

# Annual Report Washington's Clean Water State Revolving Fund (CWSRF)

**For State Fiscal Year 2021  
July 1, 2020-June 30, 2021**

By Shelly McMurry

For the

**Water Quality Program**

Washington State Department of Ecology  
Olympia, Washington



October 2021

Publication 21-10-058

## Publication Information

This document is available on the Department of Ecology's website at:  
<https://fortress.wa.gov/ecy/publications/summarypages/2110058.html>

### Cover photo credit

- Shelly McMurry, May 21, 2021

### Related Information

- State Fiscal Year 2021 Final Water Quality Funding Offer List and Intended Use Plan, Publication [20-10-17<sup>1</sup>](#)

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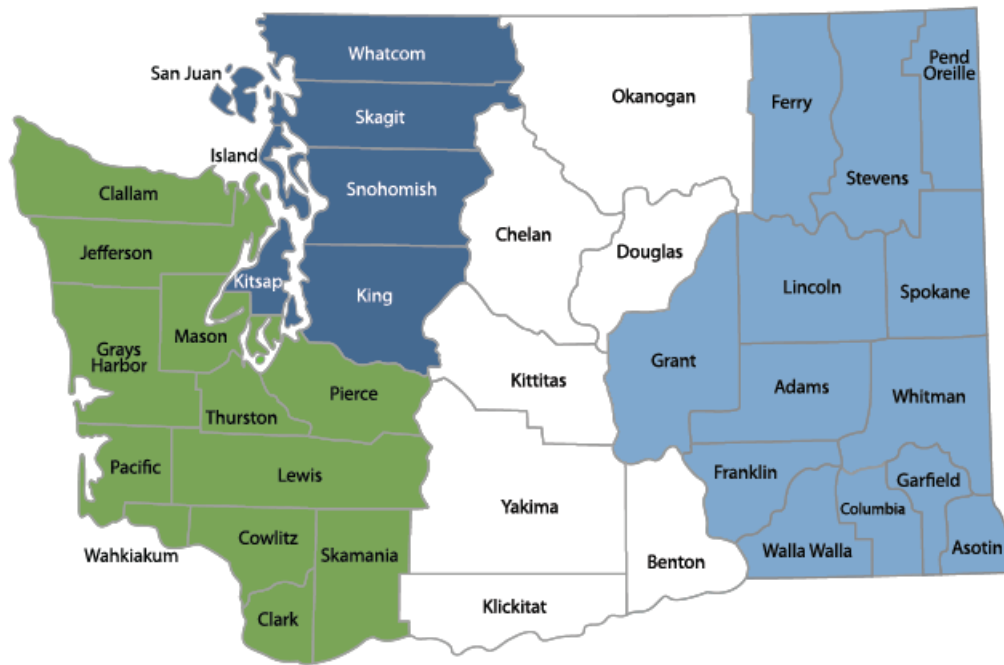
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<sup>1</sup> <https://apps.ecology.wa.gov/publications/SummaryPages/2010017.html>

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# Department of Ecology's Regional Offices

## Map of Counties Served



<b>Southwest Region</b> 360-407-6300	<b>Northwest Region</b> 425-649-7000	<b>Central Region</b> 509-575-2490	<b>Eastern Region</b> 509-329-3400
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Region	Counties served	Mailing Address	Phone
<b>Southwest</b>	Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Mason, Lewis, Pacific, Pierce, Skamania, Thurston, Wahkiakum	PO Box 47775 Olympia, WA 98504	360-407-6300
<b>Northwest</b>	Island, King, Kitsap, San Juan, Skagit, Snohomish, Whatcom	3190 160th Ave SE Bellevue, WA 98008	425-649-7000
<b>Central</b>	Benton, Chelan, Douglas, Kittitas, Klickitat, Okanogan, Yakima	1250 W Alder St Union Gap, WA 98903	509-575-2490
<b>Eastern</b>	Adams, Asotin, Columbia, Ferry, Franklin, Garfield, Grant, Lincoln, Pend Oreille, Spokane, Stevens, Walla Walla, Whitman	4601 N Monroe Spokane, WA 99205	509-329-3400
<b>Headquarters</b>	Across Washington	PO Box 46700 Olympia, WA 98504	360-407-6000

# Annual Report Washington's Clean Water State Revolving Fund (CWSRF)

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**For State Fiscal Year 2021  
July 1, 2020-June 30, 2021**

Water Quality Program, Financial Management Section  
Washington State Department of Ecology

**October 2021 | Publication 21-10-058**



DEPARTMENT OF  
**ECOLOGY**  
State of Washington

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## Acknowledgements

The authors of this report thank the following people for their contribution to this report:

- Beth McKee

## Executive Summary

The purpose of the Clean Water State Revolving Fund (CWSRF) is to provide below market rate loans to assist applicants in meeting the wastewater and other clean water needs of their communities. The Washington State Department of Ecology (Ecology) is solely responsible for managing the CWSRF through its statutory authority Chapter 90.50A RCW: Water Pollution Control Facilities-Federal Capitalization Grants and Chapter 173-98 WAC: Uses and Limitations of the Water Pollution Control Revolving Fund.

As of June 30, 2021, Ecology's CWSRF program had received a total \$831,511,460 in U.S. Environmental Protection Agency (EPA) capitalization grants. Since the inception of the program in 1988, Ecology has made net binding loan commitments totaling \$2,213,409,921.

Ecology provides this annual report to the EPA and the public to report the activities undertaken to reach the goals and objectives in the State Fiscal Year 2021 (SFY21) Intended Use Plan (IUP) and the activities and obligations under the CWSRF program. This report describes the progress made toward program goals, the financial status of the CWSRF, and compliance with federal CWSRF requirements during SFY21 (July 1, 2020, through June 30, 2021).

The SFY21 IUP described the intended uses of the funds available in the CWSRF loan program and detailed how the CWSRF program planned to commit available funds. Eligible entities submitted funding applications as part of Ecology's Water Quality Program (WQP) combined application process by October 15, 2019. Ecology staff screened, rated, and ranked all submissions based on the requirements in Chapter 173-98 WAC and in the *Funding Guidelines, State Fiscal Year 2021 Water Quality Financial Assistance* Publication #20-10-017. This process provided control over the amount and type of loans made and facilitated compliance with federal mandates. As an indication of current interest in the program, Ecology received 146 applications for about \$327 M in loans for the SFY21 funding.

Ecology used the Federal Fiscal Year (FFY) 2020 appropriation of \$27,635,000 as the capitalization grant for the SFY21 IUP. Ecology set the SFY21 CWSRF program capacity at \$186 M. In addition to the EPA capitalization grant, CWSRF program funds came from a required state match of 20 percent of the grant (\$5,527,000), principal repayments, and interest and investment earnings.

For SFY21, Ecology issued binding commitments for 37 projects totaling \$173,699,465. The weighted interest for these agreements is 1.3556 percent (69 percent of the average market rate for 20-year tax-exempt municipal bonds). Of these binding commitments,

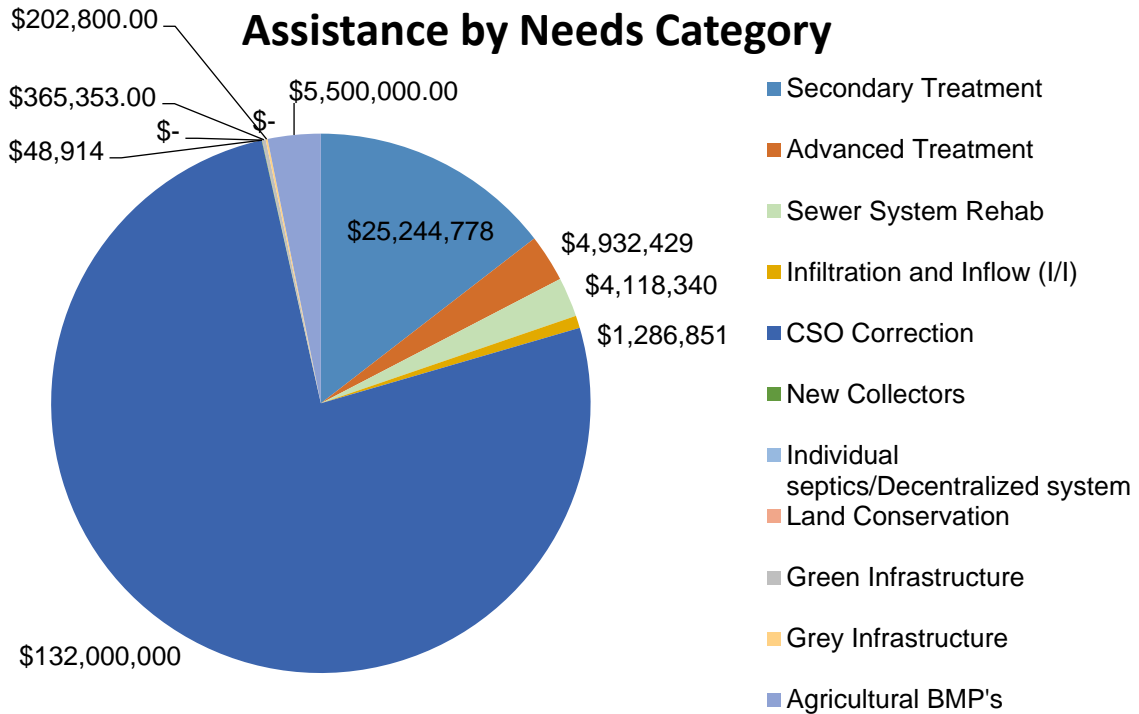
\$4,313,108 was provided in the form of forgivable principal (loans that do not have to be repaid) meeting the federal Additional Subsidization requirement outlined in the FFY20 capitalization grant (cap grant). The FFY20 cap grant set a minimum of \$2,763,500 and maximum of \$11,054,000 for forgivable principal loans.

The FFY20 capitalization grant required Ecology to award 10 percent of the federal capitalization grant (\$2,763,500) to projects or project elements that fit within one or more of the Green Project Reserve (GPR) categories. These categories include:

- Environmentally innovative.
- Water efficiency.
- Energy efficiency.
- Green infrastructure.

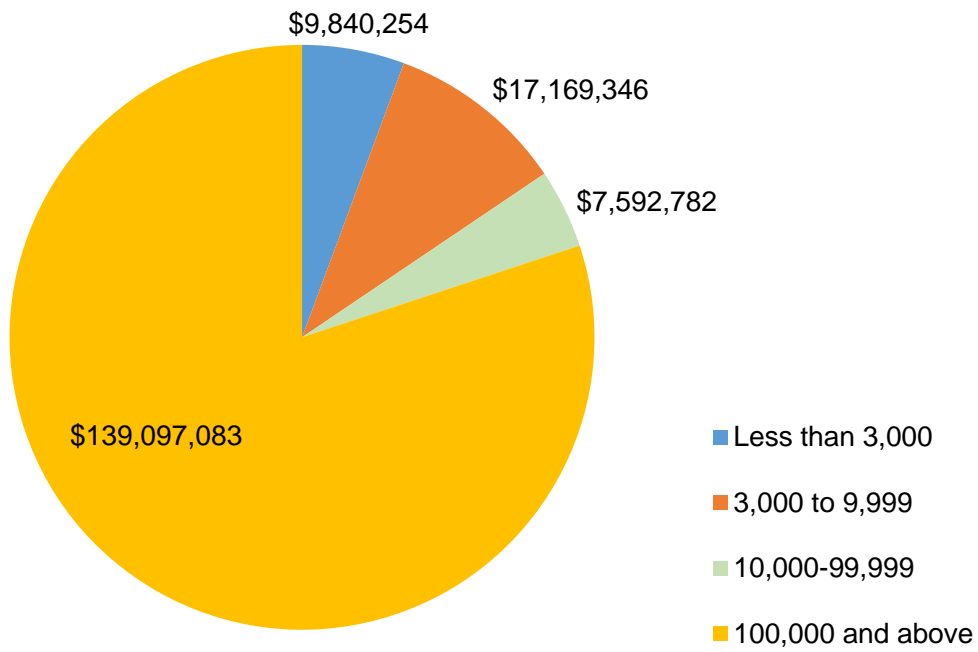
Ecology awarded \$4,000,000 or fourteen percent of the cap grant to GPR projects or project elements, meeting this requirement.

The following graph shows assistance provided to each water quality needs category. A total of 97 percent of the funds in SFY21 are being used for Clean Water Act (CWA) Section 212 projects (wastewater projects) and 3 percent for CWA Section 319 (nonpoint activity projects). 85 percent of the funds are categorized as CWA Section 320 projects that are within the National Estuary Program boundary.

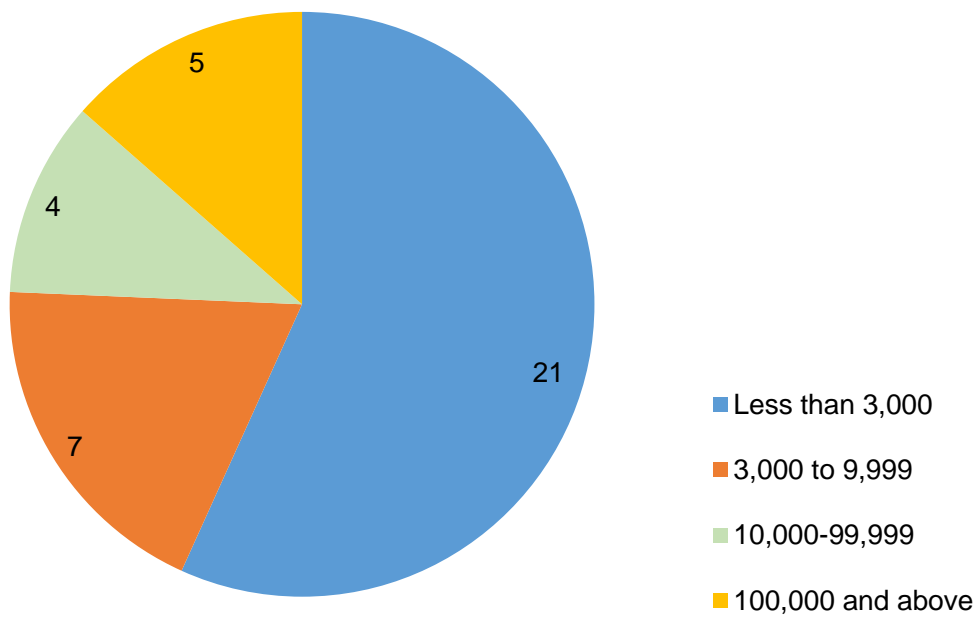


The following graph shows the assistance provided across population of recipient categories. 16 percent of the CWSRF funds supported projects in communities within the population category of 25,000 or below. However, 55 percent of our projects (21 or 37 total projects) are with communities under the population of 3,000. For 10 of these recipients this is their first loan through the CWSRF program. These projects are smaller in dollar amount but typically take more technical assistance and support to succeed.

## Assistance by Population



## Assistance by Number of Projects



## INTRODUCTION

According to the Operating Agreement between EPA and Ecology, Ecology's Water Quality Program (WQP) is solely responsible for managing the CWSRF through its statutory authority Chapter 90.50A RCW: Water Pollution Control Facilities-Federal Capitalization Grants and Chapter 173-98 WAC: Uses and Limitations of the Water Pollution Control Revolving Fund. Ecology's CWSRF program is nationally recognized for its integrated business practices and high degree of accountability and sound management.

The CWSRF continues to grow in dollars and complexity. The long-term health of the CWSRF is strong despite market challenges that negatively affected the public and private sectors over the past few years. The flexible structure and overall strategy of the CWSRF enables Ecology to respond to emerging needs of local governments and tribes as well as addressing federal and state directives.

### Sources of funds

The CWSRF is capitalized with annual grants from EPA and a required 20 percent state match. Ecology intends to reserve the maximum allowable authority of this capitalization grant for administrative expenses allowed by the federal Clean Water Act (CWA). Ecology also applies an administrative charge that went into effect December 2013. The administrative charge sets Ecology on track for self-sustainable administration of the CWSRF into perpetuity.

Each year Ecology combines the EPA capitalization grant with the state match, principal and interest repayments, received investment earnings and any de-obligated or declined funds to provide loans to public bodies for water quality projects across the state. Most of the available funding consists of principal and interest repayments.

The Water Pollution Control Revolving Admin (WPCRA) account was established in 2013. This account is funded from an administrative charge of 1% charged on the declining principal of loans that went into repayment after the new rule was effective December 21, 2013. In 2020, Ecology reduced the administrative charge to .3% for SFY21 and future loans.

### Uses of funds

The CWSRF is a key funding source used to advance the water quality goals of EPA and Ecology's Water Quality Program (WQP). The mission of the WQP and the CWSRF is to protect and restore Washington's waters to sustain healthy watersheds and communities by providing technical and financial assistance for high priority water quality efforts.

Ecology ensures that funded projects are consistent with the goals of Sections 212, 319, and 320 of the CWA, including the State's Section 320 Estuary Plan (*Puget Sound Action Agenda*), and *Washington's Water Quality Management Plan to Control Nonpoint Source Pollution*.

Ecology manages the CWSRF along with the state-funded Centennial Clean Water Program (Centennial), the state funded Stormwater Financial Assistance Program, and the CWA Section 319 Nonpoint Source Grant Program (Section 319).

Ecology makes every attempt to integrate and streamline the four funding programs. This approach provides significant program savings and efficiencies for Ecology, its clients, and its stakeholders.

Ecology manages the Water Pollution Control Revolving Admin (WPCRA) account. This account is dedicated for support of program administrative activities to manage the CWSRF program and CWSRF funded projects.

## State fiscal year and federal fiscal year

Washington State has a biennial budget cycle that spans two fiscal years and includes two funding cycles. The SFY runs from July 1 – June 30. The FFY runs from October 1 – September 30. Due to the differences in the fiscal years and budget cycles, there may be up to a nine-month lag from the time Congress passes the federal budget to when the Washington State Legislature approves the state budget and appropriations authorizing Ecology to use the funds. The FFY20 capitalization grant is administered in the SFY21 funding cycle.

## What is in this report

This report discusses how Ecology administered the CWSRF FFY20 capitalization grant, state match, and principal and interest repayments during SFY21. Specifically, this report does the following:

- Describes Ecology’s and the WQP’s goals and objectives and discusses progress made toward meeting them.
- Lists several key conditions of the Operating Agreement and FFY20 Capitalization Grant and provides details on how Ecology met them.
- Describes significant changes to the program made during SFY21.
- Presents a Management Discussion and Analysis section providing CWSRF financial statements.
- Includes several exhibits containing the unaudited financial statements of the CWSRF for SFY21.

## Ecology and the Water Quality Program’s Goals, Objectives, and Progress Made

The overall mission of Ecology is to protect, preserve, and enhance the State’s environment and promote the wise management of our air, land, and water. In addition, the mission of Ecology’s WQP is to:

- Prevent and clean up water pollution.
- Clean up polluted waters and engage citizens in the work to protect and restore water quality.
- Provide excellent technical and financial assistance.

The following five short- and long-term goals help achieve the overall mission of Ecology and the WQP through the financial assistance programs.

## **Goal 1: Identify and fund the highest priority water quality focused projects statewide.**

### **Objectives and progress**

- 1) Communicate with regional Ecology experts to identify water quality priorities.
  - Regional project managers and engineers review and evaluate funding applications. Ecology holds mandatory internal evaluator training sessions each year to ensure consistency and funding of the highest priority water quality projects. Ecology also holds a post-application evaluation meeting to further provide information on scoring consistency and objectivity before tabulating the final scores.
  - Ecology regional project managers work closely with the headquarters Financial Management Section and coordinate with staff specializing in total maximum daily loads (TMDL) and permitting during the application review and evaluation process.
- 2) Coordinate with external partners, including advisory groups, tribes, special purpose districts and state, federal, and local governments for input on water quality priorities.
  - Ecology requires projects to be consistent with applicable approved water quality plans, including, but not limited to the following: Puget Sound Action Agenda and Washington’s Water Quality Management Plan to Control Nonpoint Sources of Pollution.
  - As a pre-requisite for receiving funding, Ecology required all projects located in the Puget Sound Watershed (defined by Water Resource Inventory Areas 1 – 19) to comply with the Puget Sound Partnership’s Puget Sound Action Agenda.
  - Ecology evaluates and assesses its funding application each year before opening the application cycle to ensure it reflects the current state and federal priorities.
  - Ecology provides project proposals to numerous external stakeholders for review and comment prior to developing the Draft Funding Offer List and Intended Use Plan (Draft IUP) and project priorities. External stakeholders Ecology consults include, but are not limited to, the following:
    - Water Quality Financial Assistance Council (FAC).
    - Puget Sound Partnership.
    - Washington State Conservation Commission.
    - Washington State Department of Health (DOH).



- Washington State Department of Commerce, Public Works Board.
- 3) Communicate with the Washington State Legislature regarding needs and priorities for funding.
- Ecology sends its Draft IUP to the Legislature for consideration during budget development. The document calls out funding recommendations for priority water quality improvement projects, including wastewater construction needs in small, hardship communities.

## **Goal 2: Provide funding through a fair, objective, and transparent process.**

### **Objectives and progress**

- 1) Involve stakeholders, including the public, in major funding program development, including rules and funding offer lists.
- Ecology regularly requests comments and feedback from stakeholders and clients on potential changes or improvements to its funding guidelines and application process.
  - In SFY21, Ecology organized and facilitated three meetings with the Financial Assistance Council (FAC) to review and discuss ongoing and emerging CWSRF program issues.
  - Ecology held a meeting of its internal CWSRF Management Oversight Committee. Among the issues discussed were program status, fund management, cash flow acceleration, and coordination with other funding programs in Washington State.
  - Ecology staff and management regularly consult and coordinate with EPA to ensure its funding programs and funding agreements are meeting all federal requirements, including environmental prerequisites. This includes monthly check in calls with EPA program staff.
  - During SFY21 Ecology developed a Draft IUP for SFY22 offers. Ecology made the Draft IUP available to the public for comment. Ecology held a public meeting in Tacoma to discuss the Draft IUP and sought additional public comment during a 30-day public comment period.
- 2) Conduct two application Evaluators meetings with a focus on consistency and objectivity in scoring.
- Ecology annually trains staff assigned to evaluating applications. Ecology provides staff with tools and resources to help understand the scoring criteria and what they should be looking for. The training improves consistency and objectivity in application scores.

## **Goal 3: Provide the best possible funding packages for small, financially distressed communities.**

### **Objectives and progress**

- 1) Set aside one-third of Centennial grant for wastewater facility construction projects in small communities where the project would otherwise result in sewer fees for residential ratepayers that are more than two percent of the median household income (MHI).

- In SFY21 Ecology offered 45 percent of the Centennial funds to wastewater facility construction projects in hardship communities.
- 2) Set aside five percent of the CWSRF for facility preconstruction projects in small communities with MHIs less than the state MHI. Provide forgivable principal loans if the MHI is less than 80 percent of the state MHI.
    - In SFY21 Ecology offered approximately 7 percent of the CWSRF funds to preconstruction projects in small communities. Ecology offered approximately 1 percent of the forgivable principal loan for such projects.
  - 3) Reduce the SFAP grant match requirements for stormwater projects in small communities with MHIs less than 80 percent of the state MHI.
    - In SFY21, Ecology identified a reduced SFAP grant match for eight stormwater project.
  - 4) Reduce the CWSRF interest rates for local onsite sewage system repair and replacement programs if they target loans to financially distressed homeowners and small business owners.
    - Ecology determines the final CWSRF interest rate for local onsite sewage system repair and replacement programs at the end of the project. Ecology will reduce the final interest rates based on the proportion of loans that the recipient provided to lower income homeowners and small commercial enterprises.

## **Goal 4: Provide technical assistance to funding applicants and recipients.**

### **Objectives and progress**

- 1) Work with EPA, other federal agencies, and other state agencies to ensure effective coordination associated with major federal and state requirements.
  - Ecology coordinates closely with other federal agencies and other state agencies to ensure it is meeting the federal and state environmental prerequisites. Ecology confirms compliance with federal cross cutter requirements for wastewater facility construction projects with federal agencies such as U.S. Fish and Wildlife Service, Bureau of Land Management, U.S. Forest Service, and National Oceanic and Atmospheric Administration. Ecology also coordinates with the Washington State Department of Archaeology and Historic Preservation and the Washington State Department of Commerce.
- 2) Provide outreach at workshops, conferences, and meetings to disseminate information related to the funding programs and requirements.
  - Ecology organized multiple workshops for applicants and recipients of funding, attended and presented at multiple conferences. At each workshop and in each conference presentation, Ecology provided information on meeting major state and federal requirements. Major state and federal requirements discussed at the workshops and conference presentations included, but were not limited to, the following.
    - State Environmental Review Process (SERP).
    - Federal cross cutters.

- Federal and state cultural resources.
  - American iron and steel
  - Federal and state procurement.
  - Minority Business Enterprise/Women Business Enterprise.
  - Davis-Bacon.
  - Growth Management Act.
- 3) Conduct annual funding applicant workshops.
    - Ecology held online applicant workshops for the SFY21 cycle in August 2020 due to COVID restrictions.
  - 4) Conduct annual funding recipient workshops.
    - Ecology held recipient training workshops online in July 2020 for the SFY21 recipients to learn grant and loan management requirements due to COVID restrictions.
  - 5) Maintain the [Water Quality Grants and Loans webpage](https://ecology.wa.gov/About-us/How-we-operate/Grants-loans/Find-a-grant-or-loan/Water-Quality-grants-and-loans) at: <https://ecology.wa.gov/About-us/How-we-operate/Grants-loans/Find-a-grant-or-loan/Water-Quality-grants-and-loans>
    - Ecology regularly updates [the grant and loan funding website](https://ecology.wa.gov/About-us/How-we-operate/Grants-loans/Find-a-grant-or-loan/Water-Quality-grants-and-loans) <https://ecology.wa.gov/About-us/How-we-operate/Grants-loans/Find-a-grant-or-loan/Water-Quality-grants-and-loans> to keep the public and stakeholders aware of funding and training opportunities and to provide them with related forms and publications.
  - 6) Contract with the Rural Community Assistance Corporation (RCAC) to provide special technical assistance for small communities.
  - 7) Provide directed technical assistance to small hardship communities with wastewater facility needs through an interagency agreement with Commerce to fund the Small Communities Initiative (SCI).
  - 8) Assist with planning and participate in the annual Infrastructure Assistance Coordinating Council (IACC) conference. Ecology is an IACC member, and an Ecology staff member is Vice Chair. Funding agency representatives work to coordinate the infrastructure funding programs to enable sharing information and problem solving.
    - The IACC hosted its annual conference October 2020 virtually where several Ecology staff presented information on the financial assistance programs. Ecology staff also participated in technical assistance (Tech Team) meetings to assist local communities in developing plans for specific infrastructure projects.

## Goal 5: Provide sound financial management of the funding programs and projects.

### Objectives and progress

- 1) Evaluate the CWSRF annually to ensure the availability of funds in perpetuity as defined by Chapter 173-98 WAC, Use and Limitations of the Water Pollution Control Revolving Fund.

- Ecology uses the average [“11-Bond GO Index”](#) rate available at [http://www.bondbuyer.com/marketstatistics/search\\_bbi.html?details=true](http://www.bondbuyer.com/marketstatistics/search_bbi.html?details=true) to set annual interest rates for CWSRF. Ecology bases rates on the average bond rate for the period 30 to 180 days prior to the beginning of a new funding cycle.
  - Ecology sets interest rates at either 80 percent, 60 percent or 30 percent of the average bond rate, depending on the length of the loan period. The interest rates for standard CWSRF loans in SFY21 were:
    - 1.0 percent for a five-year loan (30 percent of tax-exempt municipal bonds).
    - 2.0 percent for a 20-year loan (60 percent of tax-exempt municipal bonds).
    - 2.7 percent for a 30-year loan (80 percent of tax-exempt municipal bonds).
  - Ecology monitors the CWSRF to ensure that it will be available in perpetuity as required by the CWA. While the CWA does not define perpetuity, Ecology defined perpetuity in Chapter 173-98 WAC as, “**Perpetuity** means the department will seek to manage the revolving fund account so that available future funds at least match the rate of growth of *Engineering News-Record* “Construction Cost Index” for the City of Seattle.”
- 2) Conduct financial capability assessments on CWSRF loan recipients prior to signing agreements.
- CWSRF agreements require a dedicated source of funds for repayment of the loan. Dedicated sources of revenue are a general obligation pledge or a revenue pledge. In the event of a CWSRF loan default, state law enables Ecology to withhold any state funds otherwise due to the community, and directs that such funds be applied to the indebtedness and deposited into the CWSRF account.
  - Ecology staff conducts a financial capability assessment on each CWSRF loan recipient before finalizing the loan agreement. Staff review information provided by applicants, including audit reports and financial statements, and information available in the State Auditors Office’s Financial Intelligence Tool, <https://portal.sao.wa.gov/FIT/>. They produce an assessment that includes any recommended special conditions or reporting requirements to include in the agreement.
  - The information obtained for the assessment helps inform Ecology staff for the subsequent funding cycle. The financial capability assessment process continues to improve based on experience evaluating financial indicators and risk factors.
  - CWSRF agreements require each borrower to review its rate structure at least annually and update Ecology on the progress in meeting the goals and objectives included in use ordinances, resolutions, and rate studies.
- 3) Coordinate with Ecology’s fiscal office on CWSRF financial management issues.
- Ecology’s CWSRF staff regularly coordinate with Ecology’s Fiscal Office staff.
  - The CWSRF program is subject to annual state and federal audits (performance reviews). Ecology is responsive to auditor expectations and readily implements suggestions to improve the CWSRF program.

- Ecology monitors recipient audit reports and takes action when appropriate.
  - Ecology Financial Managers and Project Managers provide oversight and monitoring of projects to ensure fiscal accountability.
- 4) Conduct internal workgroup meetings to identify problems, needs and emerging issues.
- Regional Project Managers meet every other month, and Financial Managers meet monthly to discuss problems, needs, and emerging issues to clarify procedures, ensure consistency and intercept any potential problems.
- 5) Coordinate with advisory groups, councils and other funding agencies and programs.
- Ecology met with FAC in August 5, 2020, November 18, 2020 and April 21, 2021 to review and discuss ongoing and emerging CWSRF and combined financial assistance program issues.
  - Ecology conducted two internal CWSRF Management Oversight Committee meetings on October 5 2020 and June 23, 2021 to review program status, fund management, and emerging issues.
  - Ecology coordinated with the Community Development Block Grant (CDBG), Department of Health (DOH) and USDA Rural Development (RD) on funding projects.
  - Ecology CWSRF staff participated in the Maximizing Resources in a Coordinated Manner Workgroup. The Maximizing Resources Workgroup is a subgroup of the IACC. It is composed of representatives from most infrastructure funding programs operating in the state. The workgroup meets quarterly to discuss projects needing funding and to develop ways to maximize funding and simplify processes.

## Meeting Key Conditions of the Operating Agreement and Capitalization Grant

In 2020, Ecology and EPA amended the Operating Agreement for the CWSRF program. The agreement contains numerous conditions that Ecology must meet. This report documents compliance with conditions in the Operating Agreement and Capitalization Grants.

### Information on loan agreements signed and binding commitments

Ecology entered into binding commitments for 37 CWSRF agreements totaling \$173,699,465 in SFY21. Table 1 lists the twelve projects totaling \$5,994,808 that declined their funding offer. Table 2 provides information on agreements signed or binding commitments made in SFY21.

Table 1: Declined Funding Offers

Applicant	Application Number	Amount
Bonney Lake city of	WQC-2021-BonLak-00087	\$ 1,475,550
Carbonado town of	WQC-2021-Carbon-00089	\$ 166,667
Metaline town of	WQC-2021-Metali-00204	\$ 20,000
Olympia city of	WQC-2021-Olympi-00213	\$ 70,500
Pacific County	WQC-2021-PaCCDD-00115	\$ 189,000
Republic city of - Public Works	WQC-2021-RepCW-00037	\$ 31,518
Roslyn, City of	WQC-2021-CoRosl-00124	\$ 796,642
Snohomish County - Public Works Department	WQC-2021-SnCoPW-00170	\$ 200,000
Springdale town of	WQC-2021-ToSpri-00139	\$ 100,000
Tacoma city of - Environmental Services Department	WQC-2021-TacoES-00088	\$ 141,097
Twisp town of - Public Works	WQC-2021-TwisPW-00030	\$ 2,172,559
Union Gap city of	WQC-2021-UniGap-00079	\$ 631,275
	<b>12 Projects</b>	<b>\$ 5,994,808</b>

Table 2: CWSRF Agreements/Binding Commitments in SFY21

Recipient Name	Application Number (EAGL)	Agreement Number	Project Title	Clean Water Needs	Total Assistance	Loan Amount	Forgivable Loan Amount	Int Rate %	Term	Binding Commitment Date
Aberdeen city of - Public Works	WQC-2021-AberPW-00072	EL210309/EF210310	City of Aberdeen WWTP Influent Screening and Conveyance Improvements	Secondary Treatment	\$ 795,000	\$ 397,500	\$ 397,500	1.2%	20	6/18/2021
Goldendale city of	WQC-2021-CiGold-00196	EL210292/EF210293	WWTP Solids Handling, Grit Removal and Aeration System Upgrades	Secondary Treatment	\$ 4,000,000	\$ 3,794,500	\$ 205,500	1.2%	20	6/22/2021
Mossyrock city of	WQC-2021-CiMoss-00071	EL210313/EF210314	General Sewer Plan Update / Wastewater Treatment Plant Planning and Upgrade	Secondary Treatment	\$ 200,000	\$ 100,000	\$ 100,000	0.9%	20	6/28/2021
Tekoa city of	WQC-2021-CiTeko-00177	EL210290/EF210291	Influent Lift Station Replacement	Secondary Treatment	\$ 500,000	\$ 477,500	\$ 22,500	1.6%	30	6/22/2021
Grand Coulee city of	WQC-2021-CoGraC-00050	EL210102/EF210103	Wastewater Facility Plan	Secondary Treatment	\$ 111,000	\$ 55,500	\$ 55,500	0.6%	5	4/23/2021
College Place city of - Engineering Department	WQC-2021-CoPIED-00133	EL210176/EF210177	Southwest Sewer Interceptor	Sewer System Rehabilitation	\$ 2,642,271	\$ 2,382,081	\$ 260,190	0.9%	20	4/5/2021
Eastsound Sewer & Water District	WQC-2021-EaSoWd-00208	EL210287/EF210289	Eastsound Sewer and Water District Wastewater Treatment Plant Upgrade	Secondary Treatment	\$ 4,895,600	\$ 4,650,600	\$ 245,000	1.6%	30	5/20/2021

Recipient Name	Application Number (EAGL)	Agreement Number	Project Title	Clean Water Needs	Total Assistance	Loan Amount	Forgivable Loan Amount	Int Rate %	Term	Binding Commitment Date
Endicott town of	WQC-2021-Endico-00093	EL210077/EF210078	Endicott Sewer I&I Reduction	Infiltration/Inflow Correction	\$ 883,689	\$ 801,954	\$ 81,735	1.1%	20	1/20/2021
Fisherman Bay Sewer District	WQC-2021-FiBaSD-00210	EL210162	Fisherman Bay General Sewer Plan and Facilities Plan	Secondary Treatment	\$ 166,000	\$ 166,000		1.2%	20	5/24/2021
Friday Harbor town of	WQC-2021-FriHar-00211	EL210226	Sewer Outfall Replacement Construction	Secondary Treatment	\$ 2,272,862	\$ 1,831,564	\$ 441,298	1.1%	20	6/28/2021
Friday Harbor town of	WQC-2021-FriHar-00212	EL210234	Friday Harbor WWTP Solids Treatment Upgrades	Secondary Treatment	\$ 1,066,200	\$ 533,100	\$ 533,100	1.1%	20	6/24/2021
Garfield town of	WQC-2021-GarfTo-00116	EL210167	Garfield I&I Reduction	Infiltration/Inflow Correction	\$ 374,812	\$ 350,618	\$ 24,194	1.5%	20	3/30/2021
Hoquiam city of	WQC-2021-HoquCi-00199	EL210179/EF210180	Emerson Avenue Pump Station Improvements Design	Secondary Treatment	\$ 260,500	\$ 130,250	\$ 130,250	1.6%	30	5/4/2021
King County - Natural Resources and Parks Department	WQC-2021-KCoNRP-00074	EL210335	Joint Ship Canal Water Quality CSO Control	CSO Correction	\$ 66,000,000	\$ 66,000,000		1.6%	30	6/18/2021
Lummi Tribal Sewer and Water District	WQC-2021-LuTswD-00148	EL210219/EF210221	2019 Gooseberry Point Wastewater Collection System Improvements	Secondary Treatment	\$ 1,540,975	\$ 762,983	\$ 777,992	1.2%	20	6/24/2021



Recipient Name	Application Number (EAGL)	Agreement Number	Project Title	Clean Water Needs	Total Assistance	Loan Amount	Forgivable Loan Amount	Int Rate %	Term	Binding Commitment Date
Newport city of	WQC-2021-Newpor-00151	EL210246/EF210247	City of Newport Wastewater Master Plan	Secondary Treatment	\$ 308,500	\$ 154,250	\$ 154,250	1.2%	20	6/30/2021
Oakesdale town of	WQC-2021-Oakesd-00052	EL210106/EF210107	Wastewater Facility Plan and Other Requirements	Secondary Treatment (85%)/Infiltration/Inflow Correction (15%)	\$ 189,000	\$ 94,500	\$ 94,500	0.6%	5	5/5/2021
Odessa town of	WQC-2021-Odessa-00104	EL210157/EF210158	Main Lift Station Replacement and Drying Bed Area	Sewer System Rehabilitation	\$ 631,069	\$ 580,725	\$ 50,344	1.1%	20	5/24/2021
Olympia city of	WQC-2021-Olympi-00097	EL210143	Water Quality Enhanced Street Sweeping Program	Green Infrastructure	\$ 365,353	\$ 365,353		0.6%	5	1/26/2021
Oroville Housing Authority	WQC-2021-OrHoAu-00218	EL210136	The Oroville Harvest Shelter Renovation	New Collector Sewers	\$ 48,914	\$ 48,914		1.2%	20	1/29/2021
Pasco city of	WQC-2021-Pasco-00020	EL210165	Clean Water Preservation Project, Phase 1 & 2	Advanced Treatment	\$ 4,932,429	\$ 4,932,429		1.2%	20	6/30/2021
Pasco city of	WQC-2021-Pasco-00144	EL210324	Process Water Reuse Facility (PWRF) Pretreatment Improvements	Agricultural Best Management Practices-Cropland	\$ 1,500,000	\$ 1,500,000		1.2%	20	6/30/2021
Pateros City of	WQC-2021-PateCo-00027	EL210306/EF210307	Wastewater Facility Engineering Report and General Sewer Plan Update	Secondary Treatment	\$ 192,810	\$ 96,405	\$ 96,405	1.2%	20	6/7/2021

Recipient Name	Application Number (EAGL)	Agreement Number	Project Title	Clean Water Needs	Total Assistance	Loan Amount	Forgivable Loan Amount	Int Rate %	Term	Binding Commitment Date
Port Townsend city of	WQC-2021-Portoc-00169	EL210258/EF210259	Wastewater Treatment Plant Outfall Replacement	Secondary Treatment	\$ 3,330,000	\$ 3,180,000	\$ 150,000	1.6%	30	4/15/2021
Reardan town of	WQC-2021-Rearda-00172	EL210184/EF210185	Reardan General Sewer Plan	Secondary Treatment	\$ 77,700	\$ 38,850	\$ 38,850	1.2%	20	6/30/2021
Samish Water District	WQC-2021-SamiWD-00120	EL210170	Samish Water District - N.Lake Samish Sewer Force Main Relocation Project	Secondary Treatment	\$ 867,752	\$ 867,752		1.2%	20	5/7/2021
Seattle city of - Public Utilities Department	WQC-2021-SeaPUD-00191	EL210276/EL210311	Joint Ship Canal Water Quality CSO Control	CSO Correction	\$ 66,000,000	\$ 66,000,000		1.2%	20	6/18/2021
Spokane County Conservation District	WQC-2021-SpoCoD-00178	EL210067	Direct Seed Equipment Loan Program	Agriculture Best Management Practices-Cropland	\$ 3,000,000	\$ 3,000,000		0.8%	20	12/11/2020
Spokane County Conservation District	WQC-2021-SpoCoD-00198	EL210070	Hangman Creek Agricultural BMP Assistance Project	Agriculture Best Management Practices-Cropland	\$ 1,000,000	\$ 1,000,000		0.8%	20	12/11/2020
Tacoma city of - Environmental Services Department	WQC-2021-TacoES-00067	EL210166	CTP Electrical Distribution System Replacement Project	Secondary Treatment	\$ 3,097,083	\$ 3,097,083		1.2%	20	3/31/2021
Almira town of	WQC-2021-ToAlmi-00194	EL210182/EF210183	Almira General System Plan	Sewer System Rehabilitation	\$ 50,000	\$ 25,000	\$ 25,000	1.2%	20	6/14/2021

Recipient Name	Application Number (EAGL)	Agreement Number	Project Title	Clean Water Needs	Total Assistance	Loan Amount	Forgivable Loan Amount	Int Rate %	Term	Binding Commitment Date
Creston town of	WQC-2021-ToCres-00029	EL210172/EF210173	Lift Station and Wastewater System Improvements	Sewer System Rehabilitation	\$ 795,000	\$ 736,000	\$ 59,000	1.6%	30	3/3/2021
Tonasket city of	WQC-2021-Tonask-00094	EL210151	Perfect Passage (SR 97) Stormwater Treatment Improvements	Grey Infrastructure	\$ 202,800	\$ 202,800		1.2%	20	2/26/2021
Winthrop town of	WQC-2021-ToWin-00188	EL210353/EF210368	Town of Winthrop Wastewater Facility/General Sewer Plan	Secondary Treatment	\$ 200,000	\$ 100,000	\$ 100,000	1.2%	20	6/22/2021
Waterville town of	WQC-2021-Waterv-00168	EL210285/EF210286	Wastewater Treatment Plant Design	Secondary Treatment	\$ 540,000	\$ 270,000	\$ 270,000	1.2%	20	6/11/2021
Bridgeport city of	WQSRFEFP-2020-CiBrid-00002	EL210337	Bridgeport Emergency Wastewater Facility Repairs	Secondary Treatment	\$ 162,146	\$ 162,146		0.00	10	6/22/2021
Mattawa town of	WQSRFEFP-2021-Mattaw-00003	EL210348	Wastewater Treatment Plant Emergency Restoration Project	Secondary Treatment	\$ 500,000	\$ 500,000		0.00	10	6/22/2021
			<b>Total</b>	<b>37</b>	<b>\$ 173,699,465</b>	<b>\$ 169,386,357</b>	<b>\$ 4,313,108</b>			

## Timely and Expeditious Use of Funds

Table 3: Timely and Expeditious Use of Federal Funds

	Base + Title II	ARRA	Totals
Federal Funds Received (cumulative through SFY21)	763,359,460	68,151,900	831,511,360
State Match (cumulative through SFY21)	152,673,027		152,673,027
Principal and Interest Collected (cumulative through SFY21)	1,227,117,365		1,227,117,365
State Treasurer's Office Interest (cumulative through SFY21/cash basis)	48,878,907		48,878,907
Administration 4% (cumulative through SFY21)	(26,935,638)	(2,726,076)	(29,661,714)
Total Funds (cumulative through SFY21)	2,165,093,122	65,425,824	2,230,518,946
Loan Obligations (cumulative through SFY21)	2,147,960,272	65,449,649	2,213,409,921

Loans as % of Funds Available 99.23%

\* - Interest for Base + Title II and ARRA are combined in the Total Column

### State match

The legislation authorized the match as a Treasurer's cash transfer from the State Taxable Building Construction account into account 727. For SFY21 the State Treasurer deposited \$6,000,000 into the CWSRF account.

### Green Project Reserve

The FFY20 grant from EPA required Ecology to offer a minimum of ten percent of the grant to Green Project Reserve (GPR) projects or GPR elements of projects. The FFY20 grant totaled \$27,635,000, which set the GPR requirement at \$2,763,500.

In SFY21 Ecology made specific offers of \$9,981,000 M to the three GPR-eligible projects (Table 4). These funds equal fourteen percent of the cap grant, meeting the ten percent requirement.

Table 4: Green Project Reserve (GPR) Funded Projects in SFY21

Application Number	Agreement Number	Recipient Name	Project Title	GPR Category	Standard Loan Amount	Forgivable Principal Loan Amount
WQC-2021-SpoCoD-00178	EL210067	Spokane County Conservation District	Direct Seed Equipment Loan Program	Environmentally Innovative-on-farm practices described in the business case.	3,000,000.00	
WQC-2021-SpoCoD-00198	EL210070	Spokane County Conservation District	Hangman Creek Agricultural BMP Assistance Project	Environmentally Innovative-on-farm practices described in the business case.	1,000,000.00	
<b>Total</b>					<b>4,000,000.00</b>	

## Additional Subsidization (ASR) and Sustainability of Funded Projects

The FFY20 grant from EPA specifies that Ecology must use at least ten percent of the grant to provide additional subsidization in the form of principal forgiveness, negative interest rate loans, or grants. The FFY20 grant totaled \$27,635,000, which set the ASR requirement with a minimum of \$2,763,500 and maximum of \$11,052,400.

Ecology meets the requirement by providing forgivable principal loans to wastewater and stormwater treatment preconstruction projects in eligible communities, wastewater construction projects that demonstrate financial hardship, and to GPR-eligible projects.

In SFY21 Ecology provided forgivable principal loans to 22 applicants totaling \$4,313,108, falling within the minimum and maximum requirement. Table 5 summarizes the recipients that received forgivable principal loans for their projects.

Table 5: Additional Subsidization via Forgivable Principal Loan Agreements and Meeting the Sustainability Requirements in SFY21

Application Number	Agreement Number	Recipient Name	Project Title	Forgivable Principal Loan	ASR Sustainability Criterion	Could the recipient afforded the project without additional subsidization?
WQC-2021-AberPW-00072	EF210310	Aberdeen city of - Public Works	City of Aberdeen WWTP Influent Screening and Conveyance Improvements	\$ 397,500.00	Sustainable Planning or Design	Y
WQC-2021-ToAlmi-00194	EF210183	Almira town of	Almira General System Plan	\$ 25,000.00	Sustainable Planning or Design	Y
WQC-2021-CoPIED-00133	EF210177	College Place city of - Engineering Department	Southwest Sewer Interceptor	\$ 260,190.00	Sustainable Planning or Design	N
WQC-2021-ToCres-00029	EF210173	Creston town of	Lift Station and Wastewater System Improvements	\$ 59,000.00	Sustainable Planning or Design	Y
WQC-2021-EaSoWd-00208	EF210289	Eastsound Sewer & Water District	Eastsound Sewer and Water District Wastewater Treatment Plant Upgrade	\$ 245,000.00	Sustainable Planning or Design	Y
WQC-2021-Endico-00093	EF210078	Endicott town of	Endicott Sewer I&I Reduction	\$ 81,735.00	Sustainable Planning or Design	N
WQC-2021-FriHar-00211	EF210227	Friday Harbor town of	Sewer Outfall Replacement Construction	\$ 441,298.00	Sustainable Planning or Design	N
WQC-2021-FriHar-00212	EF210235	Friday Harbor town of	Friday Harbor WWTP Solids Treatment Upgrades	\$ 533,100.00	Sustainable Planning or Design	N

Application Number	Agreement Number	Recipient Name	Project Title	Forgivable Principal Loan	ASR Sustainability Criterion	Could the recipient afforded the project without additional subsidization?
WQC-2021-GarfTo-00116	EF210168	Garfield town of	Garfield I&I Reduction	\$ 24,194.00	Sustainable Planning or Design	N
WQC-2021-CiGold-00196	EF210293	Goldendale city of	WWTP Solids Handling, Grit Removal and Aeration System Upgrades	\$ 205,500.00	Sustainable Planning or Design	Y
WQC-2021-CoGraC-00050	EF210103	Grand Coulee city of	Wastewater Facility Plan	\$ 55,500.00	Sustainable Planning or Design	Y
WQC-2021-HoquCi-00199	EF210180	Hoquiam city of	Emerson Avenue Pump Station Improvements Design	\$ 130,250.00	Sustainable Planning or Design	Y
WQC-2021-LuTSWD-00148	EF210221	Lummi Tribal Sewer and Water District	2019 Gooseberry Point Wastewater Collection System Improvements	\$ 777,992.00	Sustainable Planning or Design	N
WQC-2021-CiMoss-00071	EF210314	Mossyrock city of	General Sewer Plan Update / Wastewater Treatment Plant Planning and Upgrade	\$ 100,000.00	Sustainable Planning or Design	Y
WQC-2021-Newpor-00151	EF210247	Newport city of	City of Newport Wastewater Master Plan	\$ 154,250.00	Sustainable Planning or Design	Y
WQC-2021-Oakesd-00052	EF210107	Oakesdale town of	Wastewater Facility Plan and Other Requirements	\$ 94,500.00	Sustainable Planning or Design	Y
WQC-2021-Odessa-00104	EF210158	Odessa town of	Main Lift Station Replacement and Drying Bed Area	\$ 50,344.00	Sustainable Planning or Design	N

Application Number	Agreement Number	Recipient Name	Project Title	Forgivable Principal Loan	ASR Sustainability Criterion	Could the recipient afforded the project without additional subsidization?
WQC-2021-PateCo-00027	EF210307	Pateros City of	Wastewater Facility Engineering Report and General Sewer Plan Update	\$ 96,405.00	Sustainable Planning or Design	Y
WQC-2021-PorToc-00169	EF210259	Port Townsend city of	Wastewater Treatment Plant Outfall Replacement	\$ 150,000.00	Sustainable Planning or Design	Y
WQC-2021-Rearda-00172	EF210185	Reardan town of	Reardan General Sewer Plan	\$ 38,850.00	Sustainable Planning or Design	Y
WQC-2021-CiTeko-00177	EF210291	Tekoa city of	Influent Lift Station Replacement	\$ 22,500.00	Sustainable Planning or Design	Y
WQC-2021-Waterv-00168	EF210286	Waterville town of	Wastewater Treatment Plant Design	\$ 270,000.00	Sustainable Planning or Design	Y
WQC-2021-ToWin-00188	EL210353	Winthrop town of	Town of Winthrop Wastewater Facility/General Sewer Plan	\$ 100,000.00	Sustainable Planning or Design	Y
<b>Total</b>				<b>\$ 4,313,108</b>		



## Additional subsidization (ASR) Capitalization Grant Requirement Verification

Since the FFY10 capitalization grant, EPA began authorizing a portion of the capitalization grant be used for additional subsidization in the form of a grant, forgivable principal loans or negative interest rate loans. Each capitalization grant since has established a range (min/max) of the grant that could be used to provide these forms of assistance to recipients. Ecology meets this requirement by disbursing forgivable principal loans. EPA is required to verify Ecology met this requirement before they can close that corresponding capitalization grant. Ecology has provided EPA with backup documentation verifying the amounts disbursed by fiscal year for the FFY10 (CS-53000110), FFY11 (CS-53000111), FFY12 (CS-53000112), FFY13 (CS-53000113) and FFY14 (CS-53000114) capitalization grants (**Table 6**). By the end of SFY21, there were still open funding agreements with forgivable principal yet to be disbursed. Ecology was not yet able to verify compliance for FFY15, FFY16, FFY17, FFY18 and FFY19 until all the agreements are finished spending out and closed.

Table 6: Capitalization grant additional subsidization verification

<b>FFY10/SFY11</b>		<b>FFY11/SFY12</b>		<b>FFY12/SFY13</b>	
AS (min)	\$ 5,307,863.40	AS (min)	\$ 2,380,536.00	AS (min)	\$ 1,364,079.00
<b>FFY10/SFY11</b>		<b>FFY11/SFY12</b>		<b>FFY12/SFY13</b>	
AS (max)	\$ 17,688,153.60	AS (max)	\$ 7,932,552.00	AS (max)	\$ 2,047,347.40
Awarded	\$ 8,544,312.13	Awarded	\$ 2,479,143.46	Awarded	\$ 1,817,471.45
<b>Final Disbursement</b>	<b>\$ 8,544,312.13</b>	<b>Final Disbursement</b>	<b>\$ 2,479,143.46</b>	<b>Final Disbursement</b>	<b>\$ 1,817,471.45</b>
<b>FFY13/SFY14</b>		<b>FFY14/SFY15</b>			
AS (min)	1,093,620.00	AS (min)	1,326,866.00		
AS (max)	1,640,430.00	AS (max)	1,990,299.00		
Awarded	1,626,830.95	Awarded	1,767,782.50		
<b>Final Disbursement</b>	<b>1,626,830.88</b>	<b>Final Disbursement</b>	<b>1,730,538.79</b>		

## Assistance to hardship communities

Ecology is committed to providing financial assistance to hardship communities. Five percent or \$9,460,790 of CWSRF loan funds went to hardship communities. **Table 7** outlines the assistance provided in the form of reduced interest rates, forgivable principal loans, and Centennial grants to make these projects more affordable for eight communities.

Table 7: Hardship Assistance Provided in SFY21

Application Number	Agreement Number	Recipient Name	Project Title	Hardship Level	Standard Loan	Int Rate %	Term	Forgivable Principal Loan	Centennial Grant
WQC-2021-CoPIED-00133	EL210176/EF210177	College Place city of - Engineering Department	Southwest Sewer Interceptor	Moderate	\$ 2,382,081	0.9%	20	\$ 260,190	
WQC-2021-Endico-00093	EL210077/EF210078	Endicott town of	Endicott Sewer I&I Reduction	Moderate	\$ 801,954	1.1%	20	\$ 81,735	\$ 217,567
WQC-2021-FriHar-00211	EL210226/EF210227	Friday Harbor town of	Sewer Outfall Replacement Construction	Moderate	\$ 1,831,564	1.1%	20	\$ 441,298	
WQC-2021-FriHar-00212	EL210234/EF210235	Friday Harbor town of	Friday Harbor WWTP Solids Treatment Upgrades	Moderate	\$ 533,100	1.1%	20	\$ 533,100	
WQC-2021-GarfTo-00116	EL210167/EF210168	Garfield town of	Garfield I&I Reduction	Moderate	\$ 350,618	1.5%	20	\$ 24,194	\$ 235,831

Application Number	Agreement Number	Recipient Name	Project Title	Hardship Level	Standard Loan	Int Rate %	Term	Forgivable Principal Loan	Centennial Grant
WQC-2021-LuTSWD-00148	EL210219/EF210221	Lummi Tribal Sewer and Water District	2019 Gooseberry Point Wastewater Collection System Improvements	Severe	\$ 762,983	1.2%	20	\$ 777,992	\$ 566,025
WQC-2021-Odessa-00104	EL210157/EF210158	Odessa town of	Main Lift Station Replacement and Drying Bed Area	Moderate	\$ 580,725	1.1%	20	\$ 50,344	\$ 118,931
WQC-2021-OrHoAu-00218	EL210136	Oroville Housing Authority	The Oroville Harvest Shelter Renovation	Moderate	\$ 48,914	1.2%	20		\$ 48,915
				<b>Total</b>	<b>\$ 7,291,939</b>			<b>\$ 2,168,853</b>	<b>\$ 1,187,269</b>

## Emergency Funding

Ecology administers the Clean Water State Revolving Fund (CWSRF) Emergency Funding Program. The purpose of the program is to provide relatively quick access to no interest loans for small communities that experience water quality-related “environmental emergencies” as defined in WAC 173-98-030(27)4. The definition states, “Environmental emergency means a problem that a public body and the department agree poses a serious, immediate threat to the environment or to the health or safety of a community and requires immediate corrective action.”

The program seeks to simplify and expedite the application, agreement development, and project implementation processes in order to disburse funds to eligible projects soon as possible.

Ecology collaborated on program development to be as consistent as possible with the Washington State Department of Health’s (DOH) Drinking Water State Revolving Fund Emergency Loan Program. Table 8 lists the Emergency Funding Loans administered during FY21.

**Table 8: Emergency Funding Provided in SFY21**

Recipient Name	Application Number (EAGL)	Agreement Number	Project Title	Total Assistance	Loan Amount	Int Rate %	Term
Bridgeport city of	WQSRFEP-2020-CiBrid-00002	EL210337	Bridgeport Emergency Wastewater Facility Repairs	\$ 162,146	\$ 162,146	0	10
Mattawa town of	WQSRFEP-2021-Mattaw-00003	EL210348	Wastewater Treatment Plant Emergency Restoration Project	\$ 500,000	\$ 500,000	0	10

## State Environmental Review Process (SERP) and Federal Cross Cutters

EPA requires Ecology to ensure that all facility design or construction projects receiving funding through the CWSRF meet SERP. In addition, EPA requires that Ecology ensure that wastewater treatment facility construction equivalency projects meet the federal cross cutter requirements.

In SFY17, Ecology worked closely with EPA to develop a SERP policy and procedure document. Ecology Water Quality management team and EPA's regional director approved and signed the SERP document on October 19, 2016.

## CWSRF Administrative Charge

On May 1, 2013, the Governor signed SHB 1141, which amended RCW 90.50A.090 establishing the water pollution control revolving fund administrative account. On December 21, 2013, Ecology adopted an amendment to Chapter 173-98 Washington Administrative Code (WAC), **Uses and Limitations of the Water Pollution Control Revolving Fund** allowing for a one percent charge on loans to be used for administrative costs related to CWSRF. Ecology began applying the charge to all loans entering repayment on or after that date. As of June 30, 2021, the total administrative charge funds deposited into the Administrative Account (564) totaled \$22,312,607.

Ecology used Account (564) to pay for administrative charges totaling \$1,869,725 in SFY21. Between SFY16 and SFY21, Ecology used a total of \$7,189,639 for administrative costs. Ecology plans on using Account (564) for ongoing administration costs. Ecology evaluated the charge and forecasted revenue and reduced the rate to .3 percent on FY21 and future loans. Once loans being charged one percent are repaid, .3 percent appeared to bring in revenue closer to the amount needed for administrative costs. Ecology actively manages the Administrative Account by transferring excess funds into Account (727) to fund projects. In July 2021, \$6,000,000 was transferred from fund 564 to 727.

## Drawing funds from the Capitalization Grant

EPA requires that each capitalization grant be drawn down within two years from when the grant is awarded. At any one time, there should only be at most two capitalization grants with unspent funds. Once Ecology receives a grant, any disbursement requests from sub recipients is paid out of the state match allocated for that grant. Once the state match is 100% disbursed, Ecology then disburses federal grant funds until they are fully expended. This method ensures we meet the federal draw proportionality requirement and disburse all federal funds timely and expeditiously.

As of June 30, 2021, there were no balances in any capitalization grants.

## Fund Management and Health of the Account

The CWSRF account balance had grown over the years. By the end of SFY21, the cash balance was \$308M. Quarterly revenue into the account from repayments and federal grants has outpaced quarterly expenditures. One significant contributing factor is early repayment/payoffs. In FY21,

Ecology has received early repayment totaling \$26M. In August of 2021, King County repaid another \$148M. This is a result of low interest rates and communities consolidating debt at lower rates. In addition, the impact of COVID-19 on local municipality budgets appears to be creating some project delays. We are amending agreements to push out project completion dates. Ecology's repayments and interest is outpacing disbursements.

Ecology updates its cash flow model quarterly. The model is used to make future decisions related to appropriation requests and for available funding for each funding cycle. Ecology is adjusting disbursement assumptions and deobligation assumptions to align the cash flow model with a better reality, integrating evolving project delay issues, and early repayments. This has resulted in fully funding partially funded projects on our FY22 funding cycle offer list. Ecology's goal is to get the cash balance down to approximately \$60M and maintain that balance over time.

## Equivalency Projects

"Equivalency requirements" refer to specific requirements EPA applies to Ecology's funding for the CWSRF. "Equivalency" means that Ecology is only required to report and/or track compliance with the requirements by CWSRF loan recipients up to an amount equivalent to the Capitalization Grant Ecology receives from EPA.

Due to amendments to the Clean Water Act (CWA) in 2014, equivalency now applies to the following:

- Architectural and engineering (A/E) services procurement.
- Disadvantaged Business Enterprises (DBE)
- Federal Funding Accountability and Transparency Act (FFATA).
- Most of the federal cross cutters.
- Single Audit Act (SAA)

In prior years, Ecology met the equivalency requirements by applying them to certain types of projects or applicants. EPA issued a memo stating that the same group of projects must comply with all the equivalency requirements. Between SFY16 and SFY18, Ecology identified equivalency projects by type to allow predictability for our recipients. We identified any wastewater facility Step 3 (Construction) and Step 4 (Design and Construction) projects for recipients with a population of 25,000 or greater. During our Single Audit for SFY18, the State auditor told Ecology that there was a problem with identifying projects totaling more than the capitalization grant.

Ecology began identifying projects totaling closer to the amount of capitalization grant by selecting one or two wastewater facility projects for recipients with a population of 25,000 or more. We also made it clearer in our agreements which loan dollars are Federal Equivalency funds. Table 8 lists the SFY21 project selected as the equivalency project.

Table 9: SFY21 Equivalency Projects

Recipient Name	Application Number	Agreement Number	Final Loan Amount	A/E Procurement Included
Seattle city of - Public Utilities Department	WQC-2021-SeaPUD-00191	EL210311	27,635,000	Yes
<b>Total</b>			<b>\$ 27,631,000</b>	

## CWSRF Program Changes and Ongoing Development

### Small Community Support Engineer

In FY21, Ecology hired a CWSRF small community support engineer. The position will provide direct assistance to small financially and technically challenged communities. The goal is to help communities with asset management, fiscal sustainability and value planning. Many small communities do not have the resources to ensure they are addressing water quality concerns in the most sustainable and effective way to meet community needs and water quality requirements.

### SRF Survey and Focus Group

Ecology received approval from EPA’s Headquarters to work with Northbridge consulting company under their contract with them. The SRF marketing committee offered assistance with Surveys and Focus groups to help states determine how to increase demand and make process improvements. The gathered information will help to improve outreach materials; address any perceived barriers to the program, and identify process improvement needs to make CWSRF more appealing for decision-makers.

Northbridge reached out to Washington communities, utilities, and consulting engineers to complete a short survey on issues related to water quality financing. The survey went out on July 20, 2020. 1,229 total surveys were sent to individual e-mails. The Association of Washington Cities forwarded to another 500+ of their members. Of the 1,229 total surveys sent, we received 248 responses, which is about a 20% response rate. An additional 62 responses via the general link shared with partners, claimed a 12% response rate.

In addition to the survey, Northbridge conducted a focus group with 24 participants, representing 20 organizations, (there are a few communities and consulting firms with multiple people who wanted to participate). Ecology received the final report in June of 2021. The report summarized feedback that Ecology is reviewing and determining next steps. One of the most common feedback received was how much participants appreciated and respected ECY staff. There is a great deal of appreciation for the CWSRF in particular, and for the savings offered through it.

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## **Management Discussion and Analysis**

This Management Discussion and Analysis (MD&A) introduces the annual financial statements of the State of Washington Department of Ecology, Clean Water State Revolving Fund Loan Program (CWSRF) and Water Pollution Control Revolving Admin (WPCRA) for the years ended June 30, 2021. It is a required supplement to these financial statements. It describes and analyzes the financial position of the CWSRF program, providing an overview of the CWSRF's activities. The State of Washington Department of Ecology (Ecology) is responsible for the content of these financial statements. The MD&A provides readers with a summary of the issues and information Ecology management hopes is useful to the reader.

### **The CWSRF program**

The CWSRF Account provides financial assistance in the form of low-interest loans to local governments and tribes for water quality projects of high priority. Ecology receives an annual grant from United States of America Environmental Protection Agency (EPA). The federal fiscal year (FFY) 2020 grant award was \$27,635,000. Ecology matches 20 percent of the grant award with state funds, of \$5,527,000. The funding levels for the CWSRF program each fiscal year are based on federal appropriations, state legislative appropriations, repayments from past loans, interest on investments, and de-obligated funds. The funding made available for projects in the state fiscal year (SFY) 2021 was \$186M as published in Ecology's Intended Use Plan. CWSRF loan interest rates are between zero and two percent. This account is for loan activity.

In 2013, the Water Pollution Control Revolving Admin (WPCRA) account was established. This account is funded from an administrative charge of 1% charged on the declining principal of loans that went into repayment after the new rule was effective December 21, 2013. This account is for program administrative activities to manage the CWSRF.

### **Using this Annual Financial Report**

The financial statements included in this annual financial report are those of the CWSRF and the WPCRA. The basic financial statements of the CWSRF and WPCRA represent the financial position, changes in financial position, and cash flows as of the years ended June 30, 2021 of only that portion of the financial reporting entity of the Department of Ecology that is attributable to the transactions of the CWSRF and WPCRA. They do not purport to present the financial position of the Department of Ecology or the State of Washington (State) as of June 30, 2021 and the change in the net positions and their cash flows for the year ended.

### **Overview of Financial Statements**

The financial statements of the CWSRF and WPCRA are presented as a special purpose government engaged only in the type activities – providing loans to other governmental entities. The statements provide both short-term and long-term information about the CWSRF's and WPCRA's financial position, which assists the reader in assessing the CWSRF's and WPCRA's



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economic condition at the end of the fiscal year. These statements are prepared using the accrual basis of accounting. The financial statements include the following three statements:

The *Statement of Net Position* present information on all of the CWSRF's and WPCRA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position are expected to serve as a useful indicator of whether the financial position of the CWSRF and WPCRA are improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* present information showing how CWSRF's and WPCRA's net position changed during the past year. All changes in the net position are reported, as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* report the CWSRF's and WPCRA's cash flows from operating activities, noncapital financing activities, and investing activities.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found immediately following the financial statements.

## Net Position of the CWSRF

### Statement of Net Position

	June 30, 2021	June 30, 2020
<b>ASSETS</b>		
Cash and cash equivalents	319,090,460	235,095,535
Loans receivable	898,818,210	929,334,121
Other assets	142,364	275,228
<b>Total assets</b>	<b>1,218,051,034</b>	<b>1,164,704,884</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>924,531</b>	<b>589,640</b>
<b>LIABILITIES</b>		
Current liabilities	436,139	167,038
Noncurrent liabilities	3,246,813	2,078,019
<b>Total liabilities</b>	<b>3,682,952</b>	<b>2,245,057</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>984,250</b>	<b>667,172</b>
<b>NET POSITION</b>		
Restricted	<b>1,214,308,363</b>	<b>1,162,382,296</b>

The net position increased from \$1,162,382,296 as of June 30, 2020 to \$1,214,308,363 as of June 30, 2021. This increase is mostly due to an increase in repayments and decrease of loan

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disbursements. The net position is comprised solely of resources restricted for the CWSRF program. The CWSRF program has no capital assets and no related debt.

During SFY21 the CWSRF total activity cash increased by \$83,994,925, as seen on the Statement of Net Position. The increase in cash is a result of increased repayments and decrease of loan disbursements. The State Treasurer's office credited \$2,149,313 in interest to the CWSRF account. The EPA capitalization grant funds provided \$27,936,476, and the State of Washington provided \$5,474,804 in matching funds.

The change in loans receivable is caused by more loans being in repayment. Ecology disbursed \$99,480,622 in loans during the year. Ecology received \$127,867,423 in principal payments from borrowers and applied \$3,349,486 in principal forgiveness during the year. Ecology paid \$1,523,833 in administrative expenses to employees, vendors, and for indirect costs.

## Changes in Net Position

<b>Changes in Net Position</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>
<b>REVENUES</b>		
Program revenues:		
Loan interest income	15,961,182	14,784,016
Loan Service Fee	5,628,182	5,459,740
General revenues:		
Investment income	2,149,313	3,373,834
<b>Total revenues</b>	<b>23,738,677</b>	<b>23,617,590</b>
<b>EXPENSES</b>		
Program expenses:		
Administrative expenses	1,874,404	1,866,375
Principal forgiveness	3,349,486	2,479,672
<b>Total expenses</b>	<b>5,223,890</b>	<b>4,346,047</b>
<b>Income before contributions</b>	<b>18,514,787</b>	<b>19,271,543</b>
<b>Capital contributions:</b>		
EPA capitalization grant	27,936,476	27,329,524
State and other contributions	5,474,804	5,526,200
<b>Total capital contributions</b>	<b>33,411,280</b>	<b>32,855,724</b>
<b>Change in net position</b>	<b>51,926,067</b>	<b>52,127,267</b>
<b>Net position - beginning of year</b>	<b>1,162,382,296</b>	<b>1,110,255,029</b>
<b>Net position - end of year</b>	<b>1,214,308,363</b>	<b>1,162,382,296</b>

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## **Income for Fiscal Year 2021**

Income before contributions of the CWSRF for SFY21 was \$18,531,528, which includes \$2,149,313 of investment income. Operating income or loss includes those amounts earned by the ordinary activities of the program, minus the related expenses. Ordinary activities of the program include interest earned on loans, the loan service fee, and interest earned on balances held with the State Treasurer's Office. Related expenses include salaries and benefits, supplies, travel, indirect costs, and equipment.

Net operating income increases the net position in the program. Other increases to net position include amounts received from the EPA capitalization grant and amounts contributed as grant match by the state of Washington. In 2021, the CWSRF earned \$27,936,476 in federal funds and \$5,474,804 in state matching funds.

## **State Matching Funds**

For SFY 2021, state matching funds came from the State Taxable Building Construction Account. Revenue from that account comes from a combination of bond proceeds and other miscellaneous revenue. CWSRF received cash match of \$5.5 million.

## **Economic Conditions and Outlook**

Ecology continues to improve Washington State's CWSRF program through strategic planning and funding program updates to address changing economic conditions. Annually, Ecology addresses changes and updates of policies, procedures and guidelines to ensure financial health and sustainability of the fund. They also periodically review and update program statute and rules to address emerging water quality financial assistance needs. SFY21 demand for funds continued to be higher than funds available. This demand indicates that local governments are moving forward with their infrastructure projects and points to a general improvement in the local government economic outlook after the economic downturn.

For SFY21 (FFY20) the federal capitalization grant was approximately \$33.4 million (including match), which was lower than the previous year. The outlook for ongoing federal funding generally points to reductions in future capitalization grants to the SRF programs. Although capitalization grants are an important source of revenue, the CWSRF has a sound level of repayment and interest income that would sustain the revolving loan fund at a lower level. Ecology uses a cash flow model to project and predict available fund resources each funding year, with a 20-year projected outlook. This model has allowed Ecology to award additional loan funding through available cash resources and includes ongoing repayments, program income, and disbursements. Ecology accounts for possible reductions in the capitalization grant through the model.

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Ecology has a well-structured loan agreement with conditions that limit risk of non-payment. To date, there have been no issues related to non-payment of a CWSRF loan in Washington State.

## **Conclusion**

This MD&A is intended to provide a summary of the financial condition of the CWSRF loan program and should be read in conjunction with the remainder of this report. The financial statements and footnotes contained in this annual report provide a detailed analysis of the program's financial position and results of operations.

## **Requests for Information**

The financial report is designed to provide interested parties with a general overview of the CWSRF program finances. For questions, concerning the information provided in this report or requests for additional information should contact Jeff Nejedly, Financial Management Section Manager, Department of Ecology, Water Quality Program, at [jeffrey.nejedly@ecy.wa.gov](mailto:jeffrey.nejedly@ecy.wa.gov) or (360) 407-6572.

**WASHINGTON STATE DEPARTMENT OF ECOLOGY  
CLEAN WATER STATE REVOLVING FUND  
Statement of Net Position  
for the year ended June 30, 2021**

	<b>2021</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$319,090,460
Receivables:	
Due from other funds	142,364
Loans Receivable	57,913,812
<b>Total current assets</b>	<b>377,146,636</b>
<b>Noncurrent Assets:</b>	
Loans Receivable	840,904,398
<b>Total other assets</b>	<b>840,904,398</b>
<b>Total Assets</b>	<b>1,218,051,034</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Resources for Pensions	351,903
Resources for OPEB	572,628
<b>Total Deferred Outflows of Resources</b>	<b>924,531</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>1,218,975,565</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable and accrued expenses	234,710
Due to other funds	164,300
Due to Federal Government	28,158
Total OPEB Liability	8,971
<b>Total current liabilities</b>	<b>436,139</b>
<b>Noncurrent Liabilities:</b>	
Unearned Revenue	2,651,517
Net Pension Liability	94,268
Total OPEB Liability	501,028
<b>Total noncurrent liabilities</b>	<b>3,246,813</b>
<b>Total Liabilities</b>	<b>3,682,952</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Resources on Pensions	331,496
Resources on OPEB	652,754
<b>Total Deferred Inflows of Resources</b>	<b>984,250</b>
<b>NET POSITION</b>	
Restricted	1,213,575,223
Restricted for Pension and OPEB	733,140
<b>Total Net Position</b>	<b>1,214,308,363</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>1,218,975,565</b>
The accompanying notes are an integral part of the financial statement	

**WASHINGTON STATE DEPARTMENT OF ECOLOGY  
CLEAN WATER STATE REVOLVING FUND  
Statement of Revenues, Expenses, and Changes in Net Position  
for the year ended June 30, 2021**

	<b>2021</b>
<b>OPERATING REVENUE</b>	
Loan interest income	15,961,182
Loan service fee	5,628,182
<b>Total operating revenue</b>	<b>21,589,364</b>
<b>OPERATING EXPENSES</b>	
Personnel services	1,431,738
Other expenses	442,666
Loan Principal Forgiveness expense	3,349,486
<b>Total operating expenses</b>	<b>5,223,890</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>16,365,474</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>	
Net investment income	2,149,313
<b>Total nonoperating revenue (expense)</b>	<b>2,149,313</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>18,514,787</b>
<b>CONTRIBUTIONS</b>	
EPA capitalization grant	27,936,476
State match revenue	5,474,804
<b>Total contributions</b>	<b>33,411,280</b>
<b>CHANGE IN NET POSITION</b>	<b>51,926,067</b>
<b>Beginning Balance per AFRS</b>	1,162,382,296
<b>NET POSITION - BEGINNING OF YEAR</b>	1,110,255,029
<b>Prior Period Adjustment</b>	51,926,067
<b>NET POSITION-Beginning of year, as restated</b>	1,162,382,296
<b>NET POSITION - END OF YEAR</b>	<b>1,214,308,363</b>

The accompanying notes are an integral part of the financial statements

**WASHINGTON STATE DEPARTMENT OF ECOLOGY  
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Statement of Cash Flows for the year ended June 30, 2021**

	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash paid to employees and vendors	(\$1,541,833)
Cash Received from Interest on Loans	15,961,182
Loan Service Fee	5,628,182
Loans Disbursed	(99,480,622)
Principal received on Loans Receivable	127,867,423
<b>Net Cash flows provided (required) by operating activities</b>	<b>48,434,333</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Funds received from EPA	27,936,476
Funds received from the state of Washington	5,474,804
<b>Net Cash flows provided (Required) by noncapital operating activities</b>	<b>33,411,280</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net investment income received	2,149,313
<b>Net Cash Provided (Required) by Investing Activities</b>	<b>2,149,313</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	83,994,926
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	235,095,535
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>319,090,460</b>
<b>Reconciliation of operating income to net cash required by operating activities</b>	
Income from Operations	16,365,474
<b>Adjustments to Reconcile Income from Operations to Net Cash Required by Operating Activities:</b>	
<b>Changes In Assets: Decrease (Increase)</b>	
Loans Receivable	30,515,911
Due from Other Funds	128,274
Due from Fed Government	4,591
<b>Change in Deferred Outflows of Resources: (Increase) Decrease</b>	(334,891)
<b>Changes In Liabilities: Increase (Decrease)</b>	
Accounts Payable and Accrued Expenses	183,736
Due to other funds	56,967
Due to Federal Government	28,158
Pension & OPEB Liabilities	(51,341)
Unavailable Revenue	1,220,376
<b>Change in Deferred Inflows of Resources: Decrease (Increase)</b>	317,078
<b>Net Cash Provided (Required) by Operating Activities</b>	<b>\$48,434,333</b>

The accompanying notes are an integral part of the financial statements

**WASHINGTON STATE DEPARTMENT OF ECOLOGY**  
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**Notes to the Financial Statements for fiscal year 2021**

## Notes to the Financial Statements

### Note 1: Summary of Significant Accounting Policies

#### Reporting Entity

Washington's Water Pollution Control Revolving Account (The Account) was established pursuant to Title VI of the Federal Water Quality Act of 1987 (the Act) and RCW 90.50A.020. The Act established the Clean Water State Revolving Fund (CWSRF-Loan Activities) program to replace the construction grants program. The Washington State Department of Ecology (Ecology) has exclusive responsibility for management of the CWSRF, per the Operating Agreement between the U.S. Environmental Protection Agency (EPA), Region 10, and Ecology. The accompanying financial statements are for the CWSRF and the Account, neither of which are legally separate entities.

The Water Pollution Control Revolving Admin (WPCRA-Program Activities) account was established in 2013. This account is funded from an administrative charge of 1% charged on the declining principal of loans that went into repayment after the new rule was effective December 21, 2013. This account is for program administrative activities to manage the CWSRF.

#### Operation of the CWSRF and the Account

The CWSRF provides loans at reduced interest rates to finance qualified projects for the construction of publicly owned water pollution control facilities, non-point source pollution control projects, and the development and implementation of estuary conservation and management plans. Loans made by the Account must be repaid within 30 years. All repayments, including interest and principal, must be credited to the Account.

States are required to provide an additional 20 percent of the Federal capitalization grant amount as matching funds in order to receive the grant from EPA. The State has been awarded \$831,511,460 in capitalization grants from 1989 through June 30, 2021. The State match share for that awarded amount is \$152,697,055.

The Account is administered by the Ecology through the Water Quality Program (WQP). The WQP's primary responsibilities for the CWSRF includes obtaining capitalization grants from EPA, soliciting potential interested parties, negotiating loan agreements with local communities, reviewing and approving payment requests from loan recipients, managing the loan repayments, and conducting inspection and engineering reviews to ensure compliance with all applicable laws, regulations, and program requirements.

The Account does not have any full-time employees. Ecology employees charge the Account for actual time worked on CWSRF activities. The charges include the salaries and benefits of the employees as well as indirect costs allocated to the Account based on direct salary and benefit



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costs. Employees charging time to the Account are covered by the benefits available to Washington State Employees.

### **Basis of Accounting**

The Account follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The financial statements for the Account are presented as an enterprise funds and are reported using the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded as earned and expenses are recorded when the liability is incurred. The enterprise fund is used since the Account's powers are related to those operated in a manner similar to a for profit business where an increase in net position is an appropriate determination of accountability. The Account is included in the State's basic financial statements as a special revenue account, which uses the modified accrual basis of accounting. Due to differences in reporting methods, there may be differences between the amounts reported in these financial statements and the basic financial statements.

### **Cash and Cash Equivalents**

All monies of the Account are deposited with the State Treasurer's Office and are considered cash. According to State law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the Account. Consequently, Ecology staff that provide management of the Account do not have control over the investment of the excess cash. The statement of cash flows considers all funds deposited with the Treasurer to be cash or cash equivalents, regardless of actual maturities of the underlying investments.

### **Loans Receivable**

Ecology operates the Account as a direct loan program, which makes loans to communities through funding by the Federal capitalization grant for 83.3 percent of the loan amount, and funding by State matching for 16.7 percent of the loan amount. Loan funds are disbursed to local entities after they expend funds for the purposes of the loan and then request reimbursement from the Account. Interest is calculated from the date the state warrant is mailed or the Electronic Fund Transfer settlement date. After the final disbursement, the loan amount and repayment schedule are adjusted for actual funds disbursed and interest accrued during the project period. No provision for uncollectible accounts has been made as management believes that all loans will be repaid according to the loan terms.

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Notes to the Financial Statements for fiscal year 2021**

### **Forgivable Principal**

During the June 30, 2012 fiscal year, the federal Appropriations Act of 2011 was passed by Congress. This Act authorized some of the same requirements that were introduced in the American Recovery and Reinvestment Act of 2010. One of these requirements is forgivable principal hardship loans. The maximum forgivable principal loan amount for each hardship recipient is \$5 million. Ecology disbursed \$3,304,408 in forgivable principal loans during the years ended June 30, 2021, which is recognized upon loan closure when final amounts of the project are determined.

### **Operating Revenues and Expenses**

The Account distinguishes between operating revenues and expenses and non-operating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from carrying out the purpose of the Account of providing low interest loans to communities and providing assistance for prevention programs and administration. Operating revenues consist of loan interest repayments from borrowers. Operating expenses include direct salary costs and benefits expenses, and allocated indirect costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

In accordance with generally accepted accounting principles (GAAP), funds received from EPA and Washington State for the capitalization of the Account are recorded as funds from EPA and the state of Washington, as discussed in Note 4.

When both restricted and unrestricted resources are available for use, it is the Account's policy to use restricted resources first, then unrestricted resources as they are needed.

### **Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes during the reporting period. Actual results could differ from those estimates.

**WASHINGTON STATE DEPARTMENT OF ECOLOGY  
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 Notes to the Financial Statements for fiscal year 2021**

**Note 2: Deposits and Investments**

All monies of the Account are deposited with the State Treasurer’s Office (OST) as part of the State’s Treasury/Trust Portfolio, and are considered cash equivalents. The Treasurer is responsible for maintaining and investing the pooled cash balances in accordance with State laws. The Treasurer is required to maintain a mix of investment portfolios in order to allow funds to be withdrawn at any time to meet normal operating needs without prior notice or penalty. The Account’s proportionate share of the investment income, based on the average daily balance for the period, is credited to the Account monthly. The Treasurer charges the Account one-half of one percent of the average daily balance for administration costs. As of June 30, 2020, total Treasurer’s invested balance of the Treasury/Trust Fund Portfolio was \$8.7 billion. Details of the investments can be obtained from the State Treasurer’s Office.

The OST reports investments held for U.S. government and agency debt securities at fair value. OST categorizes the fair value measurements of these investments within the fair value hierarchy established by generally accepted accounting principles as Level 2 investments, as they are valued using observable inputs including quoted prices for similar securities and interest rates. All other investments are reported at amortized cost.

The necessary disclosures for the State’s pooled investment program are included in the Annual Comprehensive Financial Report of the State of Washington.

	Carrying Amount	Market Value
Treasury/Trust Portfolio June 30, 2021	<u>\$319,090,460</u>	<u>\$319,090,460</u>

In accordance with the State investment policies, the State Treasurer participates in securities lending transactions. The securities lending balances relating to investment securities, owned by CWSRF and deposited into the OST, are shown on the following table:

	<b>2021</b>
CWSRF Securities on loan:	
Fair Value	\$15,438,135
*Cash Collateral held by CWSRF:	
Fair Value	
Reported Value	
OST Securities on loan:	
Fair Value	\$696,361,487
Cash Collateral held by OST:	
Fair Value	3,136,884,085
Reported Value	\$3,136,884,085

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Revised Code of Washington (RCW) 43.84.080, contract dated September 1, 2017 between the OST and Northern Trust Company that runs through August 31, 2021. There were no violations of legal or contractual provisions.

The OST lending agent lends US Treasury securities, US Agency securities, and supranational securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. The cash is invested by the lending agent in repurchase agreements and deposit accounts or money market instruments, in accordance with investment guidelines. The securities held as collateral, and the securities underlying the cash collateral are held by the custodian. The contract with the lending agent requires them to indemnify the OST if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults.

As of June 30, 2021 investment portfolio activity for the treasurer and treasurer trust account which include SRF fund securities on loan totaled \$319,090,460 book value and \$696,361,487 fair value.

On June 30, 2021, the average life of both the loans and the investment of cash received as collateral was one day.

The investment policy requires that any securities on loans be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2021, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

There were no losses resulting from a default of a borrower or lending agent during the year.

### **Note 3: Loans Receivable**

The Account makes loans to qualified entities for projects that meet the eligibility requirements of The Act. Loans are financed by capitalization grants, state matches, and revolving funds. Interest rates for SFY 2021 were established at 1 percent for up to a five year-term and 2 percent for loans with more than a five-year term, but no more than 30 years. The Account also makes hardship loans with a variable interest rate, as low as zero, to communities that can demonstrate financial hardship on residential ratepayers in the form of sewer user fees. Loan repayments are required to start one year after initiation of operations or project completion, whichever occurs first.

As of June 30, 2021, the Account had total new binding commitments of \$176,030,545, which meets the program requirement of committing 120% of the federal grant payment within one

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year following receipt. Federal funds awarded to date including ARRA Federal funds is \$831,511,460 as of June 30, 2020. Loan obligations as of June 30, 2021, which include state matching requirements and principal and interest collected from repayment, were \$2,213,409,921.

### Loans by Category

<b>Fiscal Year 2021</b>	<b>Loans Authorized</b>	<b>Remaining Commitment</b>	<b>Outstanding Balance</b>
Completed Projects	1,384,947,795.23	635,854,599.01	749,093,196.22
Projects in Progress	473,891,106.75	324,166,092.90	149,725,013.85
Total			<u>898,818,210.07</u>
Payment request in progress (Received as of June 30,2021, but not yet paid)			0
Less amount due in one year			<u>57,913,812.05</u>
Loans Receivable, June 30, 2021 (Net of current maturities)			<u>840,904,398.02</u>

Loans mature at various intervals. The scheduled minimum repayments on completely disbursed loans in subsequent years are as follows:

<b>Year Ending June 30</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2022	11,811,920.38	55,934,840.89	67,746,761.27
2023	12,382,152.62	58,757,505.16	71,139,657.78
2024	13,400,694.66	61,407,582.13	74,808,276.79
2025	13,808,612.47	60,342,327.05	74,150,939.52
2026	13,327,269.45	60,378,890.90	73,706,160.35
2027-2031	55,117,887.43	259,183,790.11	314,301,677.54
2032-2036	25,353,928.91	166,605,510.95	191,959,439.86
2037-2041	13,934,340.39	129,653,558.62	143,587,899.01
2042-2054	8,847,693.63	67,561,451.32	76,409,144.95
Total	<u>167,984,499.94</u>	<u>919,825,457.13</u>	<u>1,087,809,957.07</u>
*Less adjustment for static report		<b>(170,732,260.91)</b>	
Loans not yet in repayment		<u>149,725,013.85</u>	
Total loans receivable		<u>898,818,210.07</u>	

\*Report does not account for extra payments, early payments, etc.

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**Loans to Major Local Entities**

As of June 30, 2021, the Account made loans to the following major local entities. The aggregate outstanding balance for each of these entities exceeds 5 percent of total loans receivable. The combined outstanding balances of these loans at June 30, 2021 is \$522,195 thousand and represents approximately 58.0 percent of the total loans receivable of \$898,818 thousand and are as follows:

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**2021**

<b>Borrower</b>	<b>Authorized Loan Amount</b>	<b>Outstanding Loan Balance</b>
King County Dept of Natural Resources	417,230	230,217
City of Oak Harbor	110,521	94,005
Pierce County	60,500	54,244
City of Seattle	163,743	52,153
City of Spokane	106,087	91,576
<b>Total</b>	<b>858,081</b>	<b>522,195</b>

**Dollars are expressed in thousands**

The loan amount at completion may not agree with the authorized loan amount plus capitalized project period interest. Communities may elect to pay capitalized project period interest separately or add the amount to the final loan amount. Further, the authorized loan amount is based on estimates, and final project costs may be different than estimated.

#### **Note 4: Capital Contributions**

The Account is funded by grants from EPA authorized by the Clean Water Act and by matching funds from the State. All funds drawn are recorded as non-operating revenue from the EPA and Washington State. Since 1989, EPA has awarded a total of approximately \$831,511,460 in grants to the State, of which approximately \$831,511,460 has been drawn for loans and administrative expenses. The State has provided a total of approximately \$152,673,027 in matching funds for that total drawn amount. The following summarizes the grants awarded, amounts drawn on each grant as of the balance sheet date, and balances available for future loans: (Figures are expressed in thousands)

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Year	Grant Award	Funds Drawn as of June 30, 2020 & Prior	Funds Drawn during year Ended June 30, 2021	Funds Drawn as of June 30, 2021	Loans or Admin as of June 30, 2021
1989-2009	476,311	476,311		476,311	
2010	35,433	35,433		35,433	
2011	25,680	25,680		25,680	
2012	24,578	24,578		24,578	
2013	23,247	23,247		23,247	
2014	24,383	24,383		24,383	
2015	24,258	24,258		24,258	
2016	23,235	23,235		23,235	
2017	23,056	23,056		23,056	
2018	27,912	27,912		27,912	
2019	27,631	27,330	301	27,631	
2020	27,635		27,635	27,635	
<b>Total</b>	<b>763,359</b>	<b>735,423</b>	<b>27,635</b>	<b>763,359</b>	<b>0</b>
2008-ARRA	68,152	68,152	0	68,152	0
<b>Total</b>	<b>\$831,511</b>	<b>\$803,575</b>	<b>\$27,635</b>	<b>\$831,511</b>	<b>\$0</b>

	State Match applied as of June 30, 2020 & Prior	State Match applied during year ended June 30, 2021	State Match applied as of June 30, 2021
State Disbursed	\$147,146	\$5,527	\$152,673
		Drawn	State Match

The 2008-ARRA grant was fully expended during the year ending June 30, 2014. Of the \$68,151,900 expended, \$40,123,209 was used for principal forgiveness.

### Administrative Fund

In July 2013, legislation in the state of Washington became effective which allows CWSRF to collect a service charge on loans which will be used for administrative costs. In FY21, \$18,000 was transferred out to help pay for the state's information technology systems. The fees collected and the expenses incurred are not included in the accompanying financial statements. Revenue collected and expenses incurred for the administrative fund are as follows:

	<b>June 30, 2021</b>
Administrative fee collected	5,628,182
Interest on admin fee collected	68,951
Revenue transferred out	(18,000)
	<u>\$5,679,134</u>
Operating expenses incurred	<u>(\$1,869,725)</u>



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## Note 5: Contingencies

### Contingencies

The Account is exposed to various risks of loss, related to torts, thefts of assets, errors or omissions, injuries to state employees while performing Account business, or acts of God. The state of Washington operates a self-insurance liability program pursuant to RCW 4.92.130. The Account maintains insurance for all risks of loss, which is included in the indirect costs allocated to the Account. There have not been any claims against the Account since its inception in 1989. Refer to the State’s Risk Management disclosure in the June 30, 2021 Annual Comprehensive Financial Reports.

## Note 6: Retirement Plans

Clean Water State Revolving Program employees participate in the Washington State Public Employees’ Retirement System (PERS) administered by the Department of Retirement Systems (DRS).

The table below shows the net pension liability, deferred outflows of resources, and deferred inflows of resources reported on June 30, 2021, for the Clean Water State Revolving Program’s proportionate share of the liabilities for the PERS Plan 2/3. Additional detail is provided later in this note.

<b>Clean Water State Revolving Program Proportionate Share</b>			
<b>June 30, 2021</b>			
	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 2/3	94,268	351,903	331,496

DRS prepares a stand-alone financial report of the retirement plans that is compliant with the requirements of GASB Statement No. 67. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, Washington 98504-8380 or online at [DRS Annual Financial Reports](#).

## Note 6.A: Public Employees’ Retirement System

### Plan Descriptions

The Legislature established the PERS in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes elected officials; state employees; employees of the Supreme Court, Court of Appeals, and Superior Courts (other than judges currently in a judicial retirement system);

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employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans, and Plan 3 is a combination defined benefit/defined contribution plan. The defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state and higher education employees, are Plan 2 members, unless they exercised an option to transfer their membership to Plan 3.

PERS participants joining the system on or after March 1, 2002, have the irrevocable option of choosing membership in either Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to make a selection within 90 days default to Plan 3.

### **Benefits Provided**

PERS plans provide retirement, disability, and death benefits to eligible members. The monthly retirement benefit is two percent of the average final compensation (AFC) per year of service for Plan 1, capped at 60% and Plan 2, no cap, and one percent of the AFC per year of service for the defined benefit portion of Plan 3, no cap.

PERS Plan 1 and Plan 2 members are vested after the completion of five years of eligible service. Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44.

### **Contributions**

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contributions rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

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All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The employer contribution rate for the Clean Water State Revolving Program at the close of fiscal year 2021 for each of Plans 1, 2, and 3 was 12.97 percent.

The member contribution rate for Plan 1 is established by statute at six percent for employees of state agencies. Contributions for Plan 2 members are determined by the aggregate method and may vary over time. The contribution rate for Plan 2 state agency employees at June 30, 2021, was 7.90 percent of the employee's annual covered salary. Under Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Director of the DRS sets Plan 3 employee contribution rate options. Members can choose from six rate options ranging from 5 to 15 percent. Two of the options are graduated rates dependent on the employee's age.

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**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2020, with the results rolled forward to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary (OSA) applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the 2013-2018 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets in which the WSIB currently invests:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The OSA selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by WSIB. Refer to the 2019 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

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Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	4.4%
Tangible assets	7%	7.3%
Real estate	18%	8.0%
Public equity	32%	8.5%
Private equity	23%	11.5%
<b>Total</b>	<b>100%</b>	

The inflation component used to create the above table is 2.20 percent and represents WSIB’s most recent long-term estimate of broad economic inflation.

**Discount Rate**

The discount rate of 7.40 percent was also used for the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan’s fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Consistent with current law, the completed asset sufficiency test included an assumed 7.00 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.00 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually-required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00 percent on pension plan investments was applied to determine the total pension liability.

The following presents the net pension liability/(asset) of the employers, calculated using the discount rate of 7.00 percent, as well as what the employers’ net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

<b>Employers' Proportionate Share of Net Pension Liability/(Asset)</b>	
	PERS 2/3
1% Decrease	586,558
Current Discount Rate	94,268
1% Increase	(311,134)

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**Net Pension Liability**

At June 30, 2021, the Clean Water State Revolving Program reported a liability of \$94,268 for its proportionate share of the collective net pension liability for PERS 2/3. The Clean Water State Revolving Program's proportion for PERS 2/3 was .014 percent, and decrease of .016 percent since the prior reporting period, the proportions are based on the Clean Water State Revolving Program's contributions to the pension plan relative to the contributions of all participating employers.

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources**

For the year ended June 30, 2021, a pension expense of \$65,389 was recognized for PERS 2/3.

At June 30, 2020, PERS 2/3 reported deferred outflows and inflows of resources related to pensions from the following sources:

<b>Deferred Outflows and Inflows of Resources</b>		
<b>June 30, 2021</b>		
PERS 2/3	Outflows	Inflows
Difference between expected and actual experience	33,746	11,814
Changes of assumptions	1,343	64,393
Net difference between projected and actual earnings on pension plan investments		4,787
Changes in proportionate share of contributions	245,914	250,502
Contributions subsequent to measurement date	70,900	
<b>Total</b>	<b>\$351,903</b>	<b>\$331,496</b>

Pension contributions made subsequent to the measurement date for PERS 2/3, was reported as deferred outflows of resources at June 30, 2021, and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Net Deferred Outflows and (Inflows) of Resources</b>	
<b>Fiscal Year ended June 30, 2021</b>	
PERS 2/3	
2022	(28,580)
2023	1,185
2024	12,210
2025	(5,941)
2026	(4,048)

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Thereafter

(25,319)

## Other Postemployment Benefits

The Clean Water State Revolving Program is administered by Department of Ecology, an agency of the state of Washington and part of the primary government. Employees of the Clean Water State Revolving Program are eligible to participate in the state of Washington's defined benefit Other Postemployment Benefit (OPEB) plan, a single employer defined benefit plan, as administered by the state through the Washington State Health Care Authority (HCA).

### Plan Description and Funding Policy

The state implemented Statement No. 75 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* for fiscal year 2018 financial reporting.

Per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. It has no assets and does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to PEBB plans depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: Public Employees' Retirement System, Public Safety Employees' Retirement System, Teachers' Retirement System, School Employees' Retirement System, Washington State Patrol Retirement System, Higher Education, Judicial, and LEOFF 2. However, not all employees who participate in these plans offer PEBB to retirees.



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Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claim costs and the premium. In calendar year 2019, the average weighted implicit subsidy was valued at \$367 per member per month, and in calendar year 2020, the average weighted implicit subsidy is projected to be \$372 per adult unit per month. In calendar year 2021, the average weighted implicit subsidy is projected to be \$384 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. In calendar year 2019, the explicit subsidy was \$168 per member unit per month increasing to \$183 per member per month in 2020. The amount remains unchanged for calendar year 2021. It is projected to remain at \$183 per member per month in 2022.

Administrative costs, as well as implicit and explicit subsidies, are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

For information on the results of the most recent actuarial valuation for the OPEB plan, refer to the [Washington State Legislature OPEB valuations](#).

### **Total OPEB Liability**

As of June 30, 2021, the Clean Water State Revolving Program reported a total OPEB liability of \$509,999.

### **Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan, (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation, the historical pattern of sharing of benefit costs between the employer provided at the time of each valuation, and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

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The total OPEB liability was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

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Inflation	2.75%
Salary increases	3.50%
Healthcare trend rates	
<i>Trend rate assumptions vary slightly by medical plan.</i>	
<i>Initial trend rate ranges from 2-11%, reaching an ultimate rate of approximately 4.3% in 2075</i>	
Post-retirement participation	65.0%
Percentage with spouse coverage	45.0%

In projecting the growth of the explicit subsidy, after 2022 when the cap is \$183, it is assumed to grow at the healthcare trend rate. The Legislature determines the value of cap and no future increases are guaranteed, however based on historical growth patterns, future increases to the cap are assumed.

**Sensitivity of the Healthcare Cost Trend Rate**

	Ecology
1% Decrease	617,484
Current Discount Rate	509,999
1% Increase	426,308

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most demographic actuarial assumptions, including mortality, and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2017 Economic Experience Study.

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**Actuarial Assumptions**

The total OPEB liability was determined using the following methodologies:

Actuarial Valuation Date	6/30/2020
Actuarial Measurement Date	6/30/2020
Actuarial Cost Method	Entry Age
Amortization Method	9 years
Asset Valuation Method	N/A – No Assets

**Discount Rate**

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.5 percent for the June 30, 2019 measurement date and 2.21 percent for the June 30, 2020 measurement date.

The following represents the Clean Water State Revolving Program’s proportionate share of the total OPEB liability, calculated using the discount rate of 2.21 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21 percent) or one percentage point higher (3.21 percent) than the current rate.

<b>Sensitivity of the Discount Rate</b>	
<b>OPEB Liability</b>	
1% Decrease	415,516
Current Discount Rate	509,999
1% Increase	636,566

The following table shows changes in the Clean Water State Revolving Program’s total OPEB liability.

<b>Changes in Total OPEB Liability for Year Ending June 30, 2021</b>	
	Ecology
Total OPEB Liability-Beginning	506,282
Changes for the year:	
Service cost	21,163
Interest cost	17,704
Differences Between Expected and Actual Experience	(2,713)
Changes of assumptions*	11,476
Benefit payments	(8,429)
Changes in proportionate share	(17,450)
Other	(18,034)
Net Change in Total OPEB Liability	3,717
<b>Total OPEB Liability-Ending</b>	<b>509,999</b>

\*The recognition period for these changes is nine years. This is equal to the average.

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**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources**

The following table shows components of the Clean Water State Revolving Program’s allocated annual OPEB costs for fiscal year 2021. The Clean Water State Revolving Program’s will recognize OPEB expense of \$57,258.

**Proportionate Share of OPEB Expense  
 Ending June 30, 2021**

	Ecology
Current year allocated Costs:	
Service cost	21,163
Interest cost	17,704
Amortization of Differences between Expected and Actual Experience	1,563
Amortization of changes of assumptions	(16,626)
Amortization of changes in proportion	60,457
Transactions subsequent to the measurement date	(8,971)
Other Changes in Fiduciary Net Position	(18,034)
<b>Total OPEB Expense</b>	<b>57,256</b>

\*The changes in proportionate share was not included in the OPEB expense amount booked as it was not completed until after the Office of the State Actuary's (OSA) valuation.

For fiscal year 2021 Ecology reported its proportionate share of the state reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Deferred Outflows and Inflows of Resources  
 June 30, 2021**

OPEB	Inflows	Outflows
Difference between expected and actual experience	2,411	11,189
Changes of assumptions	120,279	35,069
Transactions subsequent to the measurement date		8,971
Changes in Proportion	48,746	36,082
<b>Total</b>	<b>171,436</b>	<b>91,311</b>

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2021.

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense in the fiscal years ended June 30 as follows:

<b>Net Deferred Outflows and (Inflows) of Resources</b>	
<b>Subsequent Years</b>	
	<b>Ecology</b>
2022	(15,629)
2023	(15,629)
2024	(15,629)
2025	(15,629)
2026	(15,632)
Thereafter	(10,948)

A complete description of the funded status and actuarial assumptions of the state of Washington’s OPEB plan is included in the Annual Comprehensive Financial Report for the state of Washington. A copy of this report may be obtained by contacting the Statewide Accounting Division of the Office of Financial Management at P.O. Box 43127, Olympia, Washington 98504-3127, or online at [Office of Financial Management Annual Comprehensive Financial Report](#).

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**PENSION PLAN INFORMATION  
 Cost Sharing Employer Plans**

<b>Schedule of the SRF's Proportionate Share of the Net Pension Liability</b>				
<b>Public Employees' Retirement System (PERS) Plan 2/3</b>				
Measurement Date of June 30 *				
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
SRF's PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	0.01%	0.03%	0.02%	0.03%
SRF's PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	\$402,396	\$485,727	\$472,368	\$514,378
SRF's PERS Plan 2/3 covered payroll	\$860,110	\$1,664,884	\$852,717	\$1,453,653
SRF's PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	46.78%	29.17%	16.43%	35.39%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	97.22%	97.77%	95.77%	90.97%
* This schedule is to be built prospectively until it contains ten years of data.				

<b>Schedule of Contributions</b>				
<b>Public Employees' Retirement System (PERS) Plan 2/3</b>				
Fiscal Year Ended June 30*				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contributions	\$ 70,739	\$ 141,857	\$67,154	\$ 114,728
Contributions in relation to the contractually required contributions	70,739	141,857	67,154	114,728
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll	\$ 896,366	\$ 1,796,898	\$890,443	\$ 1,544,694
Contributions as a percentage of covered payroll	7.89%	7.89%	7.54%	7.43%
* This schedule is to be built prospectively until it contains ten years of data.				



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<b>Schedule of the SRF's Proportionate Share of the Net Pension Liability</b>	
<b>Public Employees' Retirement System (PERS) Plan 1</b>	
Measurement Date of June 30 *	
<i>(expressed in thousands)</i>	
	<b>2020</b>
SRF's PERS Plan 1 employers' proportion of the net pension liability/(asset)	0.01%
SRF's PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	402,396
SRF's PERS Plan 1 employers' covered payroll	7,982
SRF's PERS Plan 2/3 employers' covered payroll	796,920
Covered Payroll	804,901
SRF's PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	49.99%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	68.64%
* This schedule is to be built prospectively until it contains ten years of data.	

<b>Schedule of Contributions</b>	
<b>Public Employees' Retirement System (PERS) Plan 1</b>	
Fiscal Year Ended June 30*	
<i>Applied Ecology FY 2021 Rate</i>	
	<b>2021</b>
Contractually Required Contributions	47,054
Employer contributions related to covered payroll of employees participating in PERS Plan 1	665
Employer UAAL Contributions related to covered payroll of employees participating in PERS Plan 2/3	46,390
Contributions in relation to the contractually required contributions	47,054
Contribution deficiency (excess)	0
Covered payroll of employees participating in PERS Plan 1	5,117
Covered payroll of employees participating in PERS Plan 2/3	896,366
Covered Payroll	901,483
Contributions as a percentage of covered payroll	5.22%
* This schedule is to be built prospectively until it contains ten years of data.	

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**PENSION PLAN INFORMATION**

**Notes to Required Supplementary Information**

**Methods and assumptions used in calculations of Actuarially Determined Contributions (ADC) for PERS, TRS, LEOFF, and WSPRS.**

The Office of the State Actuary (OSA) calculates the ADC based on the results of an actuarial valuation consistent with the state’s funding policy defined under chapter 41.45 of the Revised Code of Washington (RCW). Consistent with the state’s contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2017, valuation date, completed in the fall of 2018, determined the ADC for the period beginning July 1, 2019, and ending June 30, 2021.

**Methods and assumptions used in calculations of the ADC for JRS and Judges.**

The OSA calculates the ADC based on the results of an actuarial valuation, and sets the ADC equal to the expected benefit payments from the plan. Consistent with the state’s funding policy defined under RCWs 2.10.90 and 2.12.60, the Legislature makes biennial appropriations in order to ensure the fund is solvent to make the necessary benefit payments.

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates may be different pending the actions of the governing bodies.

**OTHER POSTEMPLOYMENT BENEFITS INFORMATION**

<b>Schedule of Changes in Total OPEB Liability and Related Ratios</b>				
As of the Measurement Date June 30*				
<b>Total OPEB Liability</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Service cost	\$ 21,163	\$ 20,500	\$ 29,533	\$ 33,611
Interest	17,704	17,782	20,304	15,743
Changes in benefit terms	0	0	0	0
Difference between expected and actual experience	(2,713)	0	18,533	0
Changes in assumptions	11,476	33,115	(129,292)	(76,797)
Benefit payments	(8,429)	(8,134)	(8,575)	(8,024)
Other	(35,484)	(29,349)	46,089	2,949
<b>Net Changes in Total OPEB Liability</b>	<b>3,717</b>	<b>33,914</b>	<b>(23,408)</b>	<b>(32,518)</b>
<b>Total OPEB Liability - Beginning</b>	<b>506,282</b>	<b>472,368</b>	<b>495,775</b>	<b>528,293</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 509,999</b>	<b>506,282</b>	<b>472,367</b>	<b>495,775</b>
<b>Covered Payroll</b>	<b>\$ 332,674</b>	<b>374,396</b>	<b>349,315</b>	<b>670,419</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>65.23%</b>	<b>66.55%</b>	<b>60.53%</b>	<b>73.95%</b>

\*The recognition period for these changes is nine years. This is equal to the average expected remaining service live of all active and inactive members.

Note: Figures may not total due to rounding

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The Public Employee's Benefits Board OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

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**Comparative Activity of Net Position as of June 30, 2021**

	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$319,090,460	\$235,095,535
Receivables:		
Due from federal government		4,591
Due from other funds	142,364	270,637
Loans Receivable	57,913,812	70,060,871
<b>Total current assets</b>	<b>377,146,636</b>	<b>305,431,634</b>
<b>Noncurrent Assets:</b>		
Loans Receivable	840,904,398	859,273,250
<b>Total other assets</b>	<b>840,904,398</b>	<b>859,273,250</b>
<b>Total Assets</b>	<b>1,218,051,034</b>	<b>1,164,704,884</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Resources for Pensions	351,903	495,804
Resources for OPEB	572,628	93,836
<b>Total Deferred Outflows of Resources</b>	<b>924,531</b>	<b>589,640</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>1,218,975,565</b>	<b>1,165,294,524</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	234,710	50,974
Due to other funds	164,300	107,333
Due to Federal Government	28,158	
Total OPEB Liability	8,971	8,730
<b>Total current liabilities</b>	<b>436,139</b>	<b>167,037</b>
<b>Noncurrent Liabilities:</b>		
Unearned Revenue	2,651,517	1,431,141
Net Pension Liability	94,268	149,326
Total OPEB Liability	501,028	497,552
<b>Total noncurrent liabilities</b>	<b>3,246,813</b>	<b>2,078,019</b>
<b>Total Liabilities</b>	<b>3,682,952</b>	<b>2,245,056</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Resources on Pensions	331,496	485,727
Resources on OPEB	652,754	181,445
<b>Total Deferred Inflows of Resources</b>	<b>984,250</b>	<b>667,172</b>
<b>NET POSITION</b>		
Restricted	1,213,575,223	1,161,537,178
Restricted for Pension and OPEB	733,140	845,118
<b>Total Net Position</b>	<b>1,214,308,363</b>	<b>1,162,382,296</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>1,218,975,565</b>	<b>1,165,294,524</b>

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**Comparative Activity of Revenues, Expenses, and Changes in Net Position for the year ended  
June 30, 2021**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUE</b>		
Loan interest income	15,961,182	14,784,016
Loan service fee	5,628,182	5,459,740
<b>Total operating revenue</b>	<b>21,589,364</b>	<b>20,243,757</b>
<b>OPERATING EXPENSES</b>		
Personnel services	1,431,738	1,321,177
Other expenses	442,666	545,198
Loan Principal Forgiveness expense	3,349,486	2,479,672
<b>Total operating expenses</b>	<b>5,223,890</b>	<b>4,346,047</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>16,365,474</b>	<b>15,897,709</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Net investment income	2,149,313	3,373,834
<b>Total nonoperating revenue (expense)</b>	<b>2,149,313</b>	<b>3,373,834</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>18,514,787</b>	<b>19,271,543</b>
<b>CONTRIBUTIONS</b>		
EPA capitalization grant	27,936,476	27,329,524
State match revenue	5,474,804	5,526,200
<b>Total contributions</b>	<b>33,411,280</b>	<b>32,855,724</b>
<b>CHANGE IN NET POSITION</b>	<b>51,926,067</b>	<b>52,127,267</b>
<b>Beginning Balance per AFRS</b>	1,162,382,296	1,110,255,029
<b>NET POSITION - BEGINNING OF YEAR</b>	1,110,255,029	1,110,255,030
<b>Prior Period Adjustment</b>	51,926,067	<b>(1)</b>
<b>NET POSITION-Beginning of year, as restated</b>	1,162,382,296	1,110,255,029
<b>NET POSITION - END OF YEAR</b>	<b>1,214,308,363</b>	<b>1,162,382,296</b>

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**Comparative Activity of Cash Flows for Year Ending June 30, 2021**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash paid to employees and vendors	(\$1,541,833)	(\$2,118,407)
Cash Received from Interest on Loans	15,961,182	14,856,582
Loan Service Fee	5,628,182	5,459,740
Loans Disbursed	(99,480,622)	(55,534,137)
Principal received on Loans Receivable	127,867,423	68,331,381
<b>Net Cash flows provided (required) by operating activities</b>	<b>48,434,333</b>	<b>30,995,159</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Funds received from EPA	27,936,476	27,329,524
Funds received from the state of Washington	5,474,804	5,526,200
<b>Net Cash flows provided (Required) by noncapital operating activities</b>	<b>33,411,280</b>	<b>32,855,724</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment income received	2,149,313	3,373,834
<b>Net Cash Provided (Required) by Investing Activities</b>	<b>2,149,313</b>	<b>3,373,834</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>83,994,926</b>	<b>67,224,717</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>235,095,535</b>	<b>167,870,818</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>319,090,460</b>	<b>235,095,535</b>
<b>Reconciliation of operating income to net cash required by operating activities</b>		
Income from Operations	16,365,474	15,897,709
<b>Adjustments to Reconcile Income from Operations to Net Cash Required by Operating Activities:</b>		
<b>Changes In Assets: Decrease (Increase)</b>		
Loans Receivable	30,515,911	18,161,664
Due from Other Funds	128,274	25,339
Due from Fed Government	4,591	(3,047)
<b>Change in Deferred Outflows of Resources: (Increase) Decrease</b>	<b>(334,891)</b>	266,388
<b>Changes In Liabilities: Increase (Decrease)</b>		
Accounts Payable and Accrued Expenses	183,736	(103,154)
Due to other funds	56,967	9,002
Due to Federal Government	28,158	(68,194)
Pension & OPEB Liabilities	(51,341)	43,097
Unavailable Revenue	1,220,376	(2,812,182)
<b>Change in Deferred Inflows of Resources: Decrease (Increase)</b>	<b>317,078</b>	<b>(421,463)</b>
<b>Net Cash Provided (Required) by Operating Activities</b>	<b>\$48,434,333</b>	<b>\$30,995,159</b>

The accompanying notes are an integral part of the financial statements

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**Disbursements and Accruals for the year ended June 30, 2021**

	SFY 2021	Federal	State-Match	State-Repmt- Other	564 Acct
2021 Disbursements for Loans	33,407,642	27,880,642	5,527,000	66,267,013	
2021 Disbursements for Admin	1,925,558	55,833	-	-	1,869,725
<b>Total Disbursements</b>	<b>35,333,200</b>	<b>27,936,475</b>	<b>5,527,000</b>	<b>66,267,013</b>	<b>1,869,725</b>
2021 Cash Draw from Capitalization Grants	27,936,475				
2021 State Match (20% of Cash Draws)	5,527,000				
2021 100% State Fund Disbursements	66,267,013				
Total Disbursements Loan, Admin, Fed and State	101,600,213				
Percentage of Cash Draw from Capitalization Grants to Total Disbursements	79.07%				
Admin Calculation	5.75%				