



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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April 21, 2022

Nebraska Environmental Quality Council  
Nebraska Department of Environment and Energy  
245 Fallbrook Blvd.  
P.O. Box 98922  
Lincoln, Nebraska 68509

We have audited the financial statements of the business-type activities of the Nebraska Department of Environment and Energy – Drinking Water State Revolving Fund Program and the Clean Water State Revolving Fund Program (Programs) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in a separate letter to you dated January 12, 2022. Professional standards also require that we communicate to you the following information related to our audits.

### Our Responsibility Under Professional Standards

We are responsible for forming and expressing opinions about whether the financial statements that have been prepared by management are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audits to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audits do not relieve management of their responsibilities.

In addition, in planning and performing our audits of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing opinions on the effectiveness of the Programs' internal control. Accordingly, we do not express an opinion on the effectiveness of the Programs' internal control.

We are also responsible for expressing opinions on compliance for the Programs' based on our audits of the types of compliance requirements described in the Uniform Guidance that could have a direct and material

effect on the Programs. Professional auditing standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Programs occurred.

Finally, we also have a responsibility to communicate significant matters related to the financial statement audits that are, in our professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Nebraska Department of Environment and Energy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2021. We noted no transactions entered into by the Nebraska Department of Environment and Energy for the Programs during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. The financial statement disclosures are neutral, consistent, and clear.

#### Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatements noted in the tables below were detected as a result of audit procedures and were corrected by management. The amounts shown in the tables represent the change from the original financial statements.

Material misstatements noted for the Clean Water State Revolving Fund program:

Financial Statement Line	Increase (Decrease)
Statement of Net Position	
Current Assets – Loans Receivable	9,265,573
Non-Current Assets – Loans Receivable	(9,265,573)
Statement of Revenues, Expenses, and Changes in Net Position	
Operating Expenses – Small Town Grants	270,258
Statement of Cash Flows	
Cash Flows from Operating Activities	
Payments for Administration	121,872
Payments for Small Town Grants	(270,258)
Cash Flows from Non-Capital Financing Activities	
Grants Received from the EPA	(180,969)
Receipts from Bond Issue	(1,222,000)

Material misstatements noted for the Drinking Water State Revolving Fund program:

Financial Statement Line	Increase (Decrease)
<b>Statement of Net Position</b>	
Current Assets – Cash in State Treasury	3,410,503
Current Assets – Loans Receivable	8,618,203
Non-Current Assets – Loans Receivable	(7,669,934)
Current Liabilities – Bonds Payable	1,500,000
Net Position – Unrestricted	3,164,158
<b>Statement of Revenues, Expenses, and Changes in Net Position</b>	
<b>Operating Expenses</b>	
Administrative Costs from Fees	(129,751)
15% Source Water Assessment Program	423,211
2% Technical Assistance to Small Systems	187,552
10% Public Water Supply System	864,553
<b>Non-Operating Expenses</b>	
Capital Contributions – Federal Grants	1,930,978
Interest on Fund Balance – State OIP	173,163
<b>Statement of Cash Flows</b>	
<b>Cash Flows from Operating Activities</b>	
Payments to Borrowers	184,106
Payments for Administration	(543,016)
Payments for 15% Source Water Assessment Program	(496,135)
Payments for 2% Technical Assistance to Small Systems	(187,552)
Payments for 10% Public Water Supply System	(858,123)
Payments for Loan Forgiveness	(187,914)
<b>Cash Flows from Non-Capital Financing Activities</b>	
Grants Received from the EPA	1,886,384
Receipts from Bond Issue	1,500,000
<b>Cash Flows from Investing Activities – Interest on Investments</b>	
Interest on Investments	173,163
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities</b>	
(Increase)/Decrease in Loans Receivable	(948,269)
Increase/(Decrease) in Payables to Grant Recipients	(187,914)

#### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letters dated April 21, 2022

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Nebraska Department of Environment and Energy Programs’ financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Nebraska Department of Environment and Energy Program’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

This information is intended solely for the information and use of the Nebraska Environmental Quality Council and management of the Nebraska Department of Environment and Energy and is not intended to be, and should not be, used by anyone other than these specified parties. This letter is a matter of public record, and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Avery", with a long, sweeping horizontal stroke extending to the right.

Mark Avery, CPA  
Assistant Deputy Auditor