



NEVADA DIVISION OF
**ENVIRONMENTAL
PROTECTION**



Nevada Department of
**CONSERVATION &
NATURAL RESOURCES**

Program Financial Discussion and Analysis

Clean Water State Revolving Fund
& Drinking Water State Revolving Fund

**For the Period:
July 1, 2021 to June 30, 2022
(State Fiscal Year 2022)**

This document is designed to provide a general overview of the finances and changes of financial activities of the Nevada Clean Water State Revolving Fund (CWSRF) and the Nevada Drinking Water State Revolving Fund (DWSRF) for the indicated fiscal year. It was created to comply with disclosure and accountability requirements of the U.S. Environmental Protection Agency.

The program's assets, liabilities, and operating activities are audited annually, as they are included in Nevada's Annual Comprehensive Financial Report (ACFR) (<http://controller.nv.gov>) as part of the Water Projects Loan Fund – a major enterprise fund. A copy of the ACFR is forwarded to the Environment Protection Agency (EPA) when the audit has been completed. Nevada supplements this audited information with this report that is posted on our website.

The State of Nevada is audited every year as a single entity for the purposes of the single audit. The CWSRF and DWSRF are included in that audit and are broken into separate components. The Independent Accounting Firm chosen by the legislature reviews each program's risk and materiality. Further analysis is completed based upon standards applicable to financial audits contained in Government Auditing Standards – issued by the Comptroller General of the United States. The single audit for the previous year is typically not available for review until spring of the following year. Prior single audits can be viewed by visiting the Nevada Legislative Counsel Bureau Audit Divisions website at: <http://leg.state.nv.us/Division/Audit/>.

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List of Acronyms

| | |
|--------|---|
| ACFR | Nevada Annual Comprehensive Financial Report (formally known as the Comprehensive Annual Financial Report – CAFR) |
| CFDA | Catalog of Federal Domestic Assistance (grant number) |
| CWA | The Federal Clean Water Act of 1987, as amended |
| CWSRF | Clean Water State Revolving Fund |
| DWSRF | Drinking Water State Revolving Fund |
| EPA | Environmental Protection Agency |
| GASB | Government Accounting Standards Board |
| NDEP | Nevada Division of Environmental Protection |
| NVDCNR | Nevada Department of Conservation and Natural Resources |
| 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 |

Program Financial Discussion and Analysis

Formation of the Nevada CWSRF

Nevada has established The Account to Finance the Construction of Treatment Works and the Implementation of Pollution Control Projects (the CWSRF) through Nevada Revised Statutes (*NRS*) 445A.120. This account provides funds to make loans or to provide other assistance for certain water pollution control projects and for related purposes authorized under the federal Clean Water Act (33 U.S.C. §§ 1381 et seq.).

Formation of the Nevada DWSRF

Nevada has established The Account for the Revolving Fund and Account for Set-Aside Programs (the DWSRF) through *NRS* 445A.255. This account is used to make loans or to provide other assistance for certain drinking water projects and for related purposes authorized under the federal Safe Drinking Water Act (42 U.S.C. §§ 300f et seq.).

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 Clean Water Act (CWA), the Safe Drinking Water Act (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 review 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 CWSRF and DWSRF 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).

Nevada's financial statements in the audited ACFR are presented on one fiscal year — from July 1 to June 30. The programs are an integral component of the state governmental structure. Together with the Brownfields Revolving Fund programs, the CWSRF and DWSRF are presented on the ACFR as a major enterprise fund called *Water Projects Loans*.

Statement of Net Assets

Balance Sheet Discussion

Balance Sheet

| | CWSRF | DWSRF | Brownfields | Total Fund | ACFR | Variance |
|---------------------------------------|--------------------|--------------------|----------------|--------------------|--------------------|------------------|
| Cash and Equivalents | 63,950,007 | 80,324,734 | 857,914 | 145,132,655 | 145,132,655 | 0 |
| Loan Interest Receivable | 2,727,114 | 1,885,531 | | 4,612,645 | 4,612,645 | - |
| Federal Grants Receivable | 8,726 | 562,919 | | 571,645 | 590,208 | (18,563) |
| Loans Receivable | 275,512,484 | 166,969,396 | | 442,481,880 | 442,678,793 | (196,913) |
| Total Assets and Deferred | 342,612,919 | 250,338,595 | 862,030 | 593,813,545 | 594,029,021 | (215,476) |
| Payroll and Administration | 257,672 | 704,399 | | 962,070 | 962,070 | 0 |
| Bond Interest Payable | 692,664 | 317,422 | | 1,010,085 | 1,010,085 | 0 |
| Bonds Payable | 41,422,921 | 20,489,017 | | 61,911,939 | 61,911,939 | (0) |
| Total Liabilities and Deferred | 42,485,992 | 22,112,233 | | 64,598,225 | 64,598,225 | 0 |
| Net Assets | 300,126,928 | 228,226,363 | 862,030 | 529,215,321 | 529,430,796 | (215,475) |

Assets and Liabilities

| | CWSRF | | | DWSRF | | |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| | 2022 | 2021 | CHANGE | 2022 | 2021 | CHANGE |
| Cash and Equivalents | 63,950,008 | 83,533,770 | (19,583,762) | 80,324,734 | 68,938,390 | 11,386,344 |
| Loan Interest Receivable | 2,727,114 | 2,507,205 | 219,909 | 1,885,531 | 1,923,470 | (37,939) |
| Federal Grants Receivable | 8,726 | - | 8,726 | 562,919 | 369,898 | 193,021 |
| Loans Receivable | 275,512,484 | 246,040,170 | 29,472,314 | 166,969,396 | 168,557,784 | (1,588,388) |
| Total Assets and Deferred | 342,612,919 | 332,337,885 | 10,275,034 | 250,338,595 | 239,892,620 | 10,445,975 |
| Payroll and Administration | 257,672 | 319,884 | (62,212) | 704,399 | 687,357 | 17,042 |
| Bond Interest Payable | 692,664 | 699,431 | (6,767) | 317,422 | 275,102 | 42,320 |
| Bonds Payable | 41,422,921 | 42,795,659 | (1,372,738) | 20,489,017 | 18,076,976 | 2,412,041 |
| Total Liabilities and Deferred | 42,485,992 | 43,834,665 | (1,348,673) | 22,112,233 | 19,352,941 | 2,759,292 |
| Net Assets | 300,126,928 | 288,503,220 | 11,623,708 | 228,226,363 | 220,539,679 | 7,686,684 |

The programs had sufficient cash reserves to satisfy all draw requests from borrowers and still retains sufficient cash to satisfy all current and planned draws. Changes in payables for both programs are due to the timing of payments between fiscal years only and not due to any extenuating circumstances. Borrowers from both programs repaid their loans timely, and operations were relatively smooth.

The CWSRF Program decreased in cash as loans were funded in the state fiscal year 2022. This is reflected in the increased loan principal outstanding, the program issued additional debt in the amount of \$4,560,000 to cover match requirements for federal funding.

The DWSRF increased cash and decreased loans receivable in the state fiscal year 2022 primarily due to a slowdown in loan demand for the program.

Nevada State Revolving Funds Program Financial Statement
Fiscal Year 2022

Additionally, the DWSRF reported federal funds in excess of administrative expenses within the fiscal year by #18,563. These funds were carried over to fiscal year 2023 and immediately expensed.

As of June 30, 2022, one DWSRF 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 2022 and the audited ACFR for SFY 2022.

Income Statement Discussion

| Income Statement | | | | | | |
|----------------------------|-------------|-------------|-------------|-------------|-------------|----------|
| | CWSRF | DWSRF | Brownfields | Total Fund | ACFR | Variance |
| Charges for Services | 215,000 | - | | 215,000 | 215,000 | - |
| Federal Grants | 8,649,627 | 11,215,000 | | 19,864,626 | 19,864,626 | 0 |
| Investment Interest | (1,618,786) | (2,082,975) | (22,300) | (3,724,060) | (3,724,060) | (0) |
| Loan Interest | 5,439,222 | 3,969,679 | | 9,408,901 | 9,408,901 | 0 |
| Other Revenues | | | | - | | - |
| Payroll and administration | (306,766) | (3,030,611) | | (3,337,377) | (3,337,377) | (0) |
| Set-aside activities | (340) | (380,299) | | (380,639) | (380,639) | 0 |
| Internal transfers | | (1,863,379) | | (1,863,379) | (1,863,379) | 0 |
| bond interest | (662,023) | (383,212) | | (1,045,235) | (1,045,235) | (0) |
| Other Expenses | (92,566) | (119,255) | | (211,821) | (211,821) | 0 |
| Net Income | 11,623,368 | 7,324,948 | (22,300) | 18,926,017 | 18,926,016 | 1 |

| Operation changes | | | | | | |
|----------------------------|-------------|------------|-------------|-------------|-------------|-------------|
| | CWSRF | | | DWSRF | | |
| | 2022 | 2021 | CHANGE | 2022 | 2021 | CHANGE |
| Charges for Services | 215,000 | 5,747 | 209,253 | - | - | - |
| Federal Grants | 8,649,627 | 14,372,322 | (5,722,695) | 11,215,000 | 12,932,292 | (1,717,292) |
| Investment interest | (1,618,786) | 417,226 | (2,036,012) | (2,082,975) | 337,163 | (2,420,138) |
| Loan Interest | 5,439,222 | 5,044,210 | 395,012 | 3,969,679 | 4,128,149 | (158,470) |
| Other Revenues | | | - | | | - |
| Payroll and administration | (306,766) | (929,527) | 622,761 | (3,030,611) | (3,050,918) | 20,307 |
| Set-aside activities | - | - | - | (380,299) | (276,902) | (103,397) |
| Internal transfers | | | - | (1,863,379) | (1,870,703) | 7,324 |
| bond interest | (662,023) | (753,189) | 91,166 | (383,212) | (440,002) | 56,790 |
| Other Expenses | (92,566) | - | (92,566) | (119,255) | - | (119,255) |
| Net Income | 11,623,708 | 18,156,789 | (6,533,081) | 7,324,948 | 11,759,079 | (4,434,131) |

Income includes Service Fees, Loan Repayments, Grants, Bonds and Treasurer’s Interest, while expenses include salaries, administration, principal forgiveness disbursements and Bond issuance costs. Income from loan interest for the DWSRF increased slightly from SFY 2021 due to the increase in the balance of loans outstanding. CWSRF service fees increased in SFY 2022 due to larger loans being issued than SFY 2021. Investment earnings changed in SFY 2022 due to market conditions and normal accruals between fiscal years. The DWSRF program did not have any significant increase in repayable loans issued for SFY 2022, resulting in an overall decrease in loan interest receivable. There were fewer dollars distributed in SFY 2022 than in SFY 2021. Other activities of the DWSRF program remained relatively unchanged from SFY 2021. Other expenses of both programs is a reflection of the bond issuance costs that were incurred in SFY 2022.

Statement of Cash Flows

Cash Flow Discussion

| CWSRF cash | | | |
|----------------------------|----------------------|----------------------|---------------|
| | SFY 2022 | SFY 2021 | Change |
| Beginning Cash, July 1 | \$ 83,533,770 | \$ 94,991,482 | -12.1% |
| Changes due to operations | \$ (24,224,153) | \$ (16,500,928) | 46.8% |
| Changes due to financing | \$ 6,367,259 | \$ 4,297,747 | 48.2% |
| Changes due to investments | \$ (1,726,869) | \$ 745,469 | -331.6% |
| Ending Cash June 30 | \$ 63,950,008 | \$ 83,533,770 | -23.4% |

| DWSRF cash | | | |
|----------------------------|----------------------|----------------------|--------------|
| | SFY 2022 | SFY 2021 | Change |
| Beginning Cash, July 1 | \$ 68,938,390 | \$ 54,738,621 | 25.9% |
| Changes due to operations | \$ 5,395,144 | \$ 8,650,274 | -37.6% |
| Changes due financing | \$ 8,019,828 | \$ 5,078,587 | 57.9% |
| Changes due to investments | \$ (2,028,628) | \$ 470,908 | -530.8% |
| Ending Cash June 30 | \$ 80,324,734 | \$ 68,938,390 | 16.5% |

Cash from operations in the DWSRF significantly decreased from SFY 2021 primarily due to new loans being issued in the program. This also affected the amount of federal grants requested for capitalization of the program.

Cash from operations in the DWSRF increased from SFY 2021 primarily because the program continued to receive timely loan repayments without a significant increase in new loans issued.

The change in investing activities for both programs is a direct result of interest received from the State Treasurer’s Office and the fair value of market security changes within the year.

Note 1: Summary of Significant Accounting Policies

Basis of Accounting

The programs compile their financial statements from the audited Nevada ACFR. The ACFR 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 CWSRF does not have any capital assets. The DWSRF's sole capital asset, a Chevrolet Equinox SUV, is included on the ACFR depreciation schedule.

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 CWSRFs and DWSRFs. The CWSRF 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 to an employee due to illness, injury, or disability. Employees accrue sick leave at the same rate as 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 ACFR defines certain activities differently than the program. The below chart summarizes these differences:

| Activity | Nevada ACFR | 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

| Clean Water Earnings History | Earnings | Yield (Annualized) |
|------------------------------|-----------------|--------------------|
| FY 2022 | \$ 552,754.64 | 0.627% |
| FY 2021 | \$ 577,036.36 | 0.599% |
| FY 2020 | \$ 1,445,155.99 | 1.854% |
| FY 2019 | \$ 935,588.43 | 2.214% |
| FY 2018 | \$ 570,287.89 | 1.358% |
| 5 Year Total Investments | \$ 4,080,823.31 | 1.177% |

| Drinking Water Earnings History | Earnings | Yield (Annualized) |
|---------------------------------|-----------------|--------------------|
| FY 2022 | \$ 544,275.02 | 0.699% |
| FY 2021 | \$ 368,276.47 | 0.580% |
| FY 2020 | \$ 1,026,703.19 | 1.910% |
| FY 2019 | \$ 2,072,646.64 | 2.207% |
| FY 2018 | \$ 1,151,580.90 | 1.431% |
| 5 Year Total Investments | \$ 1,032,696.44 | 1.397% |

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 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. Details about risk and investment allocations can be found in the Nevada ACFR: <https://controller.nv.gov/FinancialRpts/CAFR/Home/>

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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 CWSRF share for SFY 2022 was \$(1,939,228). The DWSRF share for SFY 2022 was \$(2,435,796).

Note 3: Contributed Capital

CWSRF Program

The CWSRF 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 6). All EPA funds drawn for loans are recorded as non-operating revenues. As of June 30, 2022, the EPA has awarded the following in grants for capitalization since the program's inception:

| Open Grants Available | Grant Amount | Draws within State FY21 | Cumulative Draws thru State FY21 | Draws within State FY22 | Cumulative Draws thru State FY22 | Available funds at the end of State FY22 |
|--|-----------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|--|
| Previous | \$ 209,714,531 | | \$ 209,714,530 | - | \$ 201,855,530 | |
| 2019 Grant | 7,779,000 | \$ 7,779,000 | 7,779,000 | \$ - | 7,779,000 | \$ - |
| 2020 Grant | 7,780,000 | 6,246,488 | 6,246,488 | 1,533,512 | 7,780,000 | \$ - |
| 2021 Grant | 7,467,840 | - | - | 6,967,840 | 6,967,840 | \$ 500,000.00 |
| Total | \$ 232,741,371 | \$ 14,025,488 | \$ 223,740,018 | \$ 8,501,352 | \$ 224,382,370 | \$ 500,000.00 |
| Remaining Federal Funds Available for Loans | | | | | | 0.21% |

State general obligation bonds are issued to provide a required 20% grant match. As of June 30, 2022, \$237,728,400 of grant funds were subject to this 20% match requirement, necessitating issuance of at least \$45,707,860 in bonds. As of June 30, 2022, Nevada has issued and spent \$52,119,921 of bond proceeds to meet this requirement. This match requirement is detailed in the SFY 2022 State Revolving Fund Annual Report.

An application for the 2022 Clean Water Grant totaling \$5,340,140 was pending at June 30, 2022 and therefore excluded from the above values. The grant was awarded on September 20, 2022 (SFY 2023).

An application for the 2022 Clean Water BIL Supplemental Grant totaling \$8,213,720 was pending at June 30, 2022 and therefore excluded from the above values. The grant was awarded on September 23, 2022 (SFY 2023).

DWSRF

The DWSRF 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 6). All EPA funds drawn for loans are recorded as non-operating revenues. As of June 30, 2022, the EPA has awarded the following in grants for loans since the program's inception:

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| Open Grants Available | Grant Amount | Draws within State FY21 | Cumulative Draws thru State FY21 | Draws within State FY22 | Cumulative Draws thru State FY22 | Available Funds at the end of State FY22 |
|--|----------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|--|
| Previous | \$185,224,607 | \$0 | \$184,974,607 | \$0 | \$184,974,607 | \$0 |
| 2019 Grant | \$9,962,880 | \$899,726 | \$9,846,880 | \$116,000 | \$9,962,880 | \$0 |
| 2020 Grant | \$10,334,770 | \$9,126,762 | \$9,126,762 | \$1,208,008 | \$10,334,770 | \$0 |
| 2021 Grant | \$10,070,545 | \$0 | \$0 | \$7,051,666 | \$7,051,666 | \$3,018,879 |
| Total | \$215,592,802 | \$10,026,488 | \$203,948,249 | \$8,375,674 | \$212,323,923 | \$3,018,879 |
| Remaining Federal Funds Available for Loans | | | | | | 1.40% |

State general obligation bonds are issued to provide a required 20% total grant match. As of June 30, 2022, \$267,872,500 of grant funds were subject to this 20% match requirement, necessitating issuance of at least \$53,384,800 in bonds. As of June 30, 2022, Nevada has issued and spent \$57,329,056 of bond proceeds to meet this requirement. This match requirement is detailed in the SFY 2022 Nevada State Revolving Fund Annual Report.

An application for the 2022 Drinking Water Grant totaling \$4,309,730 was pending on June 30, 2022 and therefore excluded from the above values. The grant was awarded on September 20, 2022 (SFY 2023).

Note 4: Loans Receivable

Loans for CWSRFs and DWSRFs are financed by federal capitalization grants, state match, interest earnings on re-loan funds, and re-loan funds. Recipients repay loans using revenues from services provided to residents, special tax assessments, and local bonds. In accordance with NRS 445A.290 and pursuant to the Board of Finance Debt Management 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 ACFR. Loan contracts for privately held systems may require additional security.

Loans will generally have a term of 20 years, in some cases 30-year terms are available. Qualifications for a 30-year term are outlined in our Intended Use Plan. NDEP will calculate on July 1 of each the amount of funds that are available for the SFY 30-year term loans. 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 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 all others.

Note: The interest on a 30-year term loan will be calculated by adding an adjustment, calculated as the difference between the 20-year AAA MMD rate and the 30-year AAA MMD rate, to the otherwise applicable 20-year term rate

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In determining the interest rate that is offered to a 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.

NDEP authorizes existing loans for CWSRF and DWSRFs 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. NDEP 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 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.

CWSRF

| Loans Receivable | Principal Due | Interest Due |
|--------------------|----------------------|---------------------|
| FY 2023 | \$22,022,117 | \$5,483,315 |
| FY 2024 | 25,039,981 | 5,126,755 |
| FY 2025 | 20,791,812 | 4,633,951 |
| FY 2026 | 19,647,888 | 4,196,837 |
| FY 2027 | 18,622,828 | 3,772,122 |
| FY 2028 to FY 2030 | 55,006,059 | 8,845,505 |
| FY 2031 to FY 2035 | 68,560,977 | 7,505,391 |
| FY 2036 to FY 2040 | 34,345,959 | 2,263,029 |
| FY 2041 to FY 2045 | 5,688,598 | 744,450 |
| FY 2046 to FY 2050 | 5,786,266 | 272,311 |
| Total | \$275,512,485 | \$42,843,666 |

The CWSRF makes loans to qualified public entities for projects that meet the eligibility requirements of the Clean Water Act.

Loans to public systems through the CWSRF range from \$43,005 to \$49,997,958. Effective interest rates on loans vary from 0% to 4.00%

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 |
|--------------------------|--------------------------------|----------------------|-----------------------|---------------------|-----------------------|
| Traditional Loans | | | | | |
| 19 | In repayment and good standing | \$131,993,436 | \$200,077,981 | | |
| 45 | Fully repaid | \$191,142,446 | | | |
| 1 | Open and in repayment | \$251,363 | \$9,286,496 | | \$462,141 |
| 4 | Open, not in repayment | | \$62,541,600 | | \$44,458,130 |
| 23 | Principal forgiven | | | \$10,854,288 | \$598,381 |
| 92 | Traditional Loans | \$323,387,245 | \$271,906,077 | \$10,854,288 | \$45,518,652 |
| ARRA Loans | | | | | |
| 3 | In repayment and good standing | \$5,225,351 | \$3,606,408 | | |
| 0 | Fully repaid | | | | |
| 10 | Principal forgiven | | | 10,390,796 | |
| 13 | ARRA Loans | \$5,225,351 | \$3,606,408 | \$10,390,796 | \$0 |
| 105 | Total Loans | \$328,612,596 | \$275,512,485 | \$21,245,084 | \$45,518,652 |

Nevada State Revolving Funds Program Financial Statement
Fiscal Year 2022

DWSRF

| Loans Receivable | Principal Due | Interest Due |
|--------------------|----------------------|---------------------|
| FY 2023 | \$13,789,944 | \$3,776,329 |
| FY 2024 | \$13,745,873 | \$3,526,812 |
| FY 2025 | \$14,307,542 | \$3,181,815 |
| FY 2026 | \$12,678,031 | \$2,843,409 |
| FY 2027 to FY 2030 | \$47,841,514 | \$8,496,265 |
| FY 2031 to FY 2035 | \$45,445,082 | \$4,850,680 |
| FY 2036 to FY 2040 | \$18,372,882 | \$884,350 |
| FY 2041 to FY 2044 | \$985,440 | \$20,309 |
| FY 2041 to FY 2043 | \$503,150 | \$15,907 |
| Total | \$167,669,458 | \$27,595,876 |

The DWSRF makes loans to qualified public and private water systems for projects that meet the eligibility requirements of the SDWA.

Drinking water loans to both public and privately-held recipients range from \$20,000 to \$23,700,000, with maturities over a 20 year period. Effective interest rates on loans vary from 0% to 4.03%

As of June 30, 2022, one drinking water loan recipient remained in default for outstanding principal, totaling \$196,913 as noted in the [Balance Sheet Discussion](#).

| Count | Type | Principal Repaid | Principal Outstanding | Principal Forgiven | Remaining Obligations |
|---|--------------------------------------|----------------------|-----------------------|---------------------|-----------------------|
| Loans to publicly owned systems | | | | | |
| 43 | In repayment and good standing | \$92,707,596 | \$128,032,003 | | |
| 6 | Fully repaid | 29,045,082 | | | |
| 2 | Open and in repayment | 786,168 | 26,537,083 | | 7,936,749 |
| 1 | Open, not in repayment | | 7,861,405 | | 8,388,595 |
| 58 | Principal Forgiven | | | 20,518,065 | 5,137,730 |
| 110 | Public Loans | \$122,538,846 | \$162,430,491 | \$20,518,065 | \$21,463,074 |
| Loans to privately owned systems | | | | | |
| 6 | In repayment and good standing | 1,277,151 | 942,308 | | |
| 7 | Fully repaid | 1,818,885 | | | |
| 1 | In default (allowance established) | 3,087 | 196,913 | | |
| 0 | Open and in repayment | | | | |
| 0 | Open, not in repayment | | | | |
| 18 | Principal Forgiven | | | 3,545,044 | 2,864,259 |
| 32 | Private Loans | \$3,099,123 | \$1,139,221 | \$3,545,044 | \$2,864,259 |
| ARRA Loans | | | | | |
| 3 | Public loans in repayment | 4,760,630 | 3,254,947 | | |
| 0 | Public loans fully repaid | | | | |
| 8 | Public principal forgiven | | | 6,136,489 | |
| 2 | Private loans in repayment | 514,182 | 341,640 | | |
| 0 | Private loans fully repaid | | | | |
| 3 | Private principal forgiven | | | 4,031,163 | |
| 16 | ARRA Loans | \$5,274,812 | \$3,596,587 | \$10,167,652 | \$0 |
| 158 | Loans | \$130,912,781 | \$167,166,299 | \$34,230,761 | \$24,327,333 |
| 1 | Less Allowance for Doubtful Accounts | | (\$196,913) | | |
| 157 | Total Loans | \$130,912,781 | \$166,969,386 | \$34,230,761 | \$24,327,333 |

Note 5: Bonds Payable

CWSRF

The State of Nevada issues bonds for the CWSRF 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, 2021 | Changes | Outstanding Par: June 30, 2022 | Currently Due |
|---------------------|-------|--------------------|----------------|-----------------------------------|------------------|-----------------------------------|------------------|
| GO Grant Match | 2017F | 2022 | 5.00% | 940,000 | (940,000) | - | - |
| GO Grant Match | 2019D | 2027 | 2.00% to 5.00% | 5,375,000 | (480,000) | 4,895,000 | 685,000 |
| GO Grant Match | 2021F | 2028 | 5.00% | - | 4,560,000 | 4,560,000 | 1,205,000 |
| GO Program Leverage | 2013B | 2023 | 2.00% to 4.00% | 6,645,000 | (3,240,000) | 3,405,000 | 3,405,000 |
| GO Program Leverage | 2019E | 2034 | 3.00% to 5.00% | 25,445,000 | (875,000) | 24,570,000 | 880,000 |
| GO Program Leverage | | | | | | | |
| Total | | | | 38,405,000 | (975,000) | 37,430,000 | 6,175,000 |

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. The 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 |
|--|-------------------|------------------|-------------------|-------------------|------------------------------------|---------------------------------------|
| FY 2023 | 1,890,000 | 388,675 | 2,278,675 | 276,611 | - | 40.76 |
| FY 2024 | 1,765,000 | 307,575 | 2,072,575 | 205,210 | - | 22.46 |
| FY 2025 | 1,635,000 | 222,575 | 1,857,575 | 138,912 | - | 25.30 |
| FY 2026 | 1,510,000 | 157,225 | 1,667,225 | 103,301 | - | 28.30 |
| FY 2027 | 1,385,500 | 98,125 | 1,483,625 | 52,504 | - | 19.49 |
| FY 2028 | 1,270,000 | 31,750 | 1,301,750 | 4,064 | - | 15.37 |
| Total GO Match Bonds | 9,455,500 | 1,205,925 | 10,661,425 | 780,602 | - | |
| GO Program Leverage Bonds | Principal | Interest | Total Payments | Amortized Premium | Deferred Amounts on Bond Refunding | Revolving Debt Service Coverage Ratio |
| FY 2023 | 4,285,000 | 1,157,800 | 5,442,800 | 585,906 | - | 10.07 |
| FY 2024 | 885,000 | 1,045,575 | 1,930,575 | 555,633 | - | 14.95 |
| FY 2025 | 1,700,000 | 980,950 | 2,680,950 | 503,079 | - | 8.16 |
| FY 2026 | 2,315,000 | 880,575 | 3,195,575 | 428,367 | - | 8.27 |
| FY 2027 | 2,315,000 | 764,825 | 3,079,825 | 352,241 | - | 6.67 |
| FY 2028 to FY 2030 | 6,370,000 | 1,643,350 | 8,013,350 | 647,500 | - | 7.84 to 8.05 |
| FY 2031 to FY 2035 | 10,105,000 | 812,175 | 10,917,175 | 139,594 | - | 8.97 to 14.47 |
| Total GO Program Leverage Bonds | 27,975,000 | 7,285,250 | 35,260,250 | 3,212,320 | - | |
| All Clean Water Bonds | 37,430,500 | 8,491,175 | 45,921,675 | 3,992,922 | - | |

There was no change to credit ratings in SFY 2022.

| Standard and Poors | Moody's Investors Service | Fitch Ratings |
|---|--|---|
| AAA | Aa1 | AA+ |
| Outlook Stable Affirmed November 7, 2019 | Outlook Stable Report on November 5, 2019 | Outlook Stable Affirmed November 7, 2019 |

Nevada State Revolving Funds Program Financial Statement
Fiscal Year 2022

DWSRF

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, 2021 | Changes | Outstanding Par: June 30, 2022 | Currently Due |
|----------------|--------|--------------------|----------------|-----------------------------------|------------------|-----------------------------------|------------------|
| GO Grant Match | 2010I | 2025 | 3.00% to 5.00% | 2,220,000 | (2,220,000) | - | - |
| GO Grant Match | 2015H | 2031 | 2.00% to 3.00% | 5,795,000 | (640,000) | 5,155,000 | 640,000 |
| GO Grant Match | 2017E | 2038 | 3.00% to 5.00% | 5,285,000 | (310,000) | 4,975,000 | 310,000 |
| GO Grant Match | 2019C | 2024 | 5.00% | 4,290,000 | (1,075,000) | 3,215,000 | 1,070,000 |
| GO Grant Match | 2021E1 | 2035 | 2.00% to 5.00% | | 4,140,000 | 4,140,000 | 80,000 |
| GO Grant Match | 2021E2 | 2026 | 5.00% | | 1,710,000 | 1,710,000 | 395,000 |
| Total | | | | 17,590,000 | 1,605,000 | 19,195,000 | 2,495,000 |

Debt service for GO grant match bonds is paid for with returned loan interest and investment interest earnings. The DWSRF has not issued GO leverage bonds as of June 30, 2022, but it retains the authority to do so should the program need more funds to respond to increased demand. The 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 |
|----------------------|-------------------|------------------|-------------------|----------------------|--|---|
| FY 2023 | 2,495,000 | 714,150 | 3,209,150 | 350,208 | 6,025 | 5.87 |
| FY 2024 | 2,435,000 | 513,938 | 2,948,938 | 137,692 | 6,025 | 4.67 |
| FY 2025 | 2,455,000 | 412,600 | 2,867,600 | 87,114 | 6,025 | 4.84 |
| FY 2026 | 1,850,000 | 308,825 | 2,158,825 | 37,381 | 6,027 | 5.65 |
| FY 2027 | 1,665,000 | 229,263 | 1,894,263 | 22,986 | | 5.37 |
| FY 2028 to FY 2030 | 3,975,000 | 679,200 | 4,654,200 | 15,302 | | 5.73 to 6.54 |
| FY 2031 to FY 2035 | 3,375,000 | 281,175 | 3,656,175 | (7,117) | | 7.01 to 8.93 |
| FY 2036 to FY 2038 | 945,000 | 42,525 | 987,525 | (1,802) | | 11.45 to 17.45 |
| | 19,195,000 | 3,181,676 | 22,376,676 | 641,764 | 24,102 | |

There was no change to credit ratings in SFY 2022.

| Standard and Poors | Moody's Investors Service | Fitch Ratings |
|---------------------------|----------------------------|---------------------------|
| AAA | Aa1 | AA+ |
| Outlook Stable | Outlook Stable | Outlook Stable |
| Affirmed November 7, 2019 | Report on November 5, 2019 | Affirmed November 7, 2019 |

Note 6: Administrative and Set-aside Expenses

CWSRF

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

The program is authorized to utilize up to \$9,509,136 of capitalization grants — or 4% of the cumulative grant amount — for administrative purposes. As of June 30, 2022, Nevada has only requested \$4,987,030 (or 2.2%) to provide more money to grant applicants. As of SFY 2018, Nevada began using the service fees to cover administrative expenses. Beginning with the 2021 Grant, Nevada is again utilizing a portion of the grant for administrative purposes. By the end of SFY 2022, Nevada has received \$1,883,948 in service fees and used \$1,261,732 for administrative expenses. The amount of grant funds for administration, as well as the current outstanding balance, is as follows:

Nevada State Revolving Funds Program Financial Statement
Fiscal Year 2022

| Open Grants Available | Grant Amount | Draws within State FY21 | Cumulative Draws thru State FY21 | Draws within State FY22 | Cumulative Draws Thru State FY22 | Available funds at the end of State SFY22 |
|---|------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|---|
| Previous | 4,675,870 | - | 4,675,870 | | 4,675,870 | - |
| 2019 Grant | - | - | - | | | - |
| 2020 Grant | - | - | - | | | - |
| 2021 Grant | 311,160 | - | - | 148,275 | 148,275 | 162,885 |
| Total | 4,987,030 | - | 4,675,870 | 148,275 | 4,824,145 | 162,885 |
| Remaining Federal Funds Available for Administration | | | | | | 3.27% |

An application for the 2022 Clean Water Grant for administration was pending on June 30, 2022. This pending grant includes \$227,240 that will be available for administrative costs.

DWSRF

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

The DWSRF is authorized to utilize up to \$10,719,540 — or 4% of the net capitalization grant — for administrative purposes. As of June 30, 2022, Nevada has only requested \$8,035,495 (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 FY21 | Cumulative Draws thru State FY21 | Draws within State FY22 | Cumulative Draws thru State FY22 | Available Funds at the end of State FY22 |
|---|------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|--|
| Previous | \$ 6,883,435 | \$ - | \$ 6,883,435 | \$ - | \$ 6,883,435 | \$ - |
| 2019 Grant | 412,000 | 312,266 | 412,000 | - | 412,000 | - |
| 2020 Grant | 419,630 | 86,036 | 86,036 | 333,594 | 419,630 | - |
| 2021 Grant | 320,430 | - | - | 191,967 | 191,967 | 128,463 |
| Total | 8,035,495 | 398,302 | 7,381,471 | 525,561 | 7,907,032 | 128,463 |
| Remaining Federal Funds Available for Administration | | | | | | 1.60% |

Small Systems Technical Assistance (not to exceed 2% of 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 DWSRF is authorized to utilize up to \$5,359,770 — or 2% of the net capitalization grant — for this purpose. As of June 30, 2022, Nevada has only requested and received \$4,278,362 (or 1.64%) 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:

Nevada State Revolving Funds Program Financial Statement
Fiscal Year 2022

| Open Grants Available | Grant Amount | Draws within State FY21 | Cumulative Draws thru State FY21 | Draws within State FY22 | Cumulative Draws thru State FY22 | Available Funds at the end of State FY22 |
|---|------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|--|
| Previous | 3,765,615 | - | 3,765,615 | - | 3,765,615 | - |
| 2019 Grant | 255,120 | 133,817 | 164,220 | 90,900 | 255,120 | - |
| 2020 Grant | 172,550 | - | - | 63,402 | 63,402 | 109,148 |
| 2021 Grant | 85,077 | - | - | - | - | 85,077 |
| Total | 4,278,362 | 133,817 | 3,929,835 | 154,302 | 4,084,137 | 194,225 |
| Remaining Federal Funds Available for Small Systems Technical Assistance | | | | | | 4.54% |

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 \$26,798,850 — or 10% of the net capitalization grant — for this purpose. As of June 30, 2022, Nevada has only requested and received \$20,265,450 (or 7.56%) 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 FY21 | Cumulative Draws thru State FY21 | Draws within State FY22 | Cumulative Draws thru State FY22 | Available Funds at the end of State FY22 |
|---|-------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|--|
| Previous | 16,622,512 | - | 16,622,512 | - | 16,622,512 | - |
| 2019 Grant | 1,100,000 | 716,476 | 1,100,000 | - | 1,100,000 | - |
| 2020 Grant | 1,276,400 | 496,498 | 496,498 | 779,902 | 1,276,400 | - |
| 2021 Grant | 1,266,538 | - | - | 478,239 | 478,239 | 788,299 |
| Total | 20,265,450 | 1,212,974 | 18,219,010 | 1,258,141 | 19,477,151 | 788,299 |
| Remaining Federal Funds Available for State Program Management | | | | | | 3.89% |

Local Assistance (not to exceed 15% of 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 \$40,198,275 for this purpose. Nevada has only requested \$19,816,391 – or 7.39% so more grant money can be provided to loan recipients.

Nevada State Revolving Funds Program Financial Statement
Fiscal Year 2022

| Open Grants Available | Grant Amount | Draws within State FY21 | Cumulative Draws thru State FY21 | Draws within State FY22 | Cumulative Draws thru State FY22 | Available Funds at the end of State FY22 |
|---|-------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|--|
| Previous | 17,104,331 | 56,519 | 17,047,812 | | 17,104,331 | - |
| 2019 Grant | 1,142,000 | 854,181 | 854,181 | 287,819 | 1,142,000 | - |
| 2020 Grant | 560,650 | - | - | 531,160 | 531,160 | 29,490 |
| 2021 Grant | 1,009,410 | - | - | 82,342 | 82,342 | 927,068 |
| Total | 19,816,391 | 910,700 | 17,901,993 | 901,321 | 18,859,833 | 956,558 |
| Remaining Federal Funds Available for Local Assistance | | | | | | 4.83% |

Note 7: Other Discussion Items

For more information regarding the following topics please refer to the ACFR.

- Public Employees' Retirement System
- Public Employees' Benefits Program
- Government Accounting Standards Board Accounting Policies and Procedure Changes
- Subsequent Events
- Changes and Restatements
- Contingencies
- Related Parties

The ACFR can be accessed by clicking: <https://controller.nv.gov/FinancialRpts/CAFR/Home/>

Note 8: Budget

Please refer to the program's annual report for budget information. The annual report can be found on our website: <https://ndep.nv.gov/water/financing-infrastructure/state-revolving-fund-loans>