | Audit is pending as of February 11, 2020                       |
| <i>CW 66.458</i>      | \$ 1,735,814.65                        |   |  |
| <i>DW 66.468</i>      | \$ -                                   |   |  |
| <i>Total Received</i> | <b>\$ 1,735,814.65</b>                 |   |  |
| <i>Entity</i>         | <b>Fernley, City of</b>                | <i>Findings</i>   | <i>Follow-up</i>   |
| <i>Auditor</i>        | HintonBurdick                          | Unqualified opinion.<br>No EPA Grant findings.  | Non needed   |
| <i>CW 66.458</i>      | \$ 1,266,281.59                        |   |  |
| <i>DW 66.468</i>      | \$ -                                   |   |  |
| <i>Total Received</i> | <b>\$ 1,266,281.59</b>                 |   |  |
| <i>Entity</i>         | <b>North Las Vegas, City of</b>        | <i>Findings</i>   | <i>Follow-up</i>   |
| <i>Auditor</i>        | PiercyBowlerTaylor&Kern                | CFDA 66.468 two findings relating to suspension & debarment and expenditure reporting | Nevada SRF staff following up with system to obtain compliance |
| <i>CW 66.458</i>      | \$ 361,464.90                          |   |  |
| <i>DW 66.468</i>      | \$ 591,536.50                          |   |  |
| <i>Total Received</i> | <b>\$ 953,001.40</b>                   |   |  |
| <i>Entity</i>         | <b>Las Vegas Valley Water District</b> | <i>Findings</i>   | <i>Follow-up</i>   |
| <i>Auditor</i>        | PiercyBowlerTaylor&Kern                | Unqualified opinion.<br>No EPA Grant findings.  | Non needed   |
| <i>CW 66.458</i>      |  |   |  |
| <i>DW 66.468</i>      | \$ 2,207,707.78                        |   |  |
| <i>Total Received</i> | <b>\$ 2,207,707.78</b>                 |   |  |

## Reconciliation to the Nevada CAFR

These financial statements, footnotes, and related schedules are presented for the U.S. Environmental Protection Agency to show program financial performance for the time presented. They are structured to provide comparability and ease of understanding between other Nevada SRF programs. However, the Nevada Clean Water SRF Program and Drinking Water SRF Program are fully integrated into the State of Nevada's government structure and therefore not separate from its reporting requirements.

- ◆ All cash in the program is held by the Nevada Treasury and invested according to the appointed Nevada Board of Finance Investment policies.
- ◆ All accounting transactions are processed in the state accounting system according to the State Controller's Office policies.
- ◆ Administrative accounts are subject to budget approval by the Nevada Legislature.
- ◆ Match and leverage bonds are state-issued general obligation, revenue supported, and negotiated by the Treasurer's Office on behalf of the program.
- ◆ Public loan recipients are required to issue a bond as collateral that the State Treasurer's Office purchases.
- ◆ Pension liabilities are allocated to the program by the State Controller's Office based upon data provided to them from the Public Employees Retirement System (PERS).
- ◆ Employees of the program are state employees subject to the Department of Administration Human Resource Management policies. The program does not have authority to hire employees separately from state service.

The program, along with the Nevada Drinking Water SRF Program and the Brownfields Revolving Fund Program, is presented as a major enterprise fund on the state CAFR as Water Projects Loans. The CAFR is independently audited by Eide Bailly, LLP, certified public accountants. A reconciliation of the audited 2019 CAFR and the program financial statements are presented here as required by Nevada's Operating Agreement with EPA. The independent auditor's opinion and the financial section to the CAFR are located online:

<http://controller.nv.gov/>

**SFY 19 Reconciliation to the Nevada CAFR**

| 2019                       |            | CWSRF         | DWSRF         | State Grants | Brownfields | All Programs  | Nevada CAFR   | Variance  |
|----------------------------|------------|---------------|---------------|--------------|-------------|---------------|---------------|-----------|
| Cash                       | Current    | 47,104,450    | 49,975,101    |              | 862,712     | 97,942,263    | 97,942,263    | -         |
| Federal Grants Receivable  | Current    | -             | 230,088       |              | -           | 230,088       | 230,088       | -         |
| Loan Interest Receivable   | Current    | 2,650,743     | 1,887,381     |              | -           | 4,538,124     | 4,538,124     | -         |
| Loans Receivable           | Current    | 21,428,603    | 11,679,835    |              | -           | 33,108,438    | 33,108,438    | -         |
| Allowance for Loans        | Current    | -             | (196,913)     |              | -           | (196,913)     | -             | (196,913) |
| Due from Other Fund        | Current    | 391,832       | 477,865       |              | 8,719       | 878,417       | 878,417       | -         |
| Loans Receivable           | Noncurrent | 215,456,487   | 150,586,461   |              | -           | 366,042,948   | 366,042,948   | -         |
| Prepaid Items              | Noncurrent | 175           | 286           |              | -           | 461           | 461           | -         |
| Refunding Bonds            | Deferred   | 122,364       | 69,539        |              | -           | 191,903       | 191,903       | -         |
| Pension Contributions      | Deferred   | 32,845        | 70,039        |              | -           | 102,884       | 102,884       | -         |
| OPEB Contributions         | Deferred   | 2,619         | 4,274         |              | -           | 6,893         | 6,893         | -         |
| Administration Payable     | Current    | (634)         | (29,245)      |              | -           | (29,879)      | (29,879)      | -         |
| Payroll and Benefits       | Current    | (18,403)      | (29,204)      |              | -           | (47,607)      | (47,607)      | -         |
| Bond Interest Payable      | Current    | (438,805)     | (235,337)     |              | -           | (674,142)     | (674,142)     | -         |
| Due to other Fund          | Current    | (2,914)       | (129,677)     |              | -           | (132,591)     | (132,591)     | -         |
| Intergovernmental Payables | Current    | -             | -             |              | (1,152)     | (1,152)       | (1,152)       | -         |
| Bonds Payable              | Current    | (8,440,675)   | (2,748,637)   |              | -           | (11,189,312)  | (11,189,312)  | -         |
| Bonds Payable              | Noncurrent | (16,070,616)  | (15,232,120)  |              | -           | (31,302,737)  | (31,302,737)  | -         |
| Compensated Absences       | Noncurrent | (5,234)       | (8,540)       |              | -           | (13,775)      | (13,775)      | -         |
| Pension Obligations        | Noncurrent | (189,192)     | (399,173)     |              | -           | (588,365)     | (588,365)     | -         |
| OPEB Obligations           | Noncurrent | (83,879)      | (136,856)     |              | -           | (220,735)     | (220,735)     | -         |
| Pension Related            | Deferred   | (13,404)      | (29,267)      |              | -           | (42,671)      | (42,671)      | -         |
| OPEB Inflows               | Deferred   | (5,624)       | (9,177)       |              | -           | (14,801)      | (14,801)      | -         |
| Net Assets                 | Restricted | (261,920,736) | (195,796,723) |              | (870,280)   | (458,587,739) | (458,784,652) | 196,913   |

|                                 |  |                                      |
|---------------------------------|--|--------------------------------------|
| <b>TOTAL NET ASSETS</b>         | The CAFR does not account for allowances of doubtful accounts until all collection attempts have been exhausted. |                                      |
|                                 | In FY 2014, the Program provided an allowance for doubtful accounts.   |                                      |
| Net Asset variance              | 196,913  |                                      |
| Allowance for doubtful accounts | <u>(196,913)</u>   |                                      |
| Remaining variance              | <b>0</b>   | <b>De minimus variance remaining</b> |

| 2019                     |            | CWSRF        | DWSRF        | State Grants | Brownfields | All Programs | Nevada CAFR  | Variance |
|--------------------------|------------|--------------|--------------|--------------|-------------|--------------|--------------|----------|
| Charges for Services     | Revenue    |              |              |              |             | -            | -            | -        |
| Federal Grants           | Revenue    | (4,137,781)  | (16,244,088) |              |             | (20,381,868) | (20,381,867) | (1)      |
| Investment Interest      | Revenue    | (1,009,395)  | (1,199,681)  |              | (21,951)    | (2,231,028)  | (2,231,027)  | (1)      |
| Loan Interest            | Revenue    | (5,437,470)  | (4,089,578)  |              |             | (9,527,048)  | (9,527,048)  | -        |
| Other Sources / PF Loans | Revenue    |              |              |              |             | -            | -            | -        |
| Salaries and Benefits    | Expense    | 138,696      | 252,694      | 4,164        |             | 395,554      | 395,554      | -        |
| Administration           | Expense    | 696,102      | 2,005,971    | 860          | 6,654       | 2,709,587    | 2,709,587    | -        |
| Set-Aside Activities     | Expense    |              |              |              |             | -            | -            | -        |
| Internal Transfers       | Expense    |              | 1,780,040    | (5,025)      |             | 1,775,015    | 1,775,015    | -        |
| Bond Interest            | Expense    | 743,495      | 505,792      |              |             | 1,249,287    | 1,249,287    | -        |
| Bond Issuance Costs      | Expense    |              |              |              |             | -            | -            | -        |
| Other Uses               | Expense    |              |              |              |             | -            | -            | -        |
| Net Income               | Net Income | (9,006,352)  | (16,988,851) |              | (15,297)    | (26,010,501) | (26,010,499) | (2)      |
| Cash Inflows             | Cash Flows | 31,680,805   | 33,369,780   |              | 19,633      | 65,070,276   | 65,070,276   | -        |
| Cash Outflows            | Cash Flows | (14,078,282) | (27,519,696) |              | (6,654)     | (41,604,632) | (41,604,632) | -        |
| Change in Cash           | Cash Flows | 17,602,523   | 5,850,083    |              | 12,978      | 23,465,644   | 23,465,644   | -        |

The Cash Flow statement contains various presentation differences between the Program reports and the Nevada CAFR.

**CASH FLOW**

The CAFR presents EPA Capitalization Grants, Bond Interest Payable, and Escrow Refunds as operating activities.

**PRESENTATION**

The Program presents EPA Capitalization Grants, Bond Interest Payable, and Escrow Refunds as non-operating activities.

The CAFR presents receipts of loan principal and interest as investment activities.

The Program presents receipts of loan principal and interest as operating activities.

|                |                              |
|----------------|------------------------------|
| Cash inflows   | 0                            |
| Cash outflows  | 0                            |
| Change in cash | <b>0 De minimus variance</b> |